

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

September 30, 2019

A handwritten signature in blue ink, which appears to read "Rendell L. Jones". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

RENDELL L. JONES
CHIEF FINANCIAL OFFICER

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

**MANAGEMENT OVERVIEW
SEPTEMBER 30, 2019**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$129.9 million. The balance decreased by \$8.0 million for the month 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 2020.

Due from National Credit Union Share Insurance Fund represents the receivable for expenses paid by the Operating Fund. The balance increased by \$1.1 million for the month.

Other accounts receivable, net had a month-end balance of approximately \$1.3 million. The balance increased by approximately \$1.1 million from the prior month primarily due to the receivable from Federal Financial Institutions Examination Council (FFIEC) for a refund for the data collection application costs related to the Home Mortgage Disclosure Act (HMDA) paid by the Operating Fund in previous years.

Accounts payable are trade, relocation and inter-agency payables. The balance increased by \$1.1 million for the month primarily due to vendor/trade and relocation payables.

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

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

Note payable to National Credit Union Share Insurance Fund is the 1992 construction loan for the NCUA King Street Station building.

Statements of Revenues, Expenses, and Changes in Fund Balance

Revenues in excess of expenses totaled \$1.4 million for the month. Operating fees reflects one-twelfth of the 2019 Operating Fees. Expenses, net are after the Overhead Transfer Rate adjustment that allocates 60.5 percent of expenses to the Share Insurance Fund. Operating Fund expenses are higher in 2019 because the Overhead Transfer Rate dropped to 60.5 percent from 61.5 percent for the prior year.

Statements of Cash Flow

The cash position decreased \$8.0 million from prior month. In the current month, \$6.5 million was used by operating activities and \$1.4 million was used by investing activities. Principal payments on the National Credit Union Share Insurance Fund note payable on the King Street Station Building and on capital lease obligations totaled \$126 thousand.

Other Information

The Agency had 60 vacancies as of month-end. Of the 60 vacancies, 10 were in the central office and 50 were in the regions and Asset Management and Assistance Center (AMAC). The 60 vacancies represent 5.1 percent of total authorized staff of 1,182. Annualized travel spend per employee is \$21 thousand.

Note: Minor modifications to the form and content of the Operating Fund's monthly financial highlights were made to conform to the annual financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

BALANCE SHEETS

**As of September 30, 2019 and 2018
(Dollars in thousands)**

	<u>September 2019</u>	<u>September 2018</u>
ASSETS		
Cash and cash equivalents	\$ 129,935	\$ 121,579
Due from National Credit Union Share Insurance Fund	2,104	2,765
Employee advances	7	113
Other accounts receivable, Net	1,255	232
Prepaid expenses and other assets	4,849	2,554
Assets held for sale	-	216
Fixed assets - Net of accumulated depreciation of \$41,189 and \$40,161 as of September 30, 2019 and September 30, 2018, respectively	29,571	26,667
Intangible assets - Net of accumulated amortization of \$19,651 and \$20,460 as of September 30, 2019 and September 30, 2018, respectively	16,855	8,132
TOTAL ASSETS	<u>\$ 184,576</u>	<u>\$ 162,258</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued other liabilities	\$ 8,328	\$ 9,313
Obligations under capital leases	1,189	1,638
Accrued wages and benefits	13,566	11,610
Deferred revenue ¹	34,433	32,541
Accrued annual leave	20,157	19,928
Accrued employee travel	1,086	1,696
Note payable to National Credit Union Share Insurance Fund	5,364	6,705
TOTAL LIABILITIES	<u>84,123</u>	<u>83,431</u>
 FUND BALANCE	 <u>100,453</u>	 <u>78,827</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 184,576</u>	 <u>\$ 162,258</u>

¹The 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 September 30, 2019 and 2018

(Dollars in thousands)

	<u>September 2019</u>	<u>Year-to-Date September 2019</u>	<u>Year-to-Date September 2018</u>
REVENUES			
Operating fees	\$ 11,470	\$ 103,298	\$ 97,622
Interest	215	2,035	1,509
Other	95	760	951
Total Revenues	11,780	106,093	100,082
 EXPENSES, NET¹			
Employee wages and benefits	6,910	63,195	60,544
Travel	1,126	6,913	7,406
Rent, communications, and utilities	431	2,277	1,776
Contracted services	2,350	12,904	10,676
Depreciation and amortization	204	1,874	1,588
Administrative	(594)	2,541	2,611
Total Expenses, Net	10,427	89,704	84,601
 EXCESS OF REVENUES OVER / (UNDER) EXPENSES	1,353	16,389	15,481
 FUND BALANCE—Beginning of period	99,100	84,064	63,346
 FUND BALANCE—End of period	\$ 100,453	\$ 100,453	\$ 78,827

¹Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate of 60.5% and 61.5% for 2019 and 2018, 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 September 30, 2019 and 2018

(Dollars in thousands)

	<u>September 2019</u>	<u>Year-to-Date September 2019</u>	<u>Year-to-Date September 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenues over (under) expenses	\$ 1,353	\$ 16,389	\$ 15,481
Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities:			
Depreciation and amortization	513	4,741	4,125
Provision for loss on disposal of assets held for sale	47	47	-
(Gain) loss on fixed asset retirements	-	-	
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(1,092)	1,919	2,388
Employee advances	-	336	(102)
Other accounts receivable, net	(1,077)	(825)	112
Prepaid expenses and other assets	1,760	(2,171)	(168)
(Decrease) increase in liabilities:			
Accounts payable	1,095	(1,946)	1,802
Accrued wages and benefits	1,121	(1,211)	(670)
Deferred revenue	(11,470)	34,433	32,541
Accrued annual leave	197	1,378	1,536
Accrued employee travel	1,086	467	1,089
Net Cash (Used)/Provided by Operating Activities	<u>(6,467)</u>	<u>53,557</u>	<u>58,134</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed and intangible assets	(1,835)	(14,133)	(5,045)
Purchases of assets held for sale	-	(447)	(216)
Proceeds from sale of assets held for sale	400	400	-
Net Cash Used by Investing Activities	<u>(1,435)</u>	<u>(14,180)</u>	<u>(5,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of note payable to National Credit Union Share Insurance Fund	(111)	(1,005)	(1,005)
Principal payments under capital lease obligations	(15)	(559)	(53)
Net Cash Used in Financing Activities	<u>(126)</u>	<u>(1,564)</u>	<u>(1,058)</u>
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,028)	37,813	51,815
CASH AND CASH EQUIVALENTS—Beginning of period	<u>137,963</u>	<u>92,122</u>	<u>69,764</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 129,935</u>	<u>\$ 129,935</u>	<u>\$ 121,579</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ 35</u>	<u>\$ 35</u>	<u>\$ 1,480</u>
CASH PAYMENTS FOR INTEREST	<u>\$ 9</u>	<u>\$ 88</u>	<u>\$ 92</u>

The balances in the statement above are preliminary and unaudited.