

# **OPERATING FUND**



## **PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS**

**August 31, 2016**

A handwritten signature in blue ink, appearing to read "Rendell L. Jones", with a long horizontal flourish extending to the right.

**RENDELL L. JONES  
CHIEF FINANCIAL OFFICER**

**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**MANAGEMENT OVERVIEW  
August 31, 2016**

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**Balance Sheet**

Cash and cash equivalents had a month-end balance of approximately \$73.2 million. Its balance decreased \$8.6 million for the month primarily reflecting operating expenses. The cash position is considered sufficient to cover current and future obligations of the Fund.

Other accounts receivable had a month-end balance of approximately \$344 thousand. Its balance increased by \$70 thousand. The increase for the month was primarily due to the August receivables from the Temporary Corporate Credit Union Stabilization Fund and Central Liquidity Facility for each fund's administrative expenses paid by the Operating Fund.

Prepaid expenses and other assets had a month-end balance of approximately \$2.7 million. Its balance increased by \$407 thousand. The increase for the month was primarily due to prepaid annual ERP system operating and maintenance costs and prepaid support services.

Accrued wages and benefits had a month-end balance of approximately \$8.8 million. Its balance increased by \$2.3 million. The increase for the month was due to month-end additional days accrued due to timing of pay periods.

Accounts payable had a month-end balance of approximately \$17.2 million. Its balance includes trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$27 million. Its balance decreased by approximately \$7 million for the month. This decrease was due to the recognition of deferred operating fees for the month.

**Statements of Revenues, Expenses, and Changes in Fund Balance**

Net income for the month was \$455 thousand and net income year-to-date was approximately \$6.5 million. Interest income on overnight investments has averaged 0.30% year-to-date, versus 0.03% during the same period last year.

**Statements of Cash Flow**

The cash position decreased approximately \$8.6 million since last month. In the current month approximately \$8.3 million was provided by operating activities. Approximately \$127 thousand was invested in new capital assets. Approximately \$112 thousand in cash was used to repay the National Credit Union Share Insurance Fund note payable on the King Street Station Building, which has a balance of \$9.5 million on the balance sheet.

**Budget (Year-to-Date)**

Agency expenses was under the year-to-date budget by \$14.4 million or 7.4%, compared to being under the year-to-date budget by approximately \$12.8 million or 7.0% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$3,270 thousand or 2.3%. Travel cost were under budget by \$2.6 million or 13.5%. Contract services cost was under budget by \$4.3 million or 22.9%. The remaining expense categories combined were under budget by \$4.1 million or 27.7%. The budget-to-actual differences year-to-date are under the prior year differences in both amount and percentage.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$20,770 this year, which is \$3 less than last year.

The Agency had 34 vacancies as of this month -- down 1 from the prior month. Of the 34 vacancies, 4 were in the central office and 30 were in the regions and AMAC. The 34 vacancies represent 2.7% percent of total authorized staff of 1,247.

**NATIONAL CREDIT UNION ADMINISTRATION**  
**OPERATING FUND**  
**BALANCE SHEETS**  
**As of August 31, 2016 and 2015**  
**(Dollars in thousands)**

|                                                                                  | <b>August 2016</b>    | <b>August 2015</b>    |
|----------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                                                    |                       |                       |
| Cash and cash equivalents                                                        | \$ 73,199             | \$ 65,310             |
| Due from National Credit Union Share Insurance Fund                              | 59                    | -                     |
| Employee advances                                                                | 10                    | 29                    |
| Other accounts receivable, Net                                                   | 344                   | 563                   |
| Prepaid expenses and other assets                                                | 2,660                 | 2,457                 |
| Assets held for sale                                                             | 150                   | 207                   |
| Fixed assets - Net of accum. depreciation of \$33,684 as of August 31, 2016      | 30,210                | 31,962                |
| Intangible assets - Net of accum. amortization of \$16,898 as of August 31, 2016 | 3,187                 | 2,303                 |
| <b>TOTAL ASSETS</b>                                                              | <b>\$ 109,819</b>     | <b>\$ 102,831</b>     |
| <br><b>LIABILITIES</b>                                                           |                       |                       |
| Accounts payable                                                                 | \$ 1,953              | \$ 2,887              |
| Obligations under capital leases                                                 | 1,147                 | 1,894                 |
| Accrued wages and benefits                                                       | 8,752                 | 7,081                 |
| Deferred revenue <sup>1</sup>                                                    | 26,978                | 26,219                |
| Accrued annual leave                                                             | 17,243                | 15,469                |
| Accrued employee travel                                                          | -                     | -                     |
| Note payable to National Credit Union Share Insurance Fund                       | 9,498                 | 10,839                |
| <b>TOTAL LIABILITIES</b>                                                         | <b>65,571</b>         | <b>64,389</b>         |
| <br><b>FUND BALANCE</b>                                                          | <br><b>44,248</b>     | <br><b>38,442</b>     |
| <br><b>TOTAL LIABILITIES AND FUND BALANCE</b>                                    | <br><b>\$ 109,819</b> | <br><b>\$ 102,831</b> |

<sup>1</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.

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, 2016 and August 31, 2015**  
**(Dollars in thousands)**

|                                                   | <b>August 2016</b> | <b>Year-to-Date<br/>August 2016</b> | <b>Year-to-Date<br/>August 2015</b> |
|---------------------------------------------------|--------------------|-------------------------------------|-------------------------------------|
| <b>REVENUES</b>                                   |                    |                                     |                                     |
| Operating fees                                    | \$ 6,745           | \$ 53,956                           | \$ 52,565                           |
| Interest                                          | 19                 | 114                                 | 9                                   |
| Other                                             | 111                | 689                                 | 753                                 |
| Total Revenues                                    | 6,875              | 54,759                              | 53,327                              |
| <b>EXPENSES, NET<sup>1</sup></b>                  |                    |                                     |                                     |
| Employee wages and benefits, net                  | 4,818              | 36,947                              | 36,677                              |
| Travel                                            | 688                | 4,517                               | 4,799                               |
| Rent, communications, and utilities               | 116                | 792                                 | 750                                 |
| Contracted services                               | 571                | 3,941                               | 3,754                               |
| Depreciation and amortization                     | 105                | 867                                 | 1,066                               |
| Administrative                                    | 122                | 1,242                               | 1,267                               |
| Total Expenses                                    | 6,420              | 48,306                              | 48,313                              |
| <b>EXCESS OF REVENUES OVER / (UNDER) EXPENSES</b> | 455                | 6,453                               | 5,014                               |
| <b>FUND BALANCE—Beginning of period</b>           | 43,793             | 37,795                              | 33,428                              |
| <b>FUND BALANCE—End of period</b>                 | \$ 44,248          | \$ 44,248                           | \$ 38,442                           |

<sup>1</sup>Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate set by the NCUA Board of 73.1% and 71.8% for 2016 and 2015, respectively.

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, 2016 and August 31, 2015**  
**(Dollars in thousands)**

|                                                                                                         | <u>August 2016</u> | <u>Year-to-Date<br/>August 2016</u> | <u>Year-to-Date<br/>August 2015</u> |
|---------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                            |                    |                                     |                                     |
| Excess of revenues over expenses                                                                        | \$ 455             | \$ 6,453                            | \$ 5,014                            |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: |                    |                                     |                                     |
| Depreciation and amortization                                                                           | 391                | 3,225                               | 3,775                               |
| Provision for loss on disposal of employee residences held for sale                                     | -                  | 16                                  | 47                                  |
| (Gain) loss on fixed asset retirements                                                                  | -                  | -                                   | 12                                  |
| (Increase) decrease in assets:                                                                          |                    |                                     |                                     |
| Due from National Credit Union Share Insurance Fund                                                     | (47)               | 3,885                               | 3,509                               |
| Employee advances                                                                                       | (3)                | 28                                  | 33                                  |
| Other accounts receivable                                                                               | (69)               | (12)                                | (241)                               |
| Prepaid expenses and other assets                                                                       | (407)              | (928)                               | (312)                               |
| (Decrease) increase in liabilities:                                                                     |                    |                                     |                                     |
| Accounts payable                                                                                        | (4,232)            | (3,691)                             | (3,711)                             |
| Accrued wages and benefits                                                                              | 2,329              | 1,576                               | (5,792)                             |
| Deferred revenue                                                                                        | (6,744)            | 26,978                              | 26,219                              |
| Accrued annual leave                                                                                    | -                  | -                                   | -                                   |
| Accrued employee travel                                                                                 | -                  | (646)                               | (491)                               |
| Net cash (used) or provided by operating activities                                                     | <u>(8,327)</u>     | <u>36,884</u>                       | <u>28,062</u>                       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                            |                    |                                     |                                     |
| Purchases of fixed and intangible assets                                                                | (127)              | (3,162)                             | (2,838)                             |
| Proceeds from insurance on fixed assets                                                                 | -                  | -                                   | -                                   |
| Purchases of employee residences held for sale                                                          | -                  | -                                   | (207)                               |
| Proceeds from sale of employee residences held for sale                                                 | -                  | 211                                 | 596                                 |
| Net cash used by investing activities                                                                   | <u>(127)</u>       | <u>(2,951)</u>                      | <u>(2,449)</u>                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                            |                    |                                     |                                     |
| Repayments of note payable to National Credit Union Share Insurance Fund                                | (112)              | (894)                               | (894)                               |
| Principal payments under capital lease obligations                                                      | -                  | (368)                               | (349)                               |
| Net cash used by financing activities                                                                   | <u>(112)</u>       | <u>(1,262)</u>                      | <u>(1,243)</u>                      |
| <b>NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS</b>                                          | <u>(8,566)</u>     | <u>32,671</u>                       | <u>24,370</u>                       |
| <b>CASH AND CASH EQUIVALENTS—Beginning of period</b>                                                    | <u>81,765</u>      | <u>40,528</u>                       | <u>40,940</u>                       |
| <b>CASH AND CASH EQUIVALENTS—End of period</b>                                                          | <u>\$ 73,199</u>   | <u>\$ 73,199</u>                    | <u>\$ 65,310</u>                    |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>                                                    |                    |                                     |                                     |
| Acquisition of equipment under capital lease                                                            | <u>\$ -</u>        | <u>\$ -</u>                         | <u>\$ 2,030</u>                     |
| Cash Payments for Interest                                                                              | <u>\$ 15</u>       | <u>\$ 123</u>                       | <u>\$ 140</u>                       |

The balances in the statement above are preliminary and unaudited.

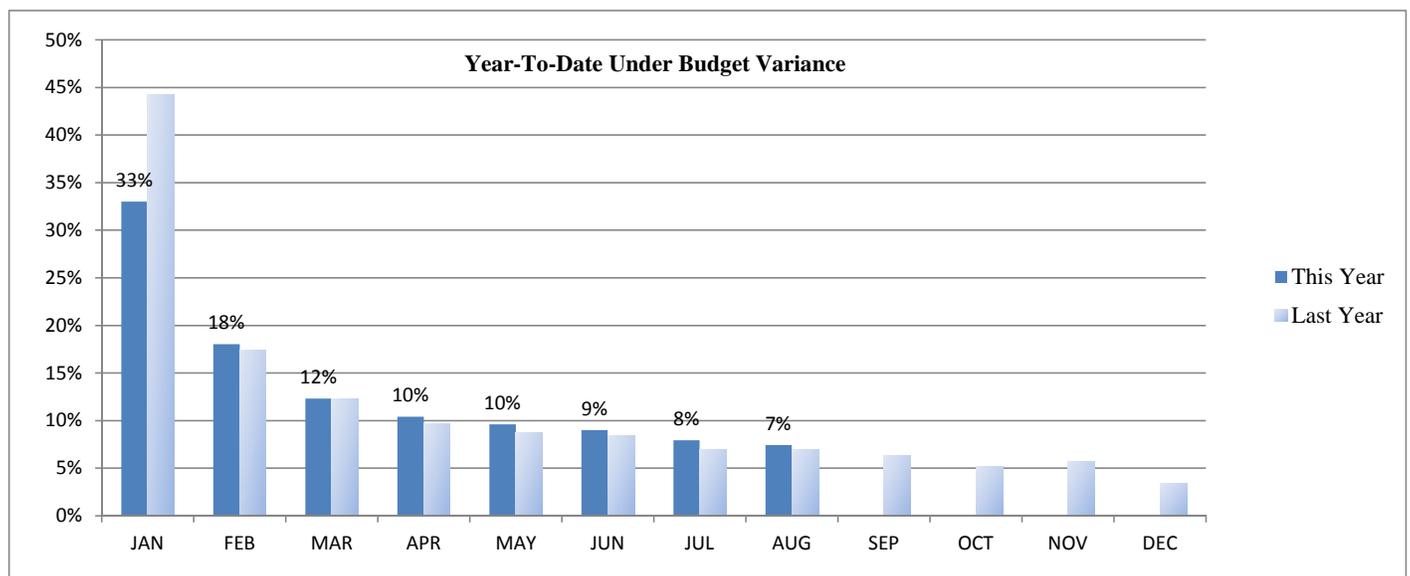
**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**YEAR-TO-DATE BUDGET REPORT ANALYSIS (BEFORE OVERHEAD TRANSFER RATE)**

As of August 31, 2016 and August 31, 2015

(Dollars in thousands)

|                                     | Year-To-Date 2016   |         |          |        | Year-To-Date 2015   |         |          |        |
|-------------------------------------|---------------------|---------|----------|--------|---------------------|---------|----------|--------|
|                                     | BUDGET <sup>1</sup> | ACTUAL  | DIFF     | %      | BUDGET <sup>1</sup> | ACTUAL  | DIFF     | %      |
| <b>Employee Pay &amp; Benefits</b>  | 140,619             | 137,349 | (3,270)  | -2.3%  | 132,881             | 130,062 | (2,819)  | -2.1%  |
| <b>Travel</b>                       | 19,405              | 16,791  | (2,614)  | -13.5% | 19,223              | 17,016  | (2,207)  | -11.5% |
| <b>Rent, Comm., &amp; Utilities</b> | 4,542               | 2,946   | (1,597)  | -35.2% | 3,616               | 2,658   | (958)    | -26.5% |
| <b>Administrative</b>               | 10,378              | 7,837   | (2,541)  | -24.5% | 10,920              | 8,275   | (2,644)  | -24.2% |
| <b>Contracted Services</b>          | 18,999              | 14,650  | (4,349)  | -22.9% | 17,482              | 13,306  | (4,176)  | -23.9% |
| <b>TOTAL</b>                        | 193,944             | 179,572 | (14,372) | -7.4%  | 184,121             | 171,317 | (12,804) | -7.0%  |



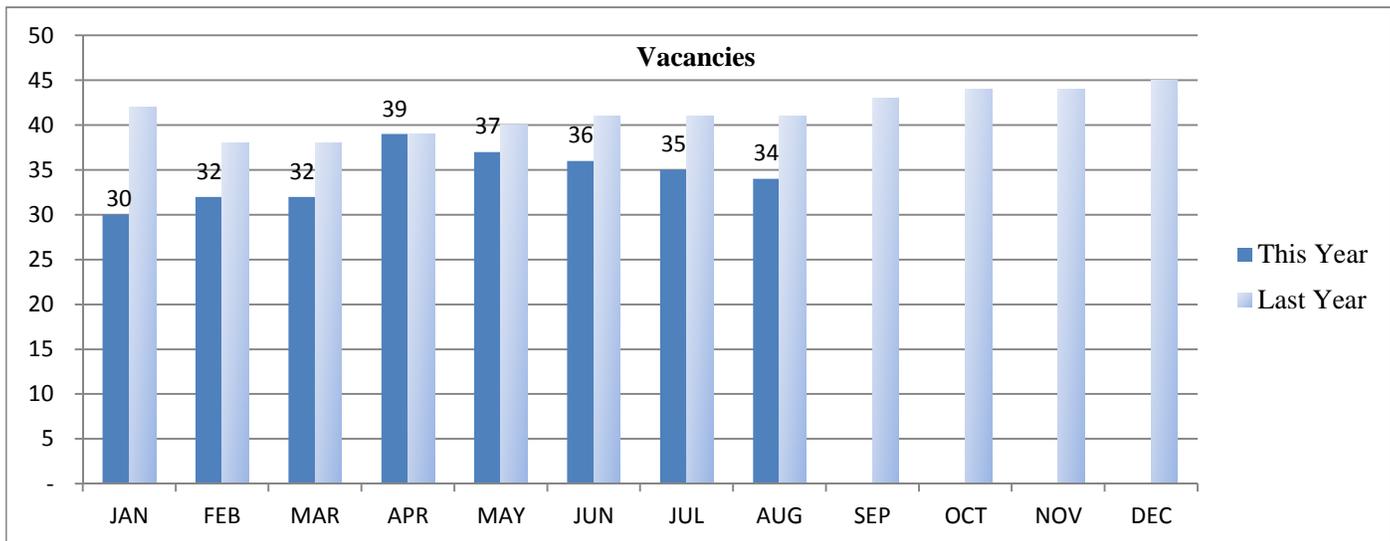
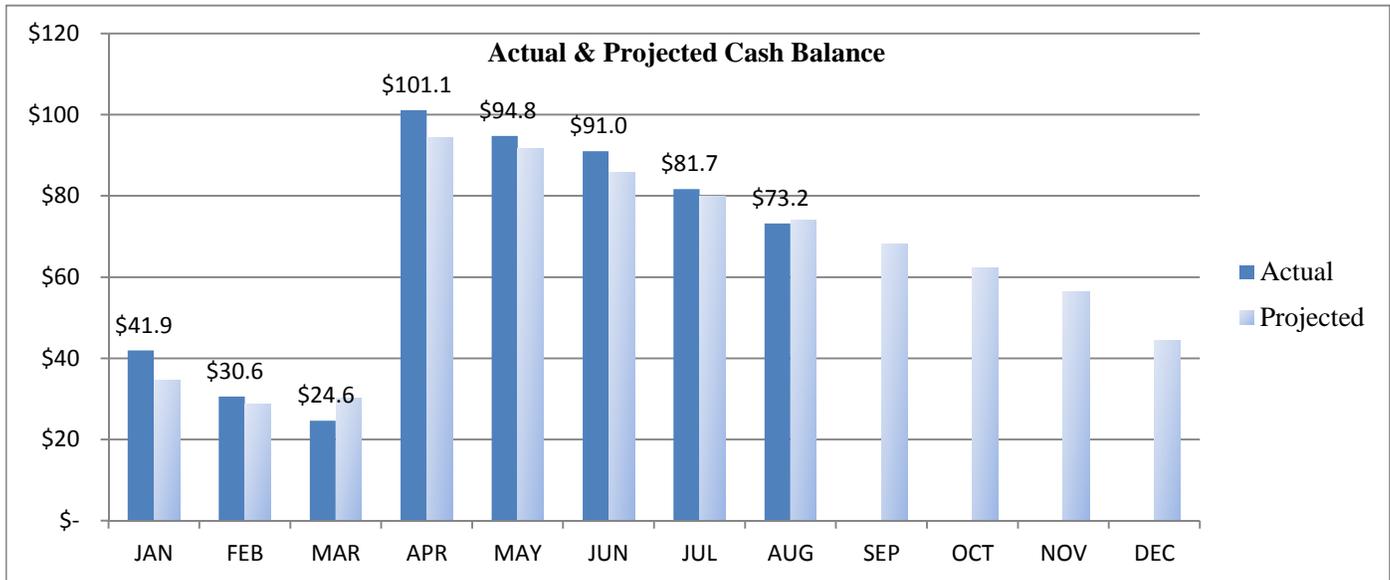
<sup>1</sup>Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**GRAPHS AND RATIOS**

**As of August 31, 2016 and August 31, 2015**



|                                                               | <b>8/31/2016</b> | <b>8/31/2015</b> |
|---------------------------------------------------------------|------------------|------------------|
| Fund Balance / Total assets                                   | 40.29%           | 37.38%           |
| YTD interest income to average investments (annualized)       | 0.30%            | 0.03%            |
| Annualized travel spend per employee                          | \$20,770         | \$20,773         |
| Net year to date cash inflow (outflow) in millions of dollars | \$33             | \$24             |
| Cash and overnight investments / Total assets                 | 66.65%           | 63.51%           |
| Overhead transfer rate                                        | 73.10%           | 71.80%           |

The balances in the supplement above are preliminary and unaudited.