

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

June 30, 2016

A handwritten signature in blue ink, appearing to read "Rendell L. Jones", is positioned above the printed name.

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

MANAGEMENT OVERVIEW

June 30, 2016

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$91.0 million. Its balance decreased \$3.7 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 \$218 thousand, which is comprised primarily of payments for pay and benefits made on behalf of the Corporate Stabilization Fund and Central Liquidity Facility. Its balance decrease approximately \$135 thousand primarily due to reimbursements from the Corporate Stabilization Fund.

Prepaid expenses and other assets had a month-end balance of approximately \$1.9 million. The balance includes primarily computer software and web-based software annual subscriptions.

Fixed assets net of accumulated depreciation had a month-end balance of approximately \$30.3 million. Its balance decreased by approximately \$187 thousand in the month. This decrease was primarily due to monthly depreciation of existing assets.

Accounts payable had a month-end balance of approximately \$2.0 million. Its balance included trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$40.5 million. Its balance decreased by approximately \$6.7 million for the month. This decrease was due to the realization of deferred operating fees as revenue for the month.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net income for the month was \$583 thousand and net income year-to-date was approximately \$5.0 million. Interest income on overnight investments has averaged 0.23% year-to-date, versus 0.01% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$3.7 million since last month. In the current month approximately \$3.0 million was used by operating activities. Approximately \$403 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 \$9.7 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses were under the year-to-date budget by \$13.0 million or 9.0%, compared to being under the year-to-date budget by approximately \$11.7 million or 8.4% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$1,795 thousand or 1.7%. Travel cost was under budget by \$2.6 million or 17.6%. Contract services cost was under budget by \$3.7 million or 26.3%. The remaining expense categories combined were under budget by \$4.9 million or 43.9%. The under budget amounts are primarily due to the use of straight line budget estimates. Actual costs will align with budgeted costs as the year progresses.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$19,901 this year, which is \$38 more than last year.

Vacancies

The Agency had 36 vacancies as of this month—down 1 from the prior month. Of the 36 vacancies, 5 were in the central office and 31 were in the regions and the Asset Management and Assistance Center (AMAC). The 36 vacancies represent 2.9% percent of total authorized staff of 1,247.00.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
BALANCE SHEETS
As of June 30, 2016 and 2015
(Dollars in thousands)

	June 2016	June 2015
ASSETS		
Cash and cash equivalents	\$ 91,046	\$ 82,029
Due from National Credit Union Share Insurance Fund	45	75
Employee advances	22	56
Other accounts receivable, Net	218	543
Prepaid expenses and other assets	1,865	2,323
Assets held for sale	150	-
Fixed assets - Net of accum. depreciation of \$33,040 as of June 30, 2016	30,342	32,765
Intangible assets - Net of accum. amortization of \$16,761 as of June 30, 2016	3,166	1,988
TOTAL ASSETS	\$ 126,854	\$ 119,779
LIABILITIES		
Accounts payable	\$ 2,034	\$ 2,764
Obligations under capital leases	1,147	1,894
Accrued wages and benefits	13,407	11,521
Deferred revenue ¹	40,467	39,383
Accrued annual leave	17,243	15,469
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	9,722	11,063
TOTAL LIABILITIES	84,020	82,094
FUND BALANCE	42,834	37,685
TOTAL LIABILITIES AND FUND BALANCE	\$ 126,854	\$ 119,779

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 June 30, 2016 and June 30, 2015
(Dollars in thousands)**

	<u>June 2016</u>	<u>Year-to-Date June 2016</u>	<u>Year-to-Date June 2015</u>
REVENUES			
Operating fees	\$ 6,745	\$ 40,467	\$ 39,447
Interest	18	75	4
Other	<u>83</u>	<u>494</u>	<u>587</u>
Total Revenues	<u>6,846</u>	<u>41,036</u>	<u>40,038</u>
EXPENSES, NET¹			
Employee wages and benefits, net	4,672	27,778	27,492
Travel	673	3,246	3,442
Rent, communications, and utilities	124	597	450
Contracted services	510	2,797	2,635
Depreciation and amortization	111	657	816
Administrative	<u>173</u>	<u>922</u>	<u>946</u>
Total Expenses	<u>6,263</u>	<u>35,997</u>	<u>35,781</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>583</u>	<u>5,039</u>	<u>4,257</u>
FUND BALANCE—Beginning of period	<u>42,251</u>	<u>37,795</u>	<u>33,428</u>
FUND BALANCE—End of period	<u>\$ 42,834</u>	<u>\$ 42,834</u>	<u>\$ 37,685</u>

¹Operating 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 June 30, 2016 and June 30, 2015
(Dollars in thousands)

	June 2016	Year-to-Date June 2016	Year-to-Date June 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 583	\$ 5,039	\$ 4,257
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	412	2,442	2,887
Provision for loss on disposal of employee residences held for sale	3	16	47
(Gain) loss on fixed asset retirements	-	-	11
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(10)	3,899	3,434
Employee advances	(4)	16	6
Other accounts receivable	135	114	(221)
Prepaid expenses and other assets	436	(133)	(178)
(Decrease) increase in liabilities:	-		
Accounts payable	553	(3,610)	(3,834)
Accrued wages and benefits	1,622	6,231	(1,352)
Deferred revenue	(6,744)	40,467	39,383
Accrued annual leave	-	-	-
Accrued employee travel	-	(646)	(491)
Net cash (used) or provided by operating activities	(3,014)	53,835	43,949
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(403)	(2,490)	(2,436)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	-	-
Proceeds from sale of employee residences held for sale	-	211	596
Net cash used by investing activities	(403)	(2,279)	(1,840)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(670)	(670)
Principal payments under capital lease obligations	(184)	(368)	(350)
Net cash used by financing activities	(296)	(1,038)	(1,020)
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	(3,713)	50,518	41,089
CASH AND CASH EQUIVALENTS—Beginning of period	94,759	40,528	40,940
CASH AND CASH EQUIVALENTS—End of period	\$ 91,046	\$ 91,046	\$ 82,029
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	\$ -	\$ -	\$ 2,030
Cash Payments for Interest	\$ 14	\$ 93	\$ 105

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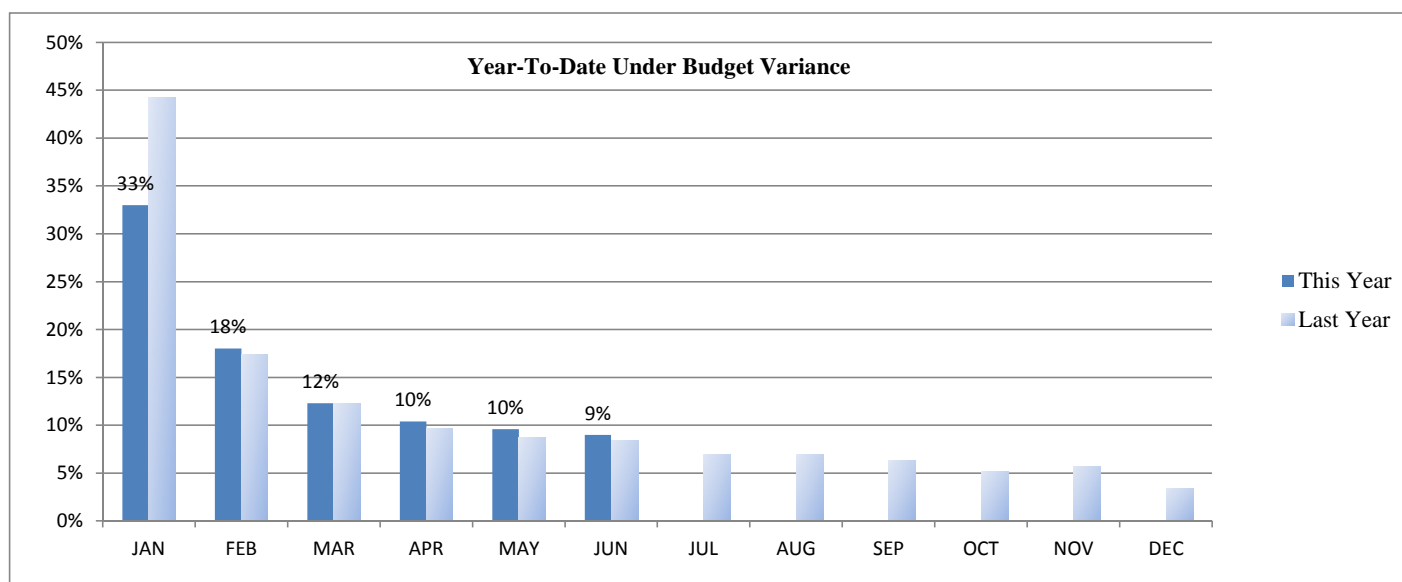
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of June 30, 2016 and June 30, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	105,060	103,265	(1,795)	-1.7%	99,787	97,490	(2,297)	-2.3%
Travel	14,647	12,067	(2,580)	-17.6%	14,644	12,206	(2,438)	-16.7%
Rent, Comm., & Utilities	3,383	2,218	(1,165)	-34.4%	2,886	1,597	(1,289)	-44.6%
Administrative	7,851	4,084	(3,767)	-48.0%	8,167	6,251	(1,917)	-23.5%
Contracted Services	14,113	10,398	(3,715)	-26.3%	13,094	9,343	(3,750)	-28.6%
TOTAL	145,054	132,032	(13,022)	-9.0%	138,578	126,887	(11,691)	-8.4%



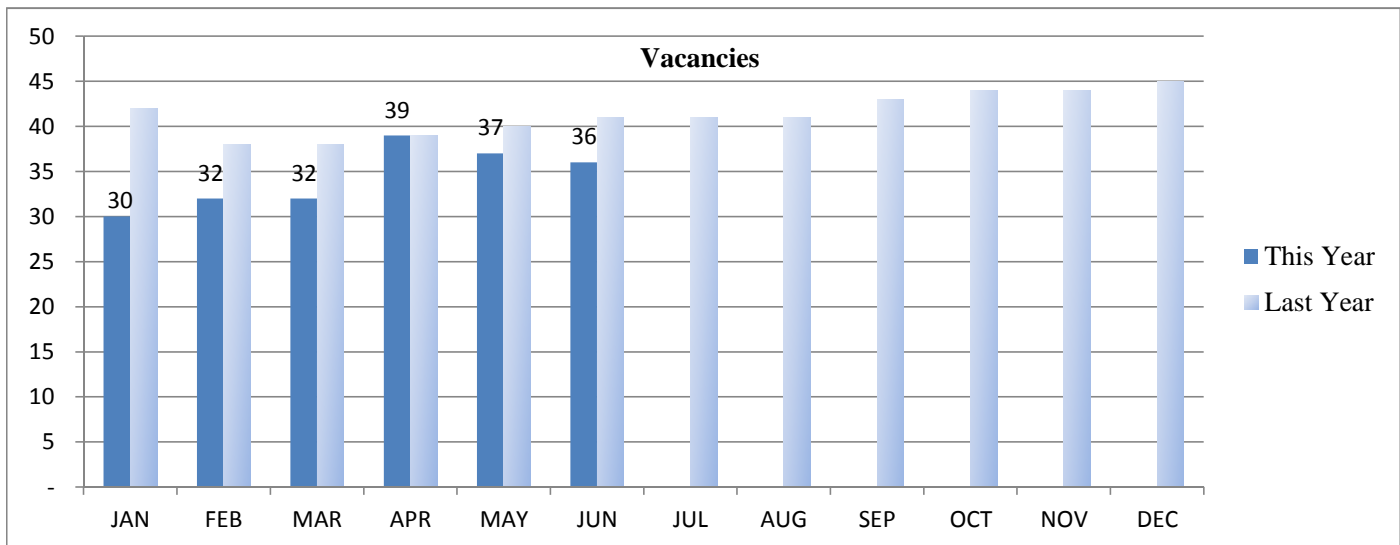
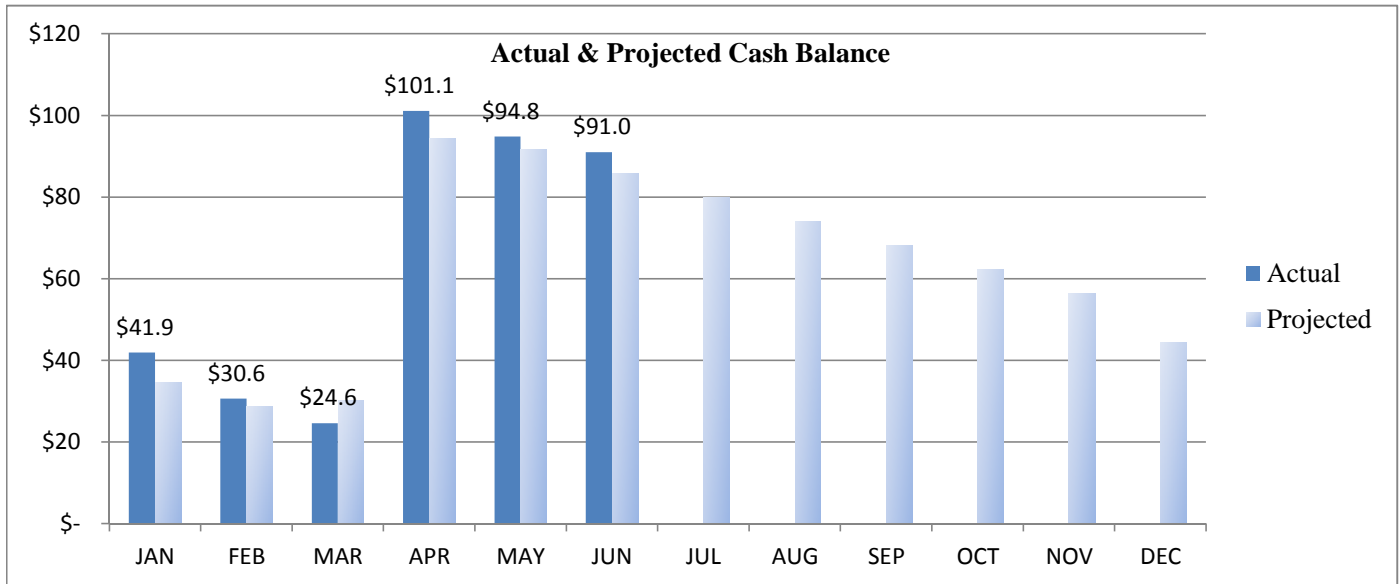
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of June 30, 2016 and June 30, 2015



	6/30/2016	6/30/2015
Fund Balance / Total assets	33.77%	31.46%
YTD interest income to average investments (annualized)	0.23%	0.01%
Annualized travel spend per employee	\$19,901	\$19,863
Net year to date cash inflow (outflow) in millions of dollars	\$51	\$41
Cash and overnight investments / Total assets	71.77%	68.48%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited