

# **OPERATING FUND**



## **PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS**

**August 31, 2022**

A handwritten signature in black ink, appearing to read "Eugene H. Schied", is positioned above the name of the Chief Financial Officer.

**EUGENE H. SCHIED  
CHIEF FINANCIAL OFFICER**

# NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

## MANAGEMENT OVERVIEW AUGUST 31, 2022

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### **Balance Sheets**

Cash and cash equivalents had a month-end balance of approximately \$168.4 million. The balance decreased by \$5.6 million for the month primarily due to cash disbursements for operating expenses and capital expenditures. The cash position is considered sufficient to cover current and future budgetary obligations of the Fund through April 2023, at which time the Fund will collect the 2023 operating fees from its credit union members.

Amount due from National Credit Union Share Insurance Fund of \$19.3 thousand represents the receivable for expenses paid by the Operating Fund.

Other accounts receivable, net had a month-end balance of \$209.0 thousand. Its balance increased by \$67.9 thousand from the prior month.

Accounts payable are trade, relocation and inter-agency payables. The balance decreased by \$314.0 thousand 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 \$579.6 thousand for the month. Operating fee revenue reflects one-twelfth of the 2022 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 decreased \$5.6 million from prior month. In the current month, \$5.2 million was used in operating activities, \$468.9 thousand was used in investing activities, and there were no financing activities.

### **Other Information**

The NCUA had 57 vacancies as of month-end, which represents 4.7 percent of the total authorized staff of 1,201. Of the 57 vacancies, there were 0 vacancies in the central office and 57 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 August 31, 2022 and 2021**

**(Dollars in thousands)**

|   | <b>August 2022</b> | <b>August 2021</b> |
|---|--------------------|--------------------|
| <b>ASSETS</b>                                       |                    |                    |
| Cash and cash equivalents                           | \$ 168,366         | \$ 169,011         |
| Due from National Credit Union Share Insurance Fund | 19                 | 99                 |
| Employee advances                                   | -                  | 15                 |
| Other accounts receivable, net                      | 209                | 170                |
| Prepaid expenses and other assets                   | 7,744              | 7,129              |
| Operating lease right-of-use assets <sup>4</sup>    | 512                | -                  |
| Fixed assets <sup>1</sup>                           | 33,317             | 26,344             |
| Intangible assets <sup>2</sup>                      | 28,446             | 32,078             |
| <b>TOTAL ASSETS</b>                                 | <b>\$ 238,613</b>  | <b>\$ 234,846</b>  |
| <b>LIABILITIES AND FUND BALANCE</b>                 |                    |                    |
| <b>LIABILITIES</b>                                  |                    |                    |
| Accounts payable and accrued other liabilities      | \$ 25,243          | \$ 12,859          |
| Finance lease liabilities                           | 19                 | 65                 |
| Operating lease liabilities <sup>4</sup>            | 537                | -                  |
| Accrued wages and benefits                          | 11,654             | 10,483             |
| Accrued FECA and unemployment benefits              | 274                | 311                |
| Accrued actuarial FECA benefits                     | 3,999              | 4,381              |
| Deferred revenue <sup>3</sup>                       | 36,527             | 41,417             |
| Accrued annual leave                                | 23,770             | 25,307             |
| <b>TOTAL LIABILITIES</b>                            | <b>102,023</b>     | <b>94,823</b>      |
| <b>FUND BALANCE</b>                                 | <b>136,590</b>     | <b>140,023</b>     |
| <b>TOTAL LIABILITIES AND FUND BALANCE</b>           | <b>\$ 238,613</b>  | <b>\$ 234,846</b>  |

<sup>1</sup> Net of accumulated depreciation of \$39,415 and \$40,940 as of August 31, 2022 and 2021, respectively.

<sup>2</sup> Net of accumulated amortization of \$28,532 and \$27,665 as of August 31, 2022 and 2021, respectively.

<sup>3</sup> 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.

<sup>4</sup> 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 August 31, 2022 and 2021**

**(Dollars in thousands)**

|   | <b>August 2022</b> | <b>Year-to-Date<br/>August 2022</b> | <b>Year-to-Date<br/>August 2021</b> |
|---|--------------------|-------------------------------------|-------------------------------------|
| <b>REVENUES</b>                                   |                    |                                     |                                     |
| Operating fees                                    | \$ 9,132           | \$ 73,055                           | \$ 82,835                           |
| Interest  | 307                | 861                                 | 31                                  |
| Other   | 32                 | 280                                 | 277                                 |
| Total Revenues                                    | 9,471              | 74,196                              | 83,143                              |
| <br>  |                    |                                     |                                     |
| <b>EXPENSES, NET<sup>1</sup></b>                  |                    |                                     |                                     |
| Employee wages and benefits                       | 7,785              | 61,010                              | 61,153                              |
| Travel  | 247                | 892                                 | 154                                 |
| Rent, communications, and utilities               | 162                | 1,019                               | 1,592                               |
| Contracted services                               | 1,507              | 14,753                              | 12,848                              |
| Depreciation and amortization                     | 305                | 2,460                               | 2,371                               |
| Administrative                                    | 45                 | 1,041                               | 1,296                               |
| Total Expenses, Net                               | 10,051             | 81,175                              | 79,414                              |
| <br>  |                    |                                     |                                     |
| <b>EXCESS OF REVENUES (UNDER) / OVER EXPENSES</b> | (580)              | (6,979)                             | 3,729                               |
| <br>  |                    |                                     |                                     |
| <b>FUND BALANCE—Beginning of period</b>           | 137,170            | 143,569                             | 136,294                             |
| <br>  |                    |                                     |                                     |
| <b>FUND BALANCE—End of period</b>                 | \$ 136,590         | \$ 136,590                          | \$ 140,023                          |

<sup>1</sup> 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 August 31, 2022 and 2021  
(Dollars in thousands)**

|   | <u>August 2022</u> | <u>Year-to-Date<br/>August 2022</u> | <u>Year-to-Date<br/>August 2021</u> |
|---|--------------------|-------------------------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                                     |                                     |
| Excess of revenues over (under) expenses  | \$ (580)           | \$ (6,979)                          | \$ 3,729                            |
| Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities: |                    |                                     |                                     |
| Depreciation and amortization   | 803                | 6,488                               | 6,252                               |
| Noncash operating lease expense <sup>1</sup>  | -                  | 203                                 | -                                   |
| (Increase) decrease in assets:  |                    |                                     |                                     |
| Due from National Credit Union Share Insurance Fund   | -                  | 4,898                               | 3,163                               |
| Employee advances   | -                  | 5                                   | 1                                   |
| Other accounts receivable, net  | (68)               | 90                                  | 145                                 |
| Prepaid expenses and other assets   | (526)              | (3,854)                             | (3,095)                             |
| (Decrease) increase in liabilities:   |                    |                                     |                                     |
| Accounts payable  | (314)              | 7,975                               | 4,770                               |
| Operating lease liabilities <sup>1</sup>  | -                  | (208)                               | -                                   |
| Accrued wages and benefits  | 4,649              | (690)                               | (106)                               |
| Accrued FECA and unemployment benefits  | -                  | 98                                  | 157                                 |
| Deferred revenue  | (9,132)            | 36,527                              | 41,417                              |
| Accrued annual leave  | -                  | 1,621                               | 2,969                               |
| Accrued employee travel   | -                  | (93)                                | (82)                                |
| Net Cash Provided by/(Used in) Operating Activities   | <u>(5,168)</u>     | <u>46,081</u>                       | <u>59,320</u>                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                                     |                                     |
| Purchases of fixed and intangible assets  | <u>(469)</u>       | <u>(7,323)</u>                      | <u>(1,672)</u>                      |
| Net Cash Provided by/(Used in) Investing Activities   | <u>(469)</u>       | <u>(7,323)</u>                      | <u>(1,672)</u>                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                    |                                     |                                     |
| Principal payments under finance lease liabilities  | <u>-</u>           | <u>(7)</u>                          | <u>(24)</u>                         |
| Net Cash Provided by/(Used in) Financing Activities   | <u>-</u>           | <u>(7)</u>                          | <u>(24)</u>                         |
| <b>NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | (5,637)            | 38,751                              | 57,624                              |
| <b>CASH AND CASH EQUIVALENTS—Beginning of period</b>  | <u>174,003</u>     | <u>129,615</u>                      | <u>111,387</u>                      |
| <b>CASH AND CASH EQUIVALENTS—End of period</b>  | <u>\$ 168,366</u>  | <u>\$ 168,366</u>                   | <u>\$ 169,011</u>                   |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>  |                    |                                     |                                     |
| Recognition of operating lease right-of-use assets  | <u>\$ -</u>        | <u>\$ 715</u>                       | <u>\$ -</u>                         |
| Retirement of fully depreciated assets  | <u>\$ -</u>        | <u>\$ 8,475</u>                     | <u>\$ 425</u>                       |
| Acquisition of equipment under finance lease  | <u>\$ -</u>        | <u>\$ -</u>                         | <u>\$ -</u>                         |

<sup>1</sup> 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.