

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

October 31, 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
October 31, 2016**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$69.0 million. Its balance increased \$0.4 million for the month primarily due to the collection of an intra-fund receivable due from the Share Insurance Fund and increase in payables. 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 \$190 thousand. Its balance decreased by \$110 thousand. The decrease for the month was primarily due to the repayment of receivables from the Central Liquidity Facility for 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 \$43 thousand. The increase for the month was primarily due to adding computer software subscriptions.

Accrued wages and benefits had a month-end balance of approximately \$10.9 million. Its balance decreased by \$327 thousand. The decrease for the month was due to the decrease in month-end days accrued caused by the timing of pay periods.

Accounts payable had a month-end balance of approximately \$8.0 million. Its balance includes trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$13 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 \$2.4 million and net income year-to-date was approximately \$7.7 million. Interest income on overnight investments has averaged 0.31% year-to-date, versus 0.02% during the same period last year.

Statements of Cash Flow

The cash position increased approximately \$0.4 million since last month. In the current month approximately \$0.6 million was used by operating activities. Approximately \$166 thousand was invested in new capital assets. Approximately \$111 thousand in cash was used to pay down the capital lease liabilities and repay the National Credit Union Share Insurance Fund note payable on the King Street Station Building, which has a balance of \$9.3 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$19.0 million or 7.9%, compared to being under the year-to-date budget by approximately \$11.9 million or 5.2% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$5.2 million or 3.0%. Travel cost were under budget by \$2,560 thousand or 10.6%. Contract services cost was under budget by \$4.8 million or 20.3%. The remaining expense categories combined were under budget by \$6.4 million or 34.2%. 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 \$21,478 this year, which is \$414 more than last year.

The Agency had 37 vacancies as of this month -- up 1 from the prior month. Of the 37 vacancies, 4 were in the central office and 33 were in the regions and AMAC. The 37 vacancies represent 3.0% percent of total authorized staff of 1,247.

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

	October 2016	October 2015
ASSETS		
Cash and cash equivalents	\$ 68,979	\$ 60,612
Due from National Credit Union Share Insurance Fund	45	52
Employee advances	271	40
Other accounts receivable, Net	190	211
Prepaid expenses and other assets	2,655	1,989
Assets held for sale	-	171
Fixed assets - Net of accum. depreciation of \$34,256 as of October 31, 2016	29,799	31,586
Intangible assets - Net of accum. amortization of \$17,087 as of October 31, 2016	3,415	1,538
TOTAL ASSETS	\$ 105,354	\$ 96,199
 LIABILITIES		
Accounts payable	\$ 7,965	\$ 4,002
Obligations under capital leases	986	1,697
Accrued wages and benefits	10,871	10,848
Deferred revenue ¹	13,489	13,029
Accrued annual leave	17,243	17,646
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	9,275	10,616
TOTAL LIABILITIES	59,829	57,838
 FUND BALANCE	 45,525	 38,361
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 105,354	 \$ 96,199

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 October 31, 2016 and October 31, 2015
(Dollars in thousands)

	October 2016	Year-to-Date October 2016	Year-to-Date October 2015
REVENUES			
Operating fees	\$ 6,744	\$ 67,444	\$ 65,744
Interest	14	142	10
Other	36	859	973
Total Revenues	6,794	68,445	66,727
EXPENSES, NET¹			
Employee wages and benefits, net	3,547	45,764	46,651
Travel	107	5,836	6,167
Rent, communications, and utilities	61	1,084	920
Contracted services	364	5,089	4,873
Depreciation and amortization	107	1,086	1,604
Administrative	188	1,856	1,579
Total Expenses	4,374	60,715	61,794
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	2,420	7,730	4,933
FUND BALANCE—Beginning of period	43,105	37,795	33,428
FUND BALANCE—End of period	\$ 45,525	\$ 45,525	\$ 38,361

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 October 31, 2016 and October 31, 2015
(Dollars in thousands)

	<u>October 2016</u>	<u>Year-to-Date October 2016</u>	<u>Year-to-Date October 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 2,420	\$ 7,730	\$ 4,933
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	401	4,059	4,679
Provision for loss on disposal of employee residences held for sale	11	27	83
(Gain) loss on fixed asset retirements	-	8	1,018
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	3,911	3,899	3,457
Employee advances	4	(233)	22
Other accounts receivable	110	142	111
Prepaid expenses and other assets	(43)	(923)	156
(Decrease) increase in liabilities:			
Accounts payable	4,477	2,321	(2,596)
Accrued wages and benefits	(327)	3,695	(2,025)
Deferred revenue	(6,745)	13,489	13,029
Accrued annual leave	(1,769)	-	2,177
Accrued employee travel	(1,864)	(646)	(491)
Net cash provided by operating activities	<u>586</u>	<u>33,568</u>	<u>24,553</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(166)	(3,797)	(3,607)
Purchases of employee residences held for sale	-	-	(207)
Proceeds from sale of employee residences held for sale	139	350	596
Net cash used by investing activities	<u>(27)</u>	<u>(3,447)</u>	<u>(3,218)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,117)	(1,117)
Principal payments under capital lease obligations	1	(553)	(546)
Net cash used by financing activities	<u>(111)</u>	<u>(1,670)</u>	<u>(1,663)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>448</u>	<u>28,451</u>	<u>19,672</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>68,531</u>	<u>40,528</u>	<u>40,940</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 68,979</u>	<u>\$ 68,979</u>	<u>\$ 60,612</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>\$ 151</u>	<u>\$ 173</u>

The balances in the statement above are preliminary and unaudited.

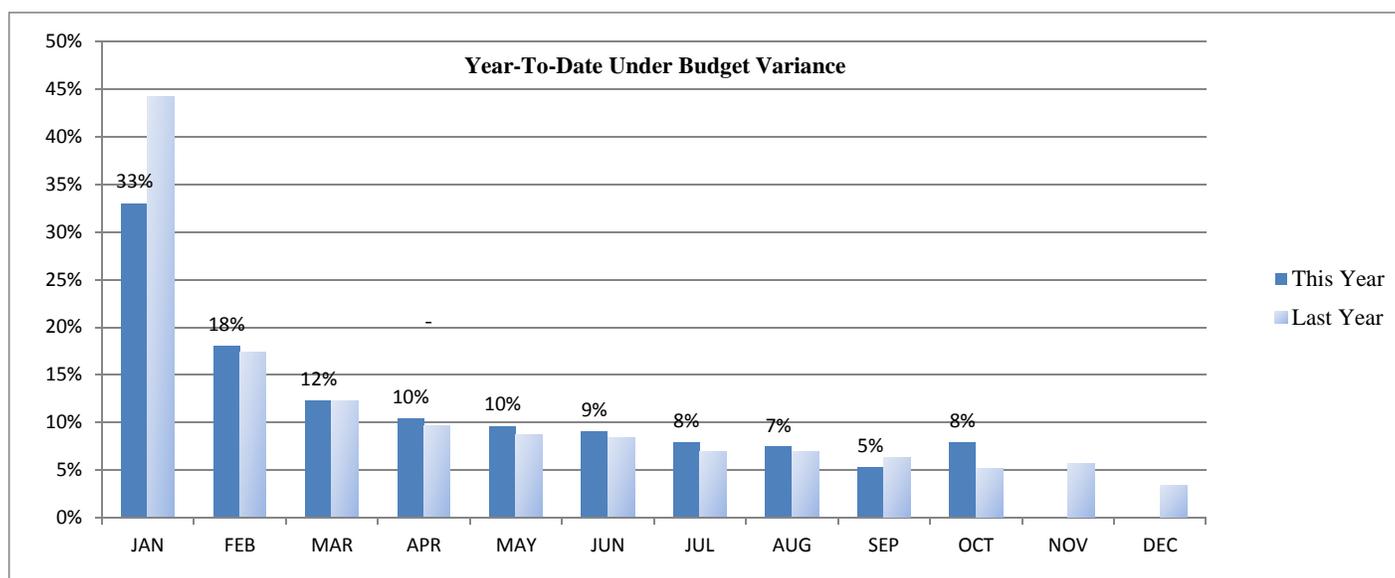
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of October 31, 2016 and October 31, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	175,370	170,127	(5,243)	-3.0%	166,677	165,431	(1,246)	-0.7%
Travel	24,257	21,696	(2,560)	-10.6%	24,008	21,555	(2,453)	-10.2%
Rent, Comm., & Utilities	5,678	4,031	(1,647)	-29.0%	4,553	3,260	(1,293)	-28.4%
Administrative	12,973	8,241	(4,732)	-36.5%	13,621	11,287	(2,334)	-17.1%
Contracted Services	23,749	18,917	(4,832)	-20.3%	21,869	17,253	(4,616)	-21.1%
TOTAL	242,026	223,012	(19,014)	-7.9%	230,727	218,787	(11,942)	-5.2%



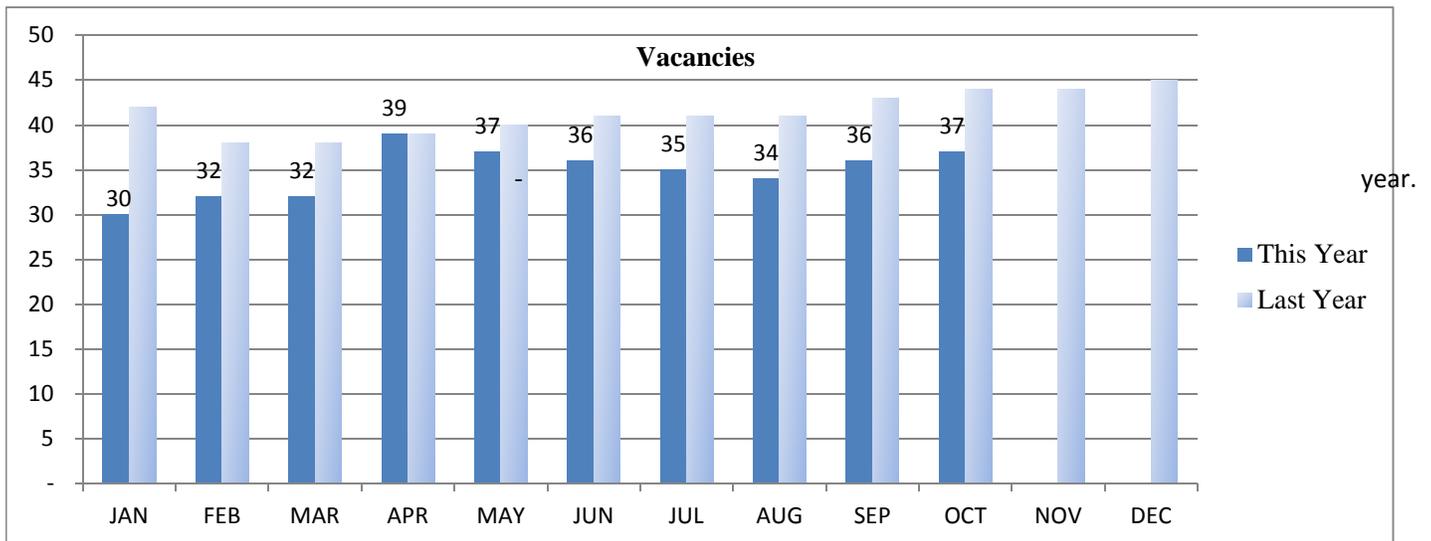
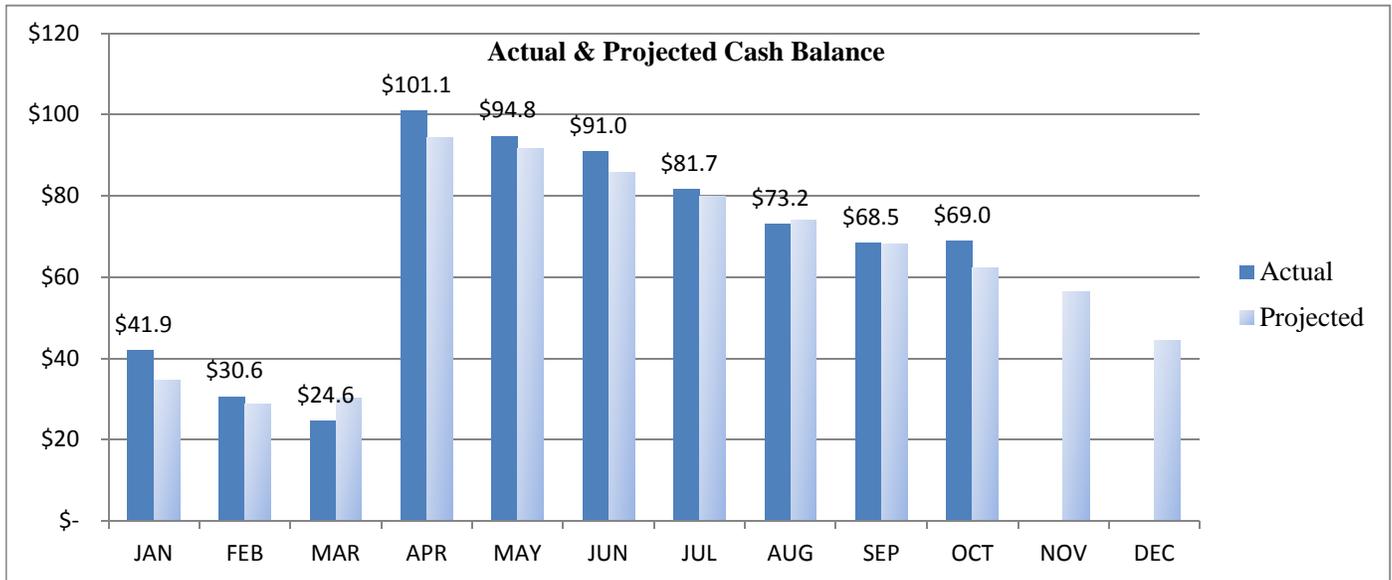
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of October 31, 2016 and October 31, 2015



	10/31/2016	10/31/2015
Fund Balance / Total assets	43.21%	39.88%
YTD interest income to average investments (annualized)	0.31%	0.02%
Annualized travel spend per employee	\$21,478	\$21,064
Net year to date cash inflow (outflow) in millions of dollars	\$28	\$20
Cash and overnight investments / Total assets	65.47%	63.01%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited.