OIG-23-01
National Credit Union Administration
Share Insurance Fund

Financial Statements as of and for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

NATIONAL CREDIT UNION SHARE INSURANCE FUND

TABLE OF CONTENTS

Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2022, the NCUSIF insures $1.7 trillion in member shares in 4,771 credit unions, which includes 11 corporate credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

II. Performance Goals, Objectives, and Results

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2022 and 2021, the following additional measures should be considered:

[1] The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2022. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

2022 and 2021 Performance Measures		
	December 31, 2022	December 31, 2021
Equity Ratio	1.30%	1.26%
Insured Shares	$1.7 trillion	$1.6 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	6	7
Assets in CAMELS[2] 3, 4 and 5 rated Credit Unions	$77.0 billion	$51.8 billion

Equity Ratio and Normal Operating Level

The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions. The NOL is the Board's target equity level for the NCUSIF. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20% and 1.50%. On December 15, 2022, the Board set the NOL at 1.33%, equal to the previous level of 1.33%.

The NCUSIF pays a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. As of December 31, 2022, the equity ratio was 1.30%, which is below the NOL. Previously, the equity ratio was 1.26% as of December 31, 2021, which was below the established NOL of 1.33%.

Insurance Related Activities

The NCUA identifies credit unions at risk of failure through the supervisory and examination process. Estimated losses are based on economic trends and each credit union's financial condition and operations. The NCUA also evaluates overall credit union trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

For 2022, there were six credit union failures compared to seven failures in 2021. The cost of these failures, or the estimated cost of resolution at the time of liquidation, in 2022 was $9.8 million compared to $5.6 million in 2021.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2022, there were two credit unions operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities in the Balance Sheets.

The credit union industry remained stable during 2022. The aggregate net worth ratio increased during the year ending at 10.75% versus 10.26% at December 31, 2021. Assets in CAMELS 3, 4 and 5 rated credit unions increased to $77.0 billion at the end of 2022 versus $51.8 billion at the end of 2021.

---

[2] The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Risk, and Sensitivity to Market Risk (CAMELS). The NCUA employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes.

III. Financial Statement Analysis

The NCUSIF ended 2022 with a decrease in Total Assets and Net Position, primarily as a result of a decrease in Investment, Net and Receivables from Asset Management Estates, Net. Net Cost of Operations increased to $168.1 million, primarily as a result of an increase in the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	2022	2021	Increase / (Decrease) $	%
Net Position				
Assets:				
Fund Balance with Treasury	25,905	87,055	(61,150)	-70.2%
Investments, Net – U.S. Treasury Securities	20,138,514	20,313,910	(175,396)	-0.9%
Accrued Interest Receivable - Investments	107,945	102,390	5,555	5.4%
Receivables from Asset Management Estates (AMEs), Net	76,463	222,954	(146,491)	-65.7%
Other	14,815	9,039	5,776	63.9%
Total Assets	**$20,363,642**	**$20,735,348**	**($371,706)**	**-1.8%**
Total Liabilities	**$188,208**	**$171,491**	**$16,717**	**9.7%**
Net Position (Assets minus Liabilities)	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**
Net Cost				
Gross Costs:				
Operating Expenses	208,194	199,199	8,995	4.5%
Provision for Insurance Losses	(39,518)	(143,014)	103,496	72.4%
Other Losses	150	32	118	368.8%
Total Gross Costs	**$168,826**	**$56,217**	**$112,609**	**200.3%**
Exchange Revenue	**$685**	**$3,965**	**($3,280)**	**-82.7%**
Total Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations				
Beginning Balances	**$4,780,200**	**$5,132,167**	**($351,967)**	**-6.9%**
Non-Exchange Revenue:				
Interest Revenue - Investments	286,795	236,781	50,014	21.1%
Net Unrealized Gain / (Loss) - Investments	(1,639,856)	(536,496)	(1,103,360)	-205.7%
Total Non-Exchange Revenue	**($1,353,061)**	**($299,715)**	**($1,053,346)**	**-351.4%**
Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations	**$3,258,998**	**$4,780,200**	**($1,521,202)**	**-31.8%**
Contributed Capital	**$16,916,436**	**$15,783,657**	**$1,132,779**	**7.2%**
Net Position	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**

Fiduciary Activity Highlights

The financial results of the NPCU AMEs and Corporate AMEs with the NCUA Guaranteed Notes (NGN) Program Trusts are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard No. 31, *Accounting for Fiduciary Activities,* and are included in the notes to the NCUSIF financial statements.

NGN Program

The NCUA, through the NCUSIF, administered the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. The notes were issued as a series of floating and fixed-rate NGNs with final maturities ranging from 2017 to 2021. In June 2021, the last outstanding note matured and there are no NGN Program contingent liabilities for the NCUSIF related to the Corporate AMEs.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Liquidity Risk and Capital Resources

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight securities as held-to-maturity investments, which are available to meet urgent liquidity needs of the NCUSIF.

2022 and 2021 Fund Balance with Treasury and Investments		
	December 31, 2022	December 31, 2021
Fund Balance with Treasury	$ 25.9 million	$ 87.1 million
U.S. Treasury Securities		
Held to Maturity (Overnights)	1,666.2 million	316.8 million
Available-for-Sale	18,472.3 million	19,997.1 million

During 2022, the NCUSIF's Investments decreased slightly, primarily due to an increase in the Net Unrealized Loss of Available-for-Sale U.S. Treasury Securities, partially offset by capital contributions of $1.1 billion from credit unions.

The NCUSIF has multiple funding sources which include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;

- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

IV. Systems, Controls, and Legal Compliance

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 *et seq*., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the definitions of "equity ratio" and "net worth" in the FCU Act. The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 *et seq*.).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and the *Payment Integrity Information Act of 2019*, Public Law 116-117, requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NCUSIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the financial statements and related notes to the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the NCUSIF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

KPMG

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 25,905	$ 87,055
Investments, Net - U.S. Treasury Securities (Note 3)	20,138,514	20,313,910
Accrued Interest Receivable - Investments (Note 3)	107,945	102,390
Accounts Receivable - Due from the NCUA Operating Fund	1,338	-
Advances and Prepayments (Note 6)	12,259	7,760
Total Intragovernmental Assets	20,285,961	20,511,115
WITH THE PUBLIC		
Advances and Prepayments	1,218	1,279
Receivables from Asset Management Estates (AMEs), Net (Note 4)	76,463	222,954
Total with the Public Assets	77,681	224,233
TOTAL ASSETS	$ 20,363,642	$ 20,735,348
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 6)	19	4,918
Total Intragovernmental Liabilities	19	4,918
WITH THE PUBLIC		
Accounts Payable	2,385	3,400
Insurance and Guarantee Program Liabilities (Note 5)	185,228	161,958
Other Liabilities	576	1,215
Total with the Public Liabilities	188,189	166,573
TOTAL LIABILITIES	188,208	171,491
Commitments and Contingencies (Note 5)		
NET POSITION		
Cumulative Results of Operations	3,258,998	4,780,200
Contributed Capital (Note 9)	16,916,436	15,783,657
Total Net Position	20,175,434	20,563,857
TOTAL LIABILITIES AND NET POSITION	$ 20,363,642	$ 20,735,348

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
GROSS COSTS		
Operating Expenses	$ 208,194	$ 199,199
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 5)	33,568	2,422
AME Receivable Bad Debt Expense (Reduction) (Note 4)	(73,086)	(145,436)
Total Provision for Insurance Losses	(39,518)	(143,014)
Other Losses	150	32
Total Gross Costs	168,826	56,217
LESS EXCHANGE REVENUES		
Guarantee Fee Revenue - NGNs	-	(625)
Other Revenue	(685)	(3,340)
Total Exchange Revenues	(685)	(3,965)
TOTAL NET COST / (INCOME) OF OPERATIONS	$ 168,141	$ 52,252

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 4,780,200	$ 5,132,167
Non-Exchange Revenue		
Interest Revenue - Investments	286,795	236,781
Net Unrealized Gain / (Loss) - Investments (Note 3)	(1,639,856)	(536,496)
Net Income / (Cost) of Operations	(168,141)	(52,252)
Change in Cumulative Results of Operations	(1,521,202)	(351,967)
CUMULATIVE RESULTS OF OPERATIONS	3,258,998	4,780,200
CONTRIBUTED CAPITAL (Note 9)		
Beginning Balances	15,783,657	13,810,674
Change in Contributed Capital	1,132,779	1,972,983
CONTRIBUTED CAPITAL	16,916,436	15,783,657
NET POSITION	$ 20,175,434	$ 20,563,857

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
BUDGETARY RESOURCES (Notes 7, 8 and 11)		
Unobligated balance from prior year budget authority, net (mandatory)	$ 19,677,064	$ 17,305,571
Spending authority from offsetting collections (mandatory)	3,067,459	4,303,939
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 1,503,824	$ 1,932,446
Unobligated balance, end of year:		
Exempt from apportionment	21,240,699	19,677,064
Unobligated balance, end of year (total)	21,240,699	19,677,064
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
OUTLAYS, NET		
Outlays, net (total) (mandatory)	$ (1,558,896)	$ (2,368,322)
AGENCY OUTLAYS, NET (MANDATORY)	$ (1,558,896)	$ (2,368,322)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in federally insured state chartered credit unions.

The NCUA exercises direct supervisory authority over FCUs and coordinates supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to the NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF, pursuant to the FCU Act, may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit, cash assistance in the form of a subordinated note, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

Sources of Funding

Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain 1.00% of its insured shares in the NCUSIF. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Accounting Principles

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* revised June 3, 2022.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board,* the NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between accrual and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 11. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation,* the Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments, Net

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. All marketable securities are carried as available-for-sale in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. All non-marketable U.S. Treasury overnight securities are purchased and reported at par value, which are classified as held-to-maturity.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

All U.S. Treasury securities that are in an unrealized loss position are reviewed for other-than-temporary impairment (OTTI). The NCUSIF evaluates its U.S. Treasury securities on a monthly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is an OTTI, the NCUA takes into consideration whether it has the intent to sell the security. The NCUA also considers available evidence to assess whether it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If the NCUA either intends to sell or more likely than not, will be required to sell the security before recovery of its amortized cost basis, an OTTI shall be considered to have occurred.

Premiums and discounts are amortized over the life of the related available-for-sale security as an adjustment to yield using the effective interest method.

Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

Accounts Receivable

Accounts receivable represents the NCUSIF’s claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Accounts receivable with the public represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

Capitalization Deposits from Insured Credit Unions
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2022 and 2021.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for accounts receivable. A permanent reduction of an account may occur if it is probable that the NCUSIF will not collect all amounts contractually due.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment, Net consists of internal-use software and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*.

General property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software. Internal use software has a useful life of three years per the NCUA capitalization policy.

General Property, Plant, and Equipment, Net consists of fully depreciated internal-use software with a cost of $2.0 million as of December 31, 2022 and 2021.

Receivables from Asset Management Estates, Net

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Insurance and Guarantee Program Liabilities

NCUA's activities related to insured credit unions are considered by SFFAS No. 51, *Insurance Programs*, as an exchange transaction insurance program, and NCUSIF discloses and reports the insurance program accordingly. Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of insurance programs as well as premium pricing policies, the nature and magnitude of estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 7. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 9. The remaining information required to be disclosed is discussed further in Note 5.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term "Claim expenses", which will remain "Reserve expense". Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of "Reserve expense" in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 5.

The NCUSIF records a liability for probable losses relating to insured credit unions. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

Other Liabilities

Other Liabilities includes payroll and other accrued liabilities.

Net Position and Contributed Capital

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandates that the amount of each insured credit union's deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF's Balance Sheets and Statements of Changes in Net Position.

The CUMAA mandates that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of premium assessments, and guarantee fee income, is used to recover the losses of the credit union system.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs.

Premium Assessments from Insured Credit Unions
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally

enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue when invoiced. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the NCUSIF recognizes interest revenue on investments in U.S. Treasury securities as non-exchange revenue because the main source of funds for investments comes from capital deposits. The related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue.

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

Receiverships
An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) NPCUs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 10.

Conservatorships
The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. As of December 31, 2022, there are two credit unions operating under NCUA's conservatorship. The NCUA lists credit union(s) currently under conservatorship on its website.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 21,240,699	$ 19,677,064
Obligated Balance Not Yet Disbursed	42,902	40,748
Non-Budgetary Investment Accounts	(21,148,413)	(19,528,367)
Non-Budgetary FBWT Accounts	(109,283)	(102,390)
Total	$ 25,905	$ 87,055

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund’s investment policy guidelines.

As of December 31, 2022 and 2021, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF’s general ledger.

3. INVESTMENTS

The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2022 and 2021, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain/(Loss)	Carrying/Fair Value
As of December 31, 2022:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,499,539	$ (361,971)	$ 107,762	$ 19,650,029	$ (1,665,274)	$ 18,472,294
Held to Maturity	1,666,220	-	183	1,666,220	-	1,666,220
Total	$ 22,165,759	$ (361,971)	$ 107,945	$ 21,316,249	$ (1,665,274)	$ 20,138,514
As of December 31, 2021:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,222,975	$ (200,424)	$ 102,390	$ 19,249,684	$ (25,418)	$ 19,997,133
Held to Maturity	316,777	-	-	316,777	-	316,777
Total	$ 20,539,752	$ (200,424)	$ 102,390	$ 19,566,461	$ (25,418)	$ 20,313,910

Maturities of U.S. Treasury securities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022 Fair Value	2021 Fair Value
Held to Maturity (Overnights)	$ 1,666,220	$ 316,777
Available-for-Sale:		
Due in one year or less	2,766,197	2,466,653
Due after one year through five years	10,534,222	11,524,479
Due after five years through ten years	5,171,875	6,006,001
Total	$ 20,138,514	$ 20,313,910

For the years ended December 31, 2022 and 2021, there were no realized gains or losses from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, for which an OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2022 and 2021 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2022:						
Available-for-Sale:						
U.S. Treasury Securities	$ (626,149)	$ 10,021,016	$ (1,039,125)	$ 8,451,278	$ (1,665,274)	$ 18,472,294
As of December 31, 2021:						
Available-for-Sale:						
U.S. Treasury Securities	$ (128,886)	$ 8,323,726	$ (68,418)	$ 1,616,110	$ (197,304)	$ 9,939,836

4. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed NPCU AMEs and Corporate AMEs. The components of the Receivables from AMEs, Net as of December 31, 2022 and 2021 were as follows (in thousands):

	2022			2021		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivables from AMEs	$ 1,398,849	$ 2,452,095	$ 3,850,944	$ 1,400,946	$ 2,659,917	$ 4,060,863
Allowance for Loss, beginning balance	1,399,557	2,438,352	3,837,909	1,393,663	2,573,462	3,967,125
AME Receivable Bad Debt Expense (Reduction)	(15,030)	(58,056)	(73,086)	(10,326)	(135,110)	(145,436)
Increase / (Decrease) in Allowance	9,658	-	9,658	16,220	-	16,220
Allowance for Loss, ending balance	1,394,185	2,380,296	3,774,481	1,399,557	2,438,352	3,837,909
Receivables from AMEs, Net	$ 4,664	$ 71,799	$ 76,463	$ 1,389	$ 221,565	$ 222,954

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents overall increases in expected asset recovery rates and related repayments. The Increase/(Decrease) in Allowance primarily represents the net loss (gain) on payments made during liquidation.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expected recovery value of the Corporate AMEs' assets, as further discussed in Note 10.

5. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, **L**iquidity Risk, and **S**ensitivity to Market Risk (CAMELS). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMELS ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMELS ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $185.2 million and $162.0 million as of December 31, 2022 and 2021, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2022	2021
Beginning balance	$ 161,958	$ 177,300
Reserve expense (reduction)	33,568	2,422
Payments to settle claims	(14,738)	(17,447)
Recoveries and other adjustments	4,440	(317)
Ending balance	$ 185,228	$ 161,958

The Insurance and Guarantee Program Liabilities at December 31, 2022 and 2021 were comprised of the following:

- Specific reserves were $7.7 million and $6.6 million, respectively.
- General reserves were $177.5 million and $155.4 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2022 or as of December 31, 2022. There were no guarantees outstanding during 2021 or as of December 31, 2021.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2022 and 2021 were approximately $1.0 million and $0.0, respectively. There were no borrowings by insured credit unions from the third-party lenders under these line-of-credit guarantees as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the NCUSIF reserved $37.5 thousand and $0.0, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2022 and 2021.

In addition to these recognized contingent liabilities, adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and could differ significantly from these estimates.

6. TRANSACTIONS WITH THE NCUA OPERATING FUND

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2022 and 2021, the allocation to the NCUSIF was 62.7% and 62.3% of the NCUA Operating Fund’s expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled $205.0 million and $194.2 million for the years ended December 31, 2022 and 2021, respectively, is reflected as an expense in the Statements of Net Cost. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	2022	2021
Employee Salaries	$ 105,083	$ 103,432
Employee Benefits	45,159	43,302
Employee Travel	3,592	685
Rent, Communications, and Utilities	2,830	3,684
Contracted Services	39,720	33,676
Depreciation and Amortization	5,985	5,962
Administrative Costs	2,581	3,494
Total Services Provided by the NCUA Operating Fund	$ 204,950	$ 194,235

As of December 31, 2022 and 2021, amounts due to the NCUA Operating Fund for allocated expenses were $19.0 thousand and $4.9 million, respectively.

As of December 31, 2022 and 2021, advances and prepayments with the NCUA Operating Fund for overhead were $12.3 million and $7.8 million, respectively.

7. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2022 and 2021, was $6.0 billion and $6.0 billion, respectively.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority, which was $17.2 billion and $35.7 billion as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $25.0 billion and $30.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2023. The NCUSIF did not exercise its borrowing authority in 2022 or 2021.

8. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2022 and 2021. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2022 and 2021, the NCUSIF's resources in budgetary accounts were $22.7 billion and $21.6 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF had $40.0 million and $31.4 million in unpaid undelivered orders, and $13.5 million and $9.0 million in paid undelivered orders, as of December 31, 2022 and 2021, respectively. Refer to Note 6 for more information on transactions with the NCUA Operating Fund. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2022 and 2021 are as follows (in thousands):

	2022		2021	
Undelivered Orders	Paid	Unpaid	Paid	Unpaid
Federal	$ 12,259	$ 38,034	$ 7,760	$ 29,803
Non-federal	1,218	1,922	1,279	1,548
Total Undelivered Orders	$ 13,477	$ 39,956	$ 9,039	$ 31,351

Budgetary resources listed on the NCUSIF's financial statements and the budgetary resources found in the budget of the federal government differ because the NCUSIF's annual financial statements are prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

9. CONTRIBUTED CAPITAL

As of December 31, 2022 and 2021, contributed capital owed to the NCUSIF totaled $0.0. Contributed capital due to insured credit unions was $0.0 as of December 31, 2022 and 2021.

On December 15, 2022, the Board set the NOL at 1.33%, which is equal to the previous NOL of 1.33% set on December 16, 2021.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio was 1.30% as of December 31, 2022. This equity ratio was based on insured shares of $1.7 trillion as of December 31, 2022, and is below the normal operating level of 1.33%.

As of December 31, 2021, the NCUSIF equity ratio of 1.26% was below the normal operating level of 1.33%. Therefore, the NCUSIF did not estimate or record a distribution in 2022.

Total contributed capital as of December 31, 2022 and 2021 was $16.9 billion and $15.8 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2022 and 2021 was 1.19% and 1.24%, based on total insured shares as of December 31, 2022 and 2021 of $1.7 trillion and $1.6 trillion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities, for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

10. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	2022	2021
Fiduciary Net Liabilities, beginning of year	$ (1,408,324)	$ (1,415,663)
Net Realized Losses upon Liquidation	(9,586)	(4,781)
Revenues		
Interest on Loans	214	209
Other Fiduciary Revenues	615	2,425
Expenses		
Professional & Outside Services Expenses	(1,117)	(2,069)
Compensation and Benefits	(460)	(345)
Other Expenses	(1,698)	(626)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain / (Loss) on Loans	(2,197)	391
Net Gain / (Loss) on Real Estate Owned	-	(13)
Other, Net Gain / (Loss)	19,604	12,148
(Increase) / Decrease in Fiduciary Net Liabilities	5,375	7,339
Fiduciary Net Liabilities, end of year	**$ (1,402,949)**	**$ (1,408,324)**

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	**2022**	**2021**
Fiduciary Assets		
Loans	$ 8,813	$ 6,015
Other Fiduciary Assets	1,446	1,907
Total Fiduciary Assets	10,259	7,922
Fiduciary Liabilities		
Insured Shares	2,690	1,732
Accrued Liquidation Expenses	8,640	9,887
Unsecured Claims	1,426	3,188
Uninsured Shares	1,603	493
Due to the NCUSIF (Note 4)	1,398,849	1,400,946
Total Fiduciary Liabilities	1,413,208	1,416,246
Total Fiduciary Net Assets / (Liabilities)	**$ (1,402,949)**	**$ (1,408,324)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2022 and 2021, gross receivables related to criminal restitution orders were $218.8 million and $251.4 million, of which we determined $101.2 thousand and $17.6 thousand were collectible, respectively.

(b) Corporate AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	**For the Year Ended December 31, 2022**			
	AMEs	**NGN Trusts**	**Eliminations**	**Total**
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514
Revenues				
Income from AMEs on Re-Securitized Assets	-	-	-	-
Income from Investment Securities	(10,224)	-	-	(10,224)
Settlements and Legal Claims	(48,323)	-	-	(48,323)
Other Fiduciary Revenues	(3,350)	-	-	(3,350)
Expenses				
Professional and Outside Services Expenses	12,359	-	-	12,359
Interest Expense on Borrowings and NGNs	-	-	-	-
Payments to NGN Trusts	-	-	-	-
Guarantee Fees	-	-	-	-
Other Expenses	292,370	-	-	292,370
Net Change in Recovery Value of Assets and Liabilities	617,336	- -	-	617,336
Increase / (Decrease) in Fiduciary Net Liabilities	860,168	-	-	860,168
Fiduciary Net Liabilities, December 31, 2022	$ 2,083,682	$ -	$ -	$ 2,083,682

Schedule of Fiduciary Activity	For the Year Ended December 31, 2021			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2020	$ 247,934	$ -	$ -	$ 247,934
Revenues				
Income from AMEs on Re-Securitized Assets	-	(6,511)	6,511	-
Income from Investment Securities	(22,655)	-	-	(22,655)
Settlements and Legal Claims	(80,707)	-	-	(80,707)
Other Fiduciary Revenues	(6,414)	-	-	(6,414)
Expenses				
Professional and Outside Services Expenses	18,573	-	-	18,573
Interest Expense on Borrowings and NGNs	3,037	5,886	-	8,923
Payments to NGN Trusts	6,511	-	(6,511)	-
Guarantee Fees	-	625	-	625
Other Expenses	550	-	-	550
Net Change in Recovery Value of Assets and Liabilities	1,056,685	-	-	1,056,685
Increase / (Decrease) in Fiduciary Net Liabilities	975,580	-	-	975,580
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514

For the year ended December 31, 2022, the Corporate AMEs' Fiduciary Net Liabilities increased by $860.2 million mainly due to interim capital distributions to capital account holders, partially offset by gains on sales of legacy assets and legal settlements. The increase represents a loss to the AME claimants.

For the year ended December 31, 2021, the Corporate AMEs' Fiduciary Net Liabilities increased by $975.6 million mainly due to interim capital distributions to capital account holders, partially offset by gains on security sales and legal settlements. The increase represents a loss to the AME claimants.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs.

Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

	AMEs	
Schedule of Fiduciary Net Assets / Liabilities	**2022**	**2021**
Fiduciary Assets		
Cash and Cash Equivalents	$ 209,243	$ 608,416
Legacy Assets	196,215	861,823
Other Fiduciary Assets	-	19
Total Fiduciary Assets	405,458	1,470,258
Fiduciary Liabilities		
Accrued Expenses	37,002	33,812
Unsecured Claims and Payables	43	43
Due to the NCUSIF (Note 4)	2,452,095	2,659,917
Total Fiduciary Liabilities	2,489,140	2,693,772
Total Fiduciary Net Assets / (Liabilities)	$ (2,083,682)	$ (1,223,514)

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the Corporate AMEs outstanding at December 31, 2022 and 2021. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein. During 2021, the remaining two NGN Trusts matured.

11. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays for 2022 and 2021 is shown below (in thousands):

	2022		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 204,950	$ (36,809)	$ 168,141
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(33,568)	(33,568)
AME Receivable Bad Debt Expense (Reduction)	-	73,086	73,086
Depreciation Expense	-	-	-
Increase / (decrease) in assets:			
Accounts Receivable	1,338	-	1,338
Other Assets	4,499	(61)	4,438
(Increase) / decrease in liabilities:			
Accounts Payable	4,899	1,015	5,914
Other Liabilities	-	639	639
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	10,736	41,111	51,847
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	(209,919)	(209,919)
Interest Revenue - Investments	(281,240)	-	(281,240)
Change in Contributed Capital	-	(1,132,779)	(1,132,779)
Other Adjustments that do not affect Net Cost of Operations	(155,587)	641	(154,946)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(436,827)	(1,342,057)	(1,778,884)
Net Outlays	$ (221,141)	$ (1,337,755)	$ (1,558,896)

Reconciliation of Net Cost of Operations to Net Outlays	2021 Intra-governmental	2021 With the public	2021 Total
Net Cost of / (Income from) Operations	$ 194,235	$ (141,983)	$ 52,252
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(2,422)	(2,422)
AME Receivable Bad Debt Expense (Reduction)	-	145,436	145,436
Depreciation Expense	-	(54)	(54)
Increase / (decrease) in assets:			
Accounts Receivable	-	(79)	(79)
Other Assets	7,760	261	8,021
(Increase) / decrease in liabilities:			
Accounts Payable	(1,656)	952	(704)
Other Liabilities	-	(27)	(27)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	6,104	144,067	150,171
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	(668,078)	(668,078)
Interest Revenue - Investments	(218,875)	-	(218,875)
Change in Contributed Capital	-	(1,972,983)	(1,972,983)
Other Adjustments that do not affect Net Cost of Operations	287,645	1,546	289,191
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	68,770	(2,639,515)	(2,570,745)
Net Outlays	$ 269,109	$ (2,637,431)	$ (2,368,322)

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.