

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

November 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 November 30, 2016

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$66.1 million. Its balance decreased \$2.9 million for the month primarily reflecting operating expenses. The cash position is considered to be sufficient to cover current and future obligations of the Fund

Other accounts receivable had a month-end balance of approximately \$314 thousand. Its balance increased by \$124 thousand. The increase for the month was primarily due to the November 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 \$2.8 million. Its balance increased by \$110 thousand. The increase for the month was primarily due to adding computer software subscriptions.

Accounts payable had a month-end balance of approximately \$9.3 million. Its balance includes trade and inter-agency payables.

Accrued wages and benefits had a month-end balance of approximately \$12.4 million. Its balance increased by \$1.5 million. The increase for the month was due to the increase in month-end days accrued caused by the timing of pay periods.

Deferred revenue had a month-end balance of approximately \$7 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 \$1.0 million and net income year-to-date was approximately \$8.7 million. Interest income on overnight investments has averaged 0.33% year-to-date, versus 0.03% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$2.9 million since last month. In the current month approximately \$2.6 million was used by operating activities. Approximately \$108 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 \$9.2 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$22.2 million or 8.3%, compared to being under the year-to-date budget by approximately \$14.5 million or 5.7% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$6.3 million or 3.3%. Travel cost were under budget by \$2.9 million or 10.6%. Contract services cost was under budget by \$5.9 million or 22.5%. The remaining expense categories combined were under budget by \$7.1 million or 35.0%. The total budget-to-actual differences year-to-date are under the total prior year differences in amount.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$21,484 this year, which is \$345 less than last year.

The Agency had 38 vacancies as of this month -- up 1 from the prior month. Of the 38 vacancies, 4 were in the central office and 34 were in the regions and AMAC. The 38 vacancies represent 3.0% percent of total authorized staff of 1,247.

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

	November 2016	November 2015
ASSETS		
Cash and cash equivalents	\$ 66,128	\$ 54,092
Due from National Credit Union Share Insurance Fund	130	-
Employee advances	6	40
Other accounts receivable, Net	314	263
Prepaid expenses and other assets	2,765	2,000
Assets held for sale	-	171
Fixed assets - Net of accum. depreciation of \$34,578 as of November 30, 2016	29,474	31,249
Intangible assets - Net of accum. amortization of \$17,162 as of November 30, 2016	3,451	2,169
TOTAL ASSETS	\$ 102,268	\$ 89,984
 LIABILITIES		
Accounts payable	\$ 9,275	\$ 3,662
Obligations under capital leases	986	1,697
Accrued wages and benefits	12,362	10,609
Deferred revenue ¹	6,745	6,454
Accrued annual leave	17,243	17,646
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	9,163	10,504
TOTAL LIABILITIES	55,774	50,572
 FUND BALANCE	 46,494	 39,412
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 102,268	 \$ 89,984

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 November 30, 2016 and November 30, 2015
(Dollars in thousands)

	<u>November 2016</u>	<u>Year-to-Date November 2016</u>	<u>Year-to-Date November 2015</u>
REVENUES			
Operating fees	\$ 6,745	\$ 74,189	\$ 72,319
Interest	17	159	13
Other	91	950	970
Total Revenues	<u>6,853</u>	<u>75,298</u>	<u>73,302</u>
EXPENSES, NET¹			
Employee wages and benefits, net	4,495	50,259	50,782
Travel	584	6,420	6,928
Rent, communications, and utilities	193	1,277	1,002
Contracted services	416	5,505	5,243
Depreciation and amortization	107	1,193	1,731
Administrative	89	1,945	1,632
Total Expenses	<u>5,884</u>	<u>66,599</u>	<u>67,318</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>969</u>	<u>8,699</u>	<u>5,984</u>
FUND BALANCE—Beginning of period	<u>45,525</u>	<u>37,795</u>	<u>33,428</u>
FUND BALANCE—End of period	<u>\$ 46,494</u>	<u>\$ 46,494</u>	<u>\$ 39,412</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 November 30, 2016 and November 30, 2015
(Dollars in thousands)

	<u>November 2016</u>	<u>Year-to-Date November 2016</u>	<u>Year-to-Date November 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 969	\$ 8,699	\$ 5,984
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	397	4,456	5,113
Provision for loss on disposal of employee residences held for sale	-	27	83
(Gain) loss on fixed asset retirements	-	8	1,028
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(85)	3,814	3,509
Employee advances	265	32	22
Other accounts receivable	(124)	18	59
Prepaid expenses and other assets	(110)	(1,033)	145
(Decrease) increase in liabilities:			
Accounts payable	1,310	3,631	(2,936)
Accrued wages and benefits	1,491	5,186	(2,264)
Deferred revenue	(6,744)	6,745	6,454
Accrued annual leave	-	-	2,177
Accrued employee travel	-	(646)	(491)
Net cash (used) or provided by operating activities	<u>(2,631)</u>	<u>30,937</u>	<u>18,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(108)	(3,905)	(4,345)
Purchases of employee residences held for sale	-	-	(207)
Proceeds from sale of employee residences held for sale	-	350	596
Net cash used by investing activities	<u>(108)</u>	<u>(3,555)</u>	<u>(3,956)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,229)	(1,229)
Principal payments under capital lease obligations	-	(553)	(546)
Net cash used by financing activities	<u>(112)</u>	<u>(1,782)</u>	<u>(1,775)</u>
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	<u>(2,851)</u>	<u>25,600</u>	<u>13,152</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>68,979</u>	<u>40,528</u>	<u>40,940</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 66,128</u>	<u>\$ 66,128</u>	<u>\$ 54,092</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ 24</u>	<u>\$ 24</u>	<u>\$ 2,030</u>
Cash Payments for Interest	<u>\$ 14</u>	<u>\$ 165</u>	<u>\$ 189</u>

The balances in the statement above are preliminary and unaudited.

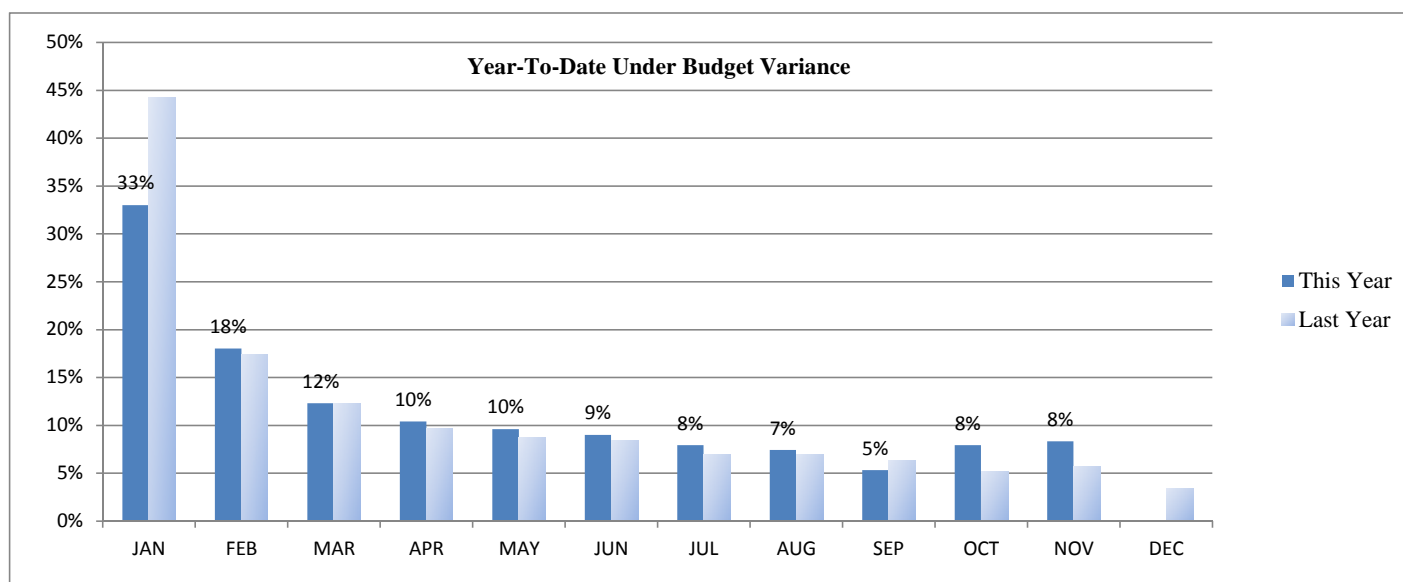
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of November 30, 2016 and November 30, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	193,149	186,835	(6,314)	-3.3%	182,807	180,077	(2,730)	-1.5%
Travel	26,682	23,867	(2,816)	-10.6%	26,362	24,566	(1,796)	-6.8%
Rent, Comm., & Utilities	6,246	4,747	(1,498)	-24.0%	4,935	3,554	(1,381)	-28.0%
Administrative	13,997	8,404	(5,593)	-40.0%	14,983	11,925	(3,058)	-20.4%
Contracted Services	26,397	20,465	(5,932)	-22.5%	24,175	18,592	(5,583)	-23.1%
TOTAL	266,471	244,318	(22,153)	-8.3%	253,262	238,714	(14,548)	-5.7%



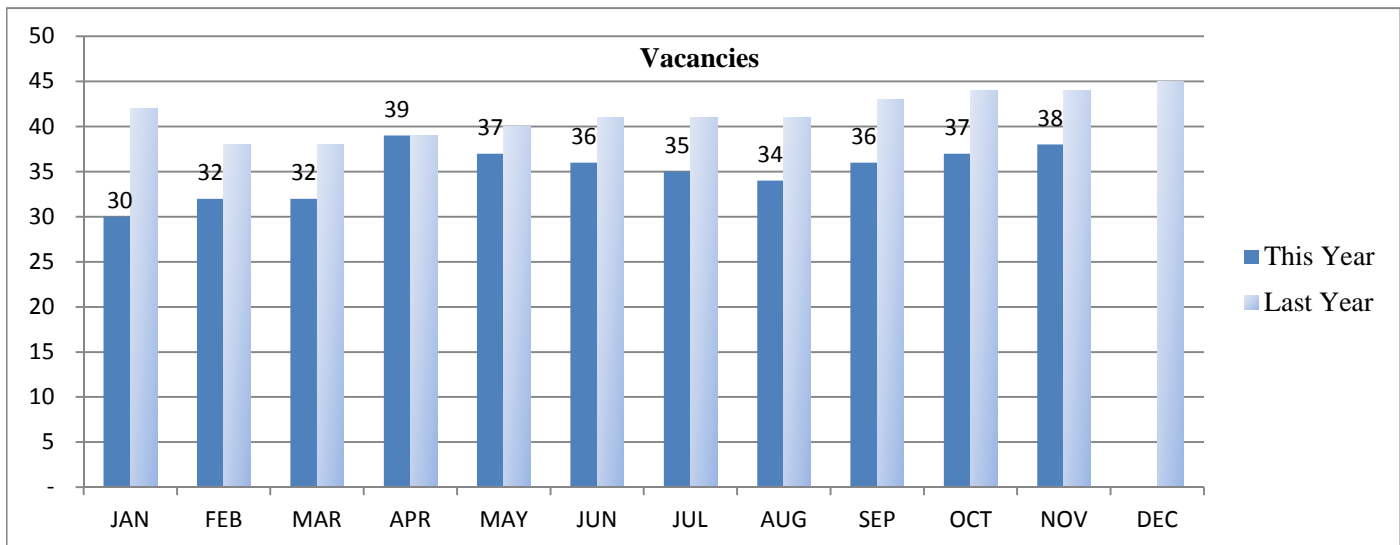
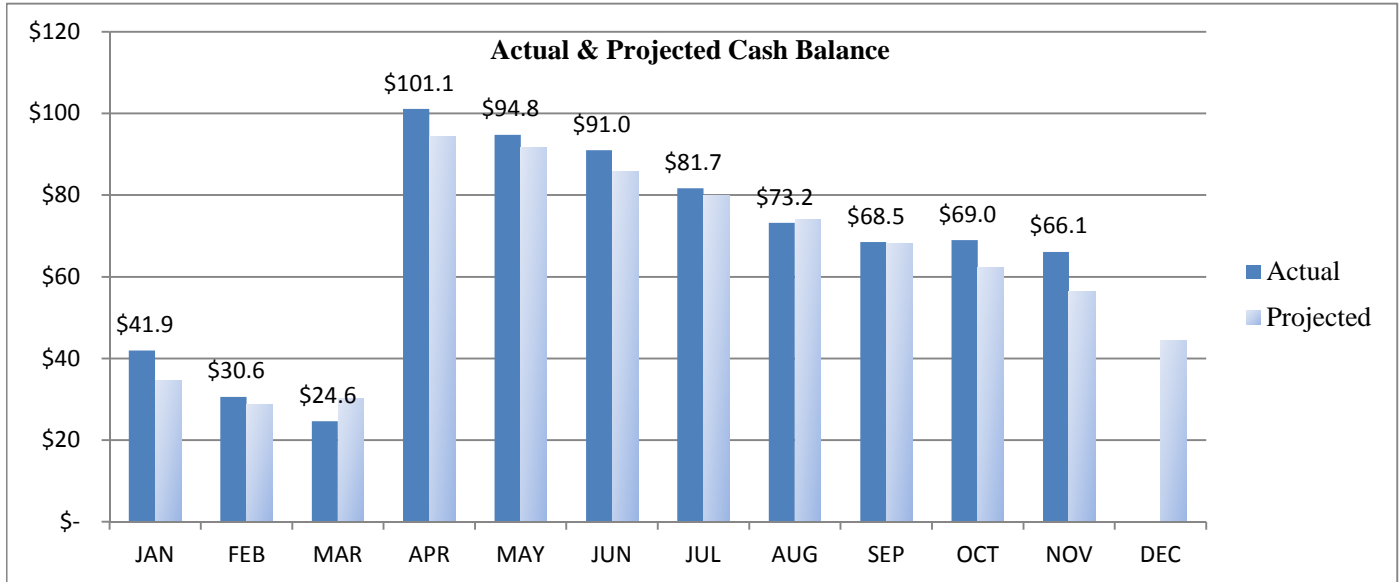
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of November 30, 2016 and November 30, 2015



	11/30/2016	11/30/2015
Fund Balance / Total assets	45.46%	43.80%
YTD interest income to average investments (annualized)	0.33%	0.03%
Annualized travel spend per employee	\$21,484	\$21,829
Net year to date cash inflow (outflow) in millions of dollars	\$26	\$13
Cash and overnight investments / Total assets	64.66%	60.11%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited.