

OPERATING FUND



**UNAUDITED
FINANCIAL HIGHLIGHTS
December 31, 2015**

A handwritten signature in blue ink, which appears to read "Rendell L. Jones".

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

MANAGEMENT OVERVIEW

December 31, 2015

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$40.5 million. Its balance decreased \$13.6 million in the month primarily due to the purchase of fixed assets, a receivable due from the Share Insurance Fund for estimate to actual differences in overhead expenses transferred, realization of deferred revenue and repayment of National Credit Union Share Insurance Fund long-term note payable. The cash position is considered to be sufficient to cover current and future obligations of the Fund.

Accounts payable had a month-end balance of approximately \$5.6 million. Its balance increased by approximately \$2.7 million in the month. This was due primarily to operating expenses incurred and not invoiced until after year end.

Accrued wages and benefits had a month-end balance of approximately \$7.2 million. Its balance decreased by approximately \$3.4 million in the month. This decrease was primarily due to the monthly payroll accrual timing differences.

Deferred revenue had a month-end balance of approximately \$0. Its balance decreased by approximately \$6.5 million in the month due to the recognition of the monthly operating fee revenue.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net loss for the month was \$1.6 million and net income year-to-date was approximately \$4.4 million. Interest income on overnight investments has averaged 0.05% during the year, versus 0.04% during last year.

Statements of Cash Flow

The cash position decreased approximately \$13.6 million since last month. In the current month approximately \$11.7 million was used by operating activities. Approximately \$1.4 million was invested in new capital assets. Approximately \$112 thousand in cash was used to reduce or repay the National Credit Union Share Insurance Fund note payable long-term liability, which has a balance of approximately \$10.4 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$9.4 million or 3.4%, compared to being under the year-to-date budget by approximately \$13.2 million or 4.9% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$2.3 million or 1.2%. Travel cost were under budget by \$1.5 million or 5.2%. Contract services cost was under budget by \$2.1 million or 7.9%. The remaining expense categories combined were under budget by \$3.4 million or 16.0%.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$22,204 this year, which is \$462 more than last year.

Vacancies

The Agency had 45 vacancies as of this month—up 1 from the prior month. Of the 45 vacancies, 8 were in the central office and 37 were in the regions and the Asset Management and Assistance Center (AMAC). The 45 vacancies represent 3.5% percent of total authorized staff of 1,268.70.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
BALANCE SHEETS
As of December 31, 2015
(Dollars in thousands)

	December 2015	December 2014
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 40,528	\$ 40,940
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND	3,944	3,509
EMPLOYEE ADVANCES	38	62
OTHER ACCOUNTS RECEIVABLE , Net	332	322
PREPAID EXPENSES AND OTHER ASSETS	1,732	2,145
ASSETS HELD FOR SALE	377	644
FIXED ASSETS — Net of accumulated depreciation of \$31,083 as of December 31, 2015	31,106	30,279
INTANGIBLE ASSETS — Net of accumulated amortization of \$16,279 as of December 31, 2015	2,354	2,904
TOTAL ASSETS	\$ 80,411	\$ 80,805
LIABILITIES		
Accounts payable	\$ 5,644	\$ 6,598
Obligations under capital leases	1,515	213
Accrued wages and benefits	7,176	12,873
Deferred revenue (1)	-	-
Accrued annual leave	17,243	15,469
Accrued employee travel	646	491
Note payable to National Credit Union Share Insurance Fund	10,392	11,733
TOTAL LIABILITIES	42,616	47,377
FUND BALANCE	37,795	33,428
TOTAL LIABILITIES AND FUND BALANCE	\$ 80,411	\$ 80,805

(1) 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 December 31, 2015 and December 31, 2014
(Dollars in thousands)**

	<u>December 2015</u>	<u>Year-to-Date December 2015</u>	<u>Year-to-Date December 2014</u>
REVENUES			
Operating fees	\$ 6,454	\$ 78,773	\$ 77,875
Interest	9	22	16
Other	<u>130</u>	<u>1,100</u>	<u>1,213</u>
Total Revenues	<u>6,593</u>	<u>79,895</u>	<u>79,104</u>
EXPENSES, NET (1)			
Employee wages and benefits, net	5,094	55,876	57,294
Travel	757	7,685	8,222
Rent, communications, and utilities	276	1,278	1,518
Contracted services	1,624	6,867	6,783
Depreciation and amortization	(607)	5,533	5,878
Administrative	<u>1,066</u>	<u>(1,711)</u>	<u>(1,542)</u>
Total Expenses	<u>8,210</u>	<u>75,528</u>	<u>78,153</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>(1,617)</u>	<u>4,367</u>	<u>951</u>
FUND BALANCE—Beginning of period	<u>39,412</u>	<u>33,428</u>	<u>32,477</u>
FUND BALANCE—End of period	<u>\$ 37,795</u>	<u>\$ 37,795</u>	<u>\$ 33,428</u>

(1) 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 board of 71.8% and 69.2% for 2015 and 2014, 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 December 31, 2015 and December 31, 2014
(Dollars in thousands)

	<u>December 2015</u>	<u>Year-to-Date December 2015</u>	<u>Year-to-Date December 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ (1,617)	\$ 4,367	\$ 951
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	420	5,533	5,878
Provision for loss on disposal of employee residences held for sale	31	114	122
(Gain) loss on fixed asset retirements	156	1,184	13
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(3,944)	(435)	(196)
Employee advances	2	24	(24)
Other accounts receivable	(69)	(10)	(119)
Prepaid expenses and other assets	268	413	(767)
(Decrease) increase in liabilities:			
Accounts payable	2,720	(216)	1,431
Accrued wages and benefits	(3,433)	(5,697)	1,517
Deferred revenue	(6,454)	-	-
Accrued annual leave	(403)	1,774	898
Accrued employee travel	646	155	(577)
Net cash (used) or provided by operating activities	<u>(11,677)</u>	<u>7,206</u>	<u>9,127</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(1,357)	(5,702)	(3,969)
Proceeds from insurance on fixed assets	-	-	
Purchases of employee residences held for sale	(236)	(443)	(1,125)
Proceeds from sale of employee residences held for sale	-	596	359
Net cash used by investing activities	<u>(1,593)</u>	<u>(5,549)</u>	<u>(4,735)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,341)	(1,341)
Principal payments under capital lease obligations	(182)	(728)	(24)
Net cash used by financing activities	<u>(294)</u>	<u>(2,069)</u>	<u>(1,365)</u>
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	<u>(13,564)</u>	<u>(412)</u>	<u>3,027</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>54,092</u>	<u>40,940</u>	<u>37,913</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 40,528</u>	<u>\$ 40,528</u>	<u>\$ 40,940</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ 2,030</u>	<u>\$ 177</u>
Cash Payments for Interest	<u>\$ 17</u>	<u>\$ 206</u>	<u>\$ 229</u>

The balances in the statement above are preliminary and unaudited

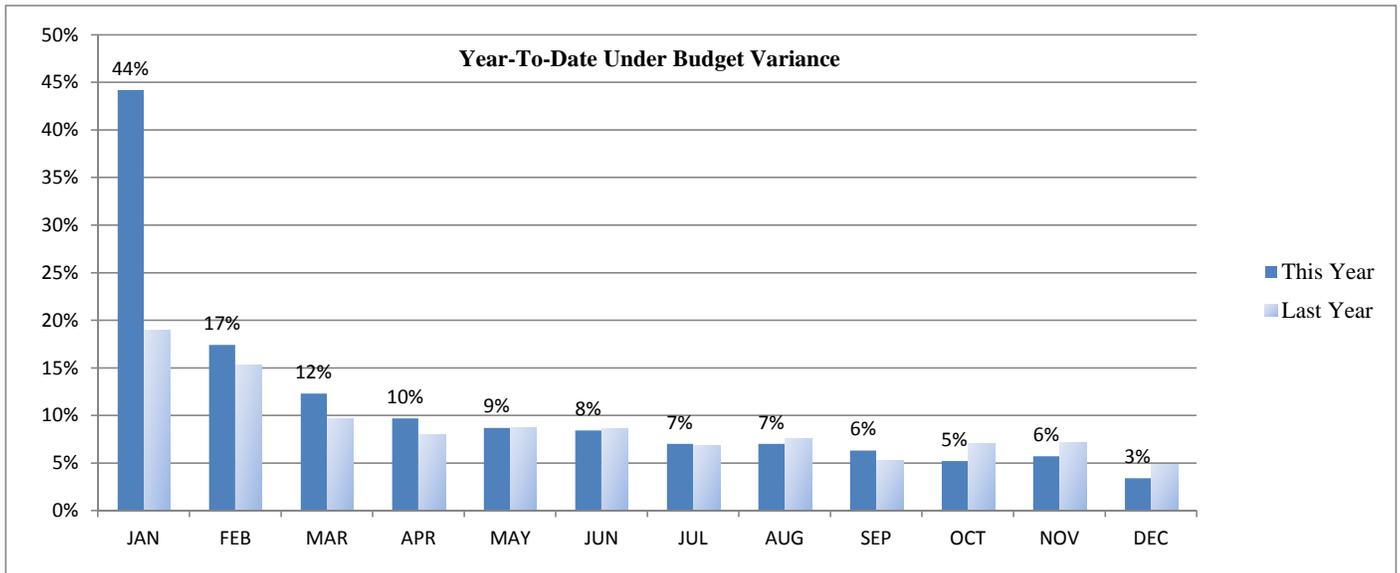
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of December 31, 2015 and December 31, 2014

(Dollars in thousands)

	Year-To-Date 2015				Year-To-Date 2014			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	200,473	198,141	(2,332)	-1.2%	192,988	186,021	(6,967)	-3.6%
Travel	28,744	27,252	(1,492)	-5.2%	28,455	26,695	(1,759)	-6.2%
Rent, Comm., & Utilities	5,284	4,533	(751)	-14.2%	5,696	4,927	(768)	-13.5%
Administrative	16,240	13,552	(2,687)	-16.5%	15,812	14,080	(1,732)	-11.0%
Contracted Services	26,443	24,351	(2,092)	-7.9%	23,970	22,022	(1,948)	-8.1%
TOTAL	277,184	267,829	(9,355)	-3.4%	266,920	253,745	(13,175)	-4.9%



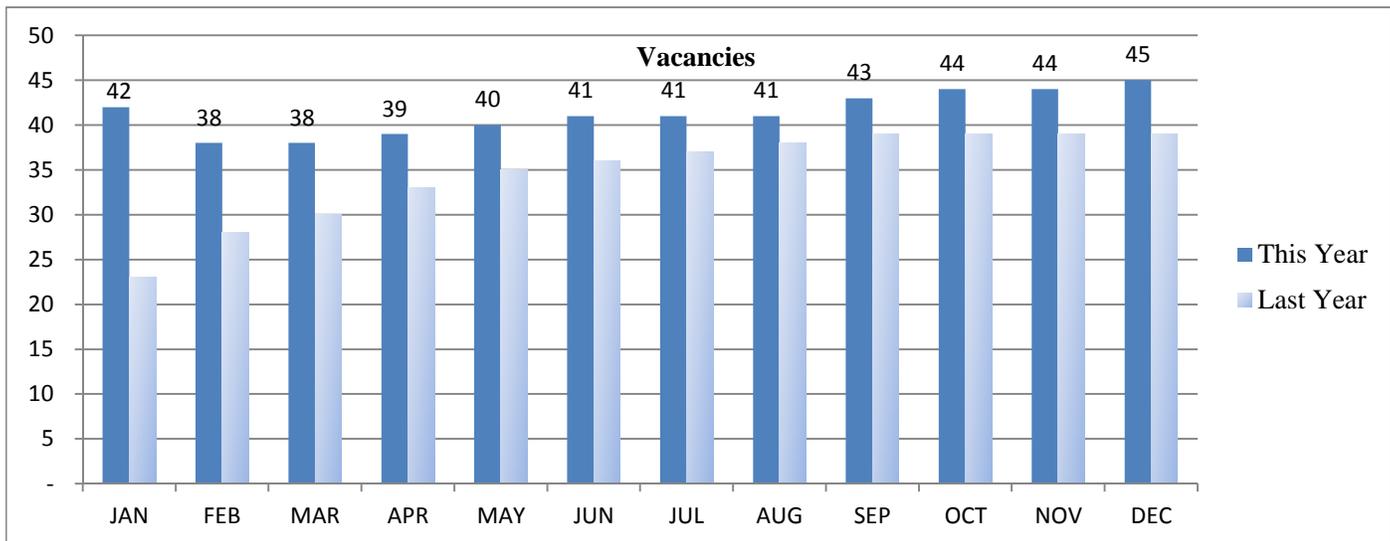
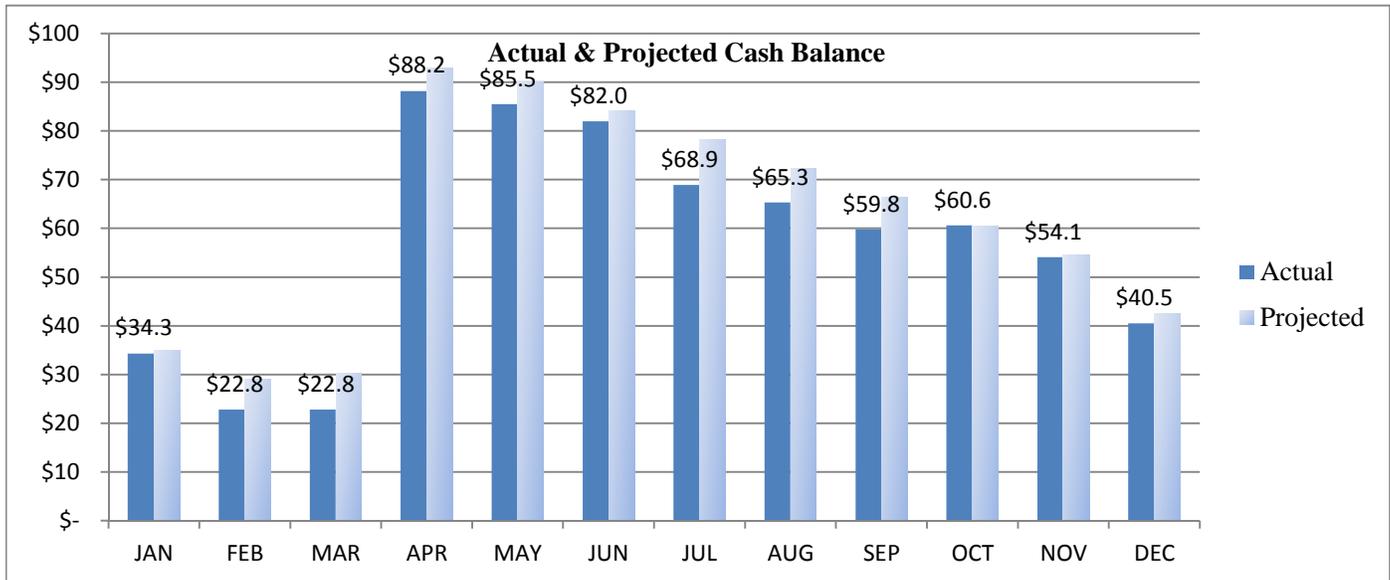
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of December 31, 2015 and December 31, 2014



	12/31/2015	12/31/2014
Fund Balance / Total assets	47.00%	41.37%
YTD interest income to average investments (annualized)	0.05%	0.04%
Annualized travel spend per employee	\$22,204	\$21,742
Net year to date cash inflow (outflow) in millions of dollars	(\$0)	\$3
Cash and overnight investments / Total assets	50.40%	50.67%
Overhead transfer rate	71.80%	69.20%

The balances in the supplement above are preliminary and unaudited