

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

September 30, 2016

A handwritten signature in blue ink, appearing to read "Rendell L. Jones", with a long horizontal flourish extending to the right.

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

**MANAGEMENT OVERVIEW
September 30, 2016**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$68.5 million. Its balance decreased \$4.7 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 \$300 thousand. Its balance decreased by \$43 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 \$2.6 million. Its balance decreased by \$48 thousand. The decrease for the month was primarily due to the quarterly amortization of these prepaid assets.

Accrued wages and benefits had a month-end balance of approximately \$11.2 million. Its balance increased by \$2.4 million. The increase for the month was due to month-end additional days accrued caused by the timing of pay periods.

Accounts payable had a month-end balance of approximately \$3.5 million. Its balance includes trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$20 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 loss for the month was \$1.1 million and net income year-to-date was approximately \$5.3 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 decreased approximately \$4.7 million since last month. In the current month approximately \$3.9 million was used by operating activities. Approximately \$469 thousand was invested in new capital assets. Approximately \$297 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 \$9.4 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$11.6 million or 5.3%, compared to being under the year-to-date budget by approximately \$13.1 million or 6.3% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$1.5 million or 0.9%. Travel cost were under budget by \$532 thousand or 2.4%. Contract services cost was under budget by \$3.8 million or 17.8%. The remaining expense categories combined were under budget by \$5.8 million or 34.7%. The total budget-to-actual differences year-to-date are under the total prior year differences in both amount and percentage.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$23,423 this year, which is \$2,135 more than last year.

The Agency had 36 vacancies as of this month -- up 2 from the prior month. Of the 36 vacancies, 4 were in the central office and 32 were in the regions and AMAC. The 36 vacancies represent 2.9% percent of total authorized staff of 1,247.

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

	September 2016	September 2015
ASSETS		
Cash and cash equivalents	\$ 68,531	\$ 59,823
Due from National Credit Union Share Insurance Fund	3,956	4,269
Employee advances	275	49
Other accounts receivable, Net	300	259
Prepaid expenses and other assets	2,612	1,953
Assets held for sale	150	171
Fixed assets - Net of accum. depreciation of \$33,934 as of September 30, 2016	30,129	31,911
Intangible assets - Net of accum. amortization of \$17,009 as of September 30, 2016	3,339	1,530
TOTAL ASSETS	\$ 109,292	\$ 99,965
 LIABILITIES		
Accounts payable	\$ 3,488	\$ 2,164
Obligations under capital leases	1,004	1,697
Accrued wages and benefits	11,198	9,319
Deferred revenue ¹	20,234	19,696
Accrued annual leave	19,012	17,646
Accrued employee travel	1,864	1,877
Note payable to National Credit Union Share Insurance Fund	9,387	10,727
TOTAL LIABILITIES	66,187	63,126
 FUND BALANCE	 43,105	 36,839
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 109,292	 \$ 99,965

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

	<u>September 2016</u>	<u>Year-to-Date September 2016</u>	<u>Year-to-Date September 2015</u>
REVENUES			
Operating fees	\$ 6,744	\$ 60,700	\$ 59,088
Interest	14	128	9
Other	134	823	807
Total Revenues	<u>6,892</u>	<u>61,651</u>	<u>59,904</u>
EXPENSES, NET¹			
Employee wages and benefits, net	5,270	42,217	42,058
Travel	1,212	5,729	5,970
Rent, communications, and utilities	231	1,023	869
Contracted services	784	4,725	4,634
Depreciation and amortization	112	979	1,474
Administrative	426	1,668	1,488
Total Expenses	<u>8,035</u>	<u>56,341</u>	<u>56,493</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>(1,143)</u>	<u>5,310</u>	<u>3,411</u>
FUND BALANCE—Beginning of period	<u>44,248</u>	<u>37,795</u>	<u>33,428</u>
FUND BALANCE—End of period	<u>\$ 43,105</u>	<u>\$ 43,105</u>	<u>\$ 36,839</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 September 30, 2016 and September 30, 2015
(Dollars in thousands)

	<u>September 2016</u>	<u>Year-to-Date September 2016</u>	<u>Year-to-Date September 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ (1,143)	\$ 5,310	\$ 3,411
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	433	3,658	5,221
Provision for loss on disposal of employee residences held for sale	-	16	83
(Gain) loss on fixed asset retirements	8	8	12
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(3,897)	(12)	(760)
Employee advances	(265)	(237)	13
Other accounts receivable	44	32	63
Prepaid expenses and other assets	48	(880)	192
(Decrease) increase in liabilities:			
Accounts payable	1,535	(2,156)	(4,434)
Accrued wages and benefits	2,446	4,022	(3,554)
Deferred revenue	(6,744)	20,234	19,696
Accrued annual leave	1,769	1,769	2,177
Accrued employee travel	1,864	1,218	1,386
Net cash (used) or provided by operating activities	<u>(3,902)</u>	<u>32,982</u>	<u>23,506</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(469)	(3,631)	(3,460)
Purchases of employee residences held for sale	-	-	(207)
Proceeds from sale of employee residences held for sale	-	211	596
Net cash used by investing activities	<u>(469)</u>	<u>(3,420)</u>	<u>(3,071)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(111)	(1,005)	(1,006)
Principal payments under capital lease obligations	(186)	(554)	(546)
Net cash used by financing activities	<u>(297)</u>	<u>(1,559)</u>	<u>(1,552)</u>
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	<u>(4,668)</u>	<u>28,003</u>	<u>18,883</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>73,199</u>	<u>40,528</u>	<u>40,940</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 68,531</u>	<u>\$ 68,531</u>	<u>\$ 59,823</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 2,030</u>
Cash Payments for Interest	<u>\$ 14</u>	<u>\$ 137</u>	<u>\$ 156</u>

The balances in the statement above are preliminary and unaudited.

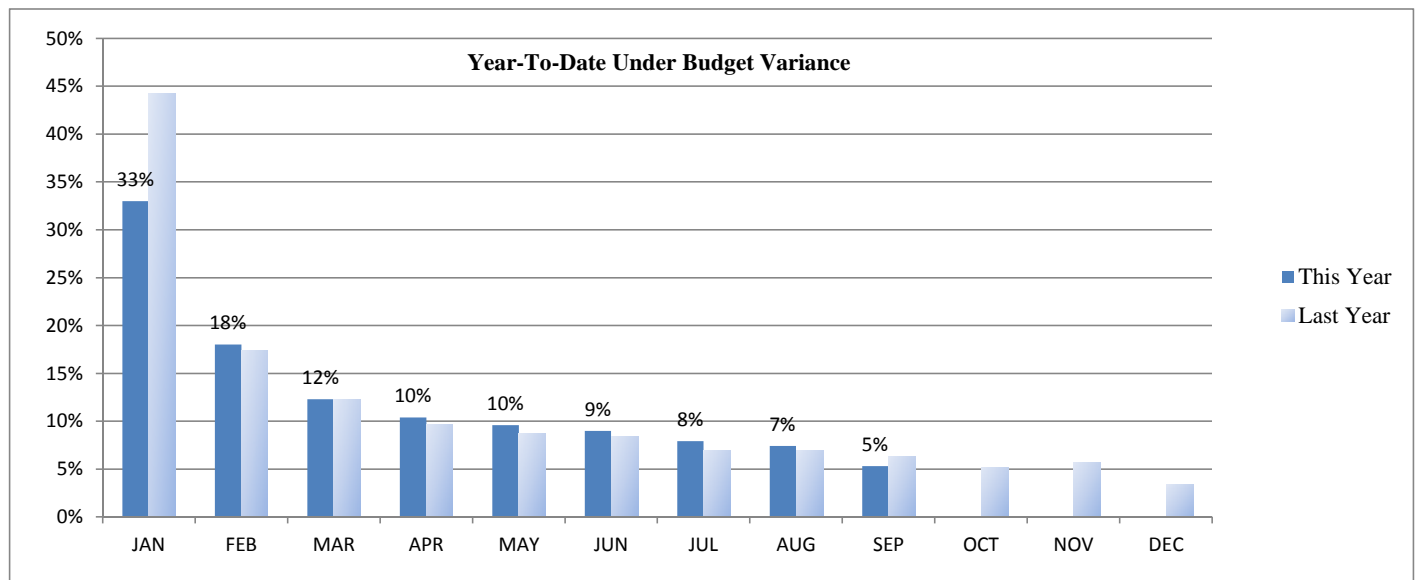
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of September 30, 2016 and September 30, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	158,398	156,939	(1,459)	-0.9%	149,779	146,101	(3,678)	-2.5%
Travel	21,831	21,299	(532)	-2.4%	21,588	19,612	(1,976)	-9.2%
Rent, Comm., & Utilities	5,110	3,804	(1,306)	-25.6%	4,068	2,927	(1,141)	-28.0%
Administrative	11,676	7,154	(4,522)	-38.7%	12,259	9,563	(2,696)	-22.0%
Contracted Services	21,374	17,566	(3,807)	-17.8%	19,731	16,163	(3,568)	-18.1%
TOTAL	218,389	206,763	(11,626)	-5.3%	207,424	194,367	(13,058)	-6.3%



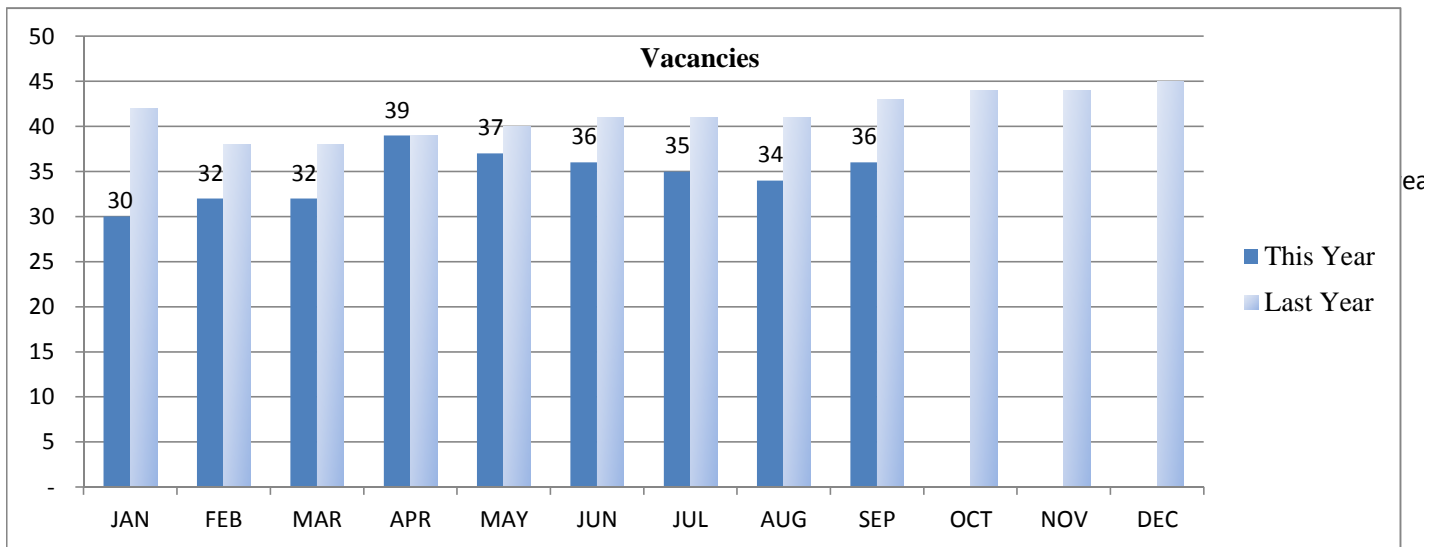
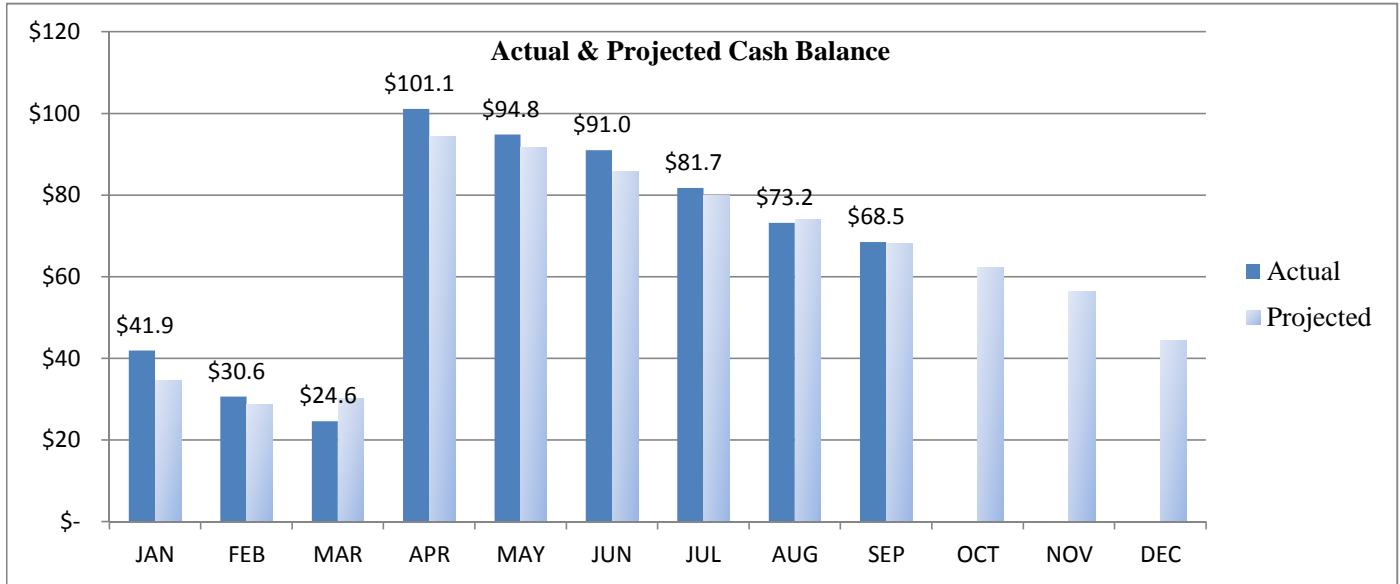
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of September 30, 2016 and September 30, 2015



	9/30/2016	9/30/2015
Fund Balance / Total assets	39.44%	36.85%
YTD interest income to average investments (annualized)	0.31%	0.02%
Annualized travel spend per employee	\$23,423	\$21,288
Net year to date cash inflow (outflow) in millions of dollars	\$28	\$19
Cash and overnight investments / Total assets	62.70%	59.84%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited.