National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended
December 31, 2019 and 2018, and
Independent Auditors’ Report

NATIONAL CREDIT UNION SHARE INSURANCE FUND

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Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2019, the NCUSIF insures $1.2 trillion in member shares in approximately 5,200 credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

II. Performance Goals, Objectives, and Results

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2019 and 2018, the following additional measures should be considered:

[1] The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2019. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

2019 and 2018 Performance Measures		
	December 31, 2019	December 31, 2018
Equity Ratio	1.35%	1.39%
Insured Shares	$1.2 trillion	$1.1 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	2	8
Assets in CAMEL[2] 3, 4 and 5 rated Credit Unions	$52.5 billion	$66.9 billion

Equity Ratio and Normal Operating Level
The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions. The NOL is the Board's target equity level for the NCUSIF. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20% and 1.50%. On December 12, 2019, the Board set the NOL at 1.38%, equal to the previous level of 1.38%.

The NCUSIF pays a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. As of December 31, 2019, the equity ratio was 1.35%, which is below the NOL. Previously, the equity ratio was 1.39% as of December 31, 2018, which was above the established NOL of 1.38%. As a result, the NCUA Board approved a Share Insurance distribution of $160.1 million to eligible, federally insured credits unions. This distribution was paid during the second quarter of 2019.

Insurance Related Activities
The NCUA identifies credit unions at risk of failure through the supervisory and examination process. Estimated losses are based on economic trends and each credit union's financial condition and operations. The NCUA also evaluates overall credit union trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

For 2019, there were two credit union failures compared to eight failures in 2018. The cost of these failures, or the estimated cost of resolution at the time of liquidation, for the current year is $40.3 million compared to $785.0 million for failures that occurred in 2018.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2019, there were two credit unions operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the Fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities line item in the Balance Sheets.

The credit union industry remained stable during 2019. The aggregate net worth ratio increased during the year ending at 11.4% versus 11.3% at December 31, 2018. Assets in CAMEL 3, 4

[2] The CAMEL system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of five critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management (CAMEL). The NCUA employs the CAMEL rating system as a tool to measure risk and allocate resources for supervisory purposes.

and 5 rated credit unions decreased to $52.5 billion at the end of 2019 versus $66.9 billion at the end of 2018.

III. Financial Statement Analysis

The NCUSIF ended 2019 with an increase in Total Assets and Net Position. The increase in Total Assets is largely attributable to the increase in investments. Insurance and Guarantee Program Liabilities decreased from the prior year. Net Cost of Operations increased to $136.8 million, primarily as a result of increases in the Reserve Expense within the Provision for Insurance Losses line item. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	**2019**	**2018**	**Increase / (Decrease)**	
			$	**%**
Net Position				
Assets:				
Investments, Net	16,019,816	15,072,202	947,614	6.3%
Receivables from Asset Management Estates (AMEs), Net	610,227	698,215	(87,988)	-12.6%
Other	91,514	76,265	15,249	20.0%
Total Assets	**$16,721,557**	**$15,846,682**	**$874,875**	**5.5%**
Total Liabilities	**$121,596**	**$125,056**	**($3,460)**	**-2.8%**
Net Position (Assets minus Liabilities)	**$16,599,961**	**$15,721,626**	**$878,335**	**5.6%**
Net Cost				
Gross Costs:				
Operating Expenses	191,077	187,395	3,682	2.0%
Provision for Insurance Losses	(40,595)	(113,826)	73,231	64.3%
Other Losses	87	2,786	(2,699)	-96.9%
Total Gross Costs	**$150,569**	**$76,355**	**$74,214**	**97.2%**
Exchange Revenue	**$13,768**	**$18,158**	**($4,390)**	**-24.2%**
Total Net Cost of Operations	**$136,801**	**$58,197**	**$78,604**	**135.1%**
Cumulative Results of Operations				
Beginning Balance	**$4,394,392**	**$4,971,367**	**($576,975)**	**-11.6%**
Financing Sources:				
Interest Revenue - Investments	306,467	284,716	21,751	7.6%
Distribution to Credit Unions	(160,099)	(735,679)	575,580	78.2%
Net Unrealized Gain / (Loss) - Investments	228,615	(67,815)	296,430	437.1%
Total Financing Sources	**$374,983**	**($518,778)**	**$893,761**	**172.3%**
Net Cost of Operations	**$136,801**	**$58,197**	**$78,604**	**135.1%**
Cumulative Results of Operations	**$4,632,574**	**$4,394,392**	**$238,182**	**5.4%**
Contributed Capital	**$11,967,387**	**$11,327,234**	**$640,153**	**5.7%**
Net Position	**$16,599,961**	**$15,721,626**	**$878,335**	**5.6%**

Fiduciary Activity Highlights

The financial results of the NPCU AMEs and Corporate AMEs with the NCUA Guaranteed Notes (NGN) Program Trusts are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard (SFFAS) No. 31, *Accounting for Fiduciary Activities,* and are included in the notes to the NCUSIF financial statements.

NGN Program

The outstanding principal balance of the NGNs was $3.2 billion and $4.4 billion as of December 31, 2019 and 2018, respectively. This amount represents the maximum potential future guarantee payments that the NCUA could be required to make. The losses from the guarantees of NGNs are expected to be significantly less than the above maximum potential exposure. The NCUA's estimate of the expected recovery from the Corporate AMEs is derived using a model and reflects the NCUA's expectations and assumptions about the estimated cash flows of the Corporate AMEs' assets.

As of December 31, 2019 and 2018, the NCUA Board, as liquidating agent of the Corporate AMEs, held approximately $0.9 billion and $1.1 billion in post-securitized assets, respectively. Generally, post-securitized assets are the Legacy Assets that are no longer secured by the NGNs. The table below represents the composition of Legacy Assets collateralizing the remaining nine NGNs with an aggregate unpaid principal balance of $5.4 billion and recovery value of approximately $4.3 billion as of December 31, 2019. There were nine NGNs with an aggregate unpaid principal balance of $6.5 billion and recovery value of approximately $5.2 billion as of December 31, 2018.

Composition of Legacy Assets Collateralizing the NGN Trusts									
		Based on Recovery Value				Based on Unpaid Principal Balance			
Asset Type and Credit Rating [1]		December 31, 2019		December 31, 2018		December 31, 2019		December 31, 2018	
RMBS	AAA	87%	0%	88%	1%	85%	0%	87%	1%
	AA		2%		2%		2%		2%
	A		3%		3%		2%		2%
	BBB		3%		3%		3%		2%
	Below Investment Grade		85%		85%		87%		87%
	NA		7%		6%		6%		6%
CMBS	AAA	2%	0%	2%	0%	1%	0%	1%	0%
	AA		0%		0%		0%		0%
	A		3%		4%		3%		4%
	BBB		0%		0%		0%		0%
	Below Investment Grade		97%		96%		97%		96%
	NA		0%		0%		0%		0%
ABS [2]	AAA	5%	64%	5%	63%	8%	31%	7%	33%
	AA		0%		2%		0%		1%
	A		0%		0%		0%		0%
	BBB		13%		13%		7%		7%
	Below Investment Grade		22%		21%		52%		49%
	NA		1%		1%		10%		10%
Agency		4%	100%	4%	100%	4%	100%	3%	100%
Corporate	AAA	2%	0%	1%	0%	2%	0%	2%	0%
	AA		0%		0%		0%		0%
	A		0%		0%		0%		0%
	BBB		0%		0%		0%		0%
	Below Investment Grade		0%		0%		0%		0%
	NA		100%		100%		100%		100%

Percentages may not total 100% due to rounding.

[1] The rating is based on the lowest published rating by S&P, Moody's, or Fitch.

[2] The collateral underlying the ABS included in the table above is primarily student loans.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the NCUSIF. While the statements have been prepared from the books and records of the NCUSIF in accordance with U.S. generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Liquidity Risk and Capital Resources

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight investments, which are available to meet urgent liquidity needs of the NCUSIF.

2019 and 2018 Fund Balance with Treasury and Investments		
	December 31, 2019	December 31, 2018
Fund Balance with Treasury	$ 7.9 million	$ 5.0 million
U.S. Treasury Securities		
Overnight	516.3 million	1,218.5 million
Available-for-Sale	15,503.5 million	13,853.7 million

During 2019, the NCUSIF's FBWT and Investments increased overall primarily due to capital contributions of $640.2 million from credit unions and $306.5 million from interest earned on investments.

The NCUSIF has multiple funding sources to include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;
- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

IV. Systems, Controls, and Legal Compliance

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 *et seq*., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the definitions of "equity ratio" and "net worth" in the FCU Act. The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 *et seq.*).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), and the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

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Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Share Insurance Fund (NCUSIF) which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2019, we considered the NCUSIF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Manager's Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 14, 2020

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 7,947	$ 5,000
Investments, Net - U.S. Treasury Securities (Note 3)	16,019,816	15,072,202
Accrued Interest Receivable - Investments (Note 3)	76,631	62,454
Accounts Receivable - Due from the NCUA Operating Fund	-	35
Note Receivable - Note due from the NCUA Operating Fund (Note 5)	5,028	6,369
Total Intragovernmental Assets	16,109,422	15,146,060
PUBLIC		
Accounts Receivable - Guarantee Fee on NGNs, Net (Note 4)	775	1,050
General Property, Plant and Equipment, Net (Note 6)	113	212
Advances and Prepayments	1,020	995
Accounts Receivable - Other	-	150
Receivables from Asset Management Estates (AMEs), Net (Note 7)	610,227	698,215
Total Public Assets	612,135	700,622
TOTAL ASSETS	$ 16,721,557	$ 15,846,682
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 10)	2,308	4,023
Total Intragovernmental Liabilities	2,308	4,023
PUBLIC		
Accounts Payable	463	1,804
Insurance and Guarantee Program Liabilities (Note 8)	116,978	119,053
Other Liabilities (Note 9)	1,847	176
Total Public Liabilities	119,288	121,033
TOTAL LIABILITIES	121,596	125,056
Commitments and Contingencies (Note 8)		
NET POSITION		
Contributed Capital (Note 13)	11,967,387	11,327,234
Cumulative Results of Operations	4,632,574	4,394,392
Total Net Position	16,599,961	15,721,626
TOTAL LIABILITIES AND NET POSITION	$ 16,721,557	$ 15,846,682

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST

For the Years Ended December 31, 2019 and 2018

(Dollars in thousands)

	2019	2018
GROSS COSTS		
Operating Expenses	$ 191,077	$ 187,395
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 8)	38,835	(13,967)
AME Receivable Bad Debt Expense (Reduction) (Note 7)	(79,430)	(99,859)
Total Provision for Insurance Losses	(40,595)	(113,826)
Other Losses	87	2,786
Total Gross Costs	150,569	76,355
LESS EXCHANGE REVENUES		
Interest Revenue on Note Receivable from the NCUA Operating Fund (Note 5)	(112)	(123)
Guarantee Fee Revenue - NGNs	(13,167)	(16,982)
Other Revenue	(489)	(1,053)
Total Exchange Revenues	(13,768)	(18,158)
TOTAL NET COST OF OPERATIONS	$ 136,801	$ 58,197

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 4,394,392	$ 4,971,367
BUDGETARY FINANCING SOURCES		
Non-Exchange Revenue		
Interest Revenue - Investments	306,467	284,716
Distribution to Credit Unions	(160,099)	(735,679)
Total Budgetary Financing Sources	146,368	(450,963)
OTHER FINANCING SOURCES		
Non-Exchange Revenue		
Net Unrealized Gain/(Loss) - Investments (Note 3)	228,615	(67,815)
Total Financing Sources	374,983	(518,778)
Net Cost of Operations	(136,801)	(58,197)
Net Change	238,182	(576,975)
CUMULATIVE RESULTS OF OPERATIONS	4,632,574	4,394,392
CONTRIBUTED CAPITAL (Note 13)		
Beginning Balances	11,327,234	10,765,320
Change in Contributed Capital	640,153	561,914
CONTRIBUTED CAPITAL	11,967,387	11,327,234
NET POSITION	$ 16,599,961	$ 15,721,626

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2019 and 2018
(Dollars in thousands)

	2019	2018
BUDGETARY RESOURCES (Notes 11, 12 and 15)		
Unobligated balance from prior year budget authority, net	$ 15,186,319	$ 16,127,894
Borrowing authority (mandatory)	-	-
Spending authority from offsetting collections (mandatory)	1,272,155	1,279,038
TOTAL BUDGETARY RESOURCES	$ 16,458,474	$ 17,406,932
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 584,237	$ 2,220,613
Unobligated balance, end of year:		
Exempt from apportionment	15,874,237	15,186,319
Total unobligated balance, end of year	15,874,237	15,186,319
TOTAL BUDGETARY RESOURCES	$ 16,458,474	$ 17,406,932
OUTLAYS, NET		
Outlays, net (discretionary and mandatory)	$ (672,771)	$ 953,043
Distributed offsetting receipts	-	-
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	$ (672,771)	$ 953,043

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all federal credit unions (FCUs) and in federally insured state-chartered credit unions.

The NCUA exercises direct supervisory authority over FCUs and coordinates supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to the NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF, pursuant to the FCU Act, may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit, cash assistance in the form of a subordinated note, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed

CCUs, and establishing a new regulatory framework for CCUs. Under the CSRP, the NCUA created a re-securitization program (the NGN Program) to provide long-term funding for the Legacy Assets through the issuance of the NGNs by trusts established for this purpose (NGN Trusts). The NGN Trusts are guaranteed by the NCUA, and backed by the full faith and credit of the United States.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the federal government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

Sources of Funding

Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain 1.00% of its insured shares in the NCUSIF. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Accounting Principles

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* revised June 28, 2019.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

In its accounting structure, the NCUSIF records both proprietary and budgetary accounting transactions. Following the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between proprietary and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays Note 15. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation,* the Reconciliation of Net Cost of Operations to Net Outlays has replaced the Reconciliation of Net Cost of Operations to Budget in the Notes to the Financial Statements. The Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how proprietary basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments, Net

Investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities). The NCUSIF also holds non-marketable U.S. Treasury overnight securities purchased and reported at par value, which are classified as held-to-maturity. All marketable securities are carried as available-for-sale in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

All U.S. Treasury securities that are in an unrealized loss position are reviewed for other-than-temporary impairment (OTTI). The NCUSIF evaluates its U.S. Treasury securities on a monthly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is an OTTI, the NCUA takes into consideration whether it has the intent to sell the security. The NCUA also considers available evidence to assess whether it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If the NCUA intends to sell or, more likely than not, will be required to sell the security before recovery of its amortized cost basis, an OTTI shall be considered to have occurred.

Premiums and discounts are amortized over the life of the related available-for-sale security as an adjustment to yield using the effective interest method.

Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

Accounts Receivable

Accounts receivable represents the NCUSIF’s claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Public accounts receivable represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

Capitalization Deposits from Insured Credit Unions
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

Guarantee Fee on NCUA Guaranteed Notes
Guarantee fee accounts receivable represents outstanding balances of guarantee fees associated with the NGN Trusts.

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2019 and 2018.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for public accounts receivable. An account may be impaired or written off if it is probable that the NCUSIF will not collect all amounts contractually due. No allowance is calculated for intragovernmental accounts receivable as these are deemed to be fully collectible.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment, Net consists of internal-use software and assets under capital lease, and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*.

Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*. General property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software; (the shorter of either the estimated useful life or lease term is applied for leasehold improvements and capital leases). Assets under capital lease are depreciable over three years, which corresponds with the life of the underlying capital lease. Internal use software has a useful life of three years per the NCUA capitalization policy.

Receivables from Asset Management Estates, Net

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Insurance and Guarantee Program Liabilities

In 2019, the NCUA implemented SFFAS No. 51, *Insurance Programs*. The purpose of this statement is to establish consistent accounting and financial reporting standards for insurance programs across the federal government. SFFAS No. 51 requires that the financial statements and accompanying footnote disclosures provide concise, meaningful and transparent information regarding the operating performance of the NCUA's two insurance activities – Insured Credit Unions and NCUA Guaranteed Notes (NGN), which are classified as exchange transaction insurance programs.

Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of our insurance programs as well as our premium pricing policies, the nature and magnitude of our estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 11. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 13. The remaining information required to be disclosed is discussed further in Note 8.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term “Claim expenses”, which will remain “Reserve expense”. Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of “Reserve expense” in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 8.

The NCUSIF records a liability for probable losses relating to insured credit unions and the NGNs. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

Liabilities for loss contingencies on the NGNs arise from claims, assessments, litigation, fines and penalties, and other sources. These loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Other Liabilities - Capital Lease Liability

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and SFFAS No. 6, the NCUSIF records a depreciable asset and liability for all capital leases at the present value of the rental and other minimum lease payments during the lease term.

Net Position and Contributed Capital

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandated changes to the NCUSIF’s capitalization provisions, effective January 1, 2000. The CUMAA added provisions mandating that the amount of each insured credit union’s deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union’s insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF’s Balance Sheets and Statements of Changes in Net Position.

Beginning in 2000, the CUMAA mandated that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of premium assessments, guarantee fee income, and interest revenue, is used to recover the losses of the credit union system.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs.

Premium Assessments from Insured Credit Unions
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue when invoiced. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the NCUSIF recognizes interest revenue on investments in U.S. Treasury securities as non-exchange revenue because the main source of funds for investments comes from capital deposits. The related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue.

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

Receiverships
An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) Natural person AMEs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 14.

Conservatorships
The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. The NCUA lists credit unions currently under conservatorship on its website.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 15,874,406	$ 15,186,319
Obligated Balances Not Yet Disbursed	5,621	6,794
Non-Budgetary Investment Accounts	(15,795,449)	(15,125,624)
Non-Budgetary FBWT Accounts	(76,631)	(62,489)
Total	$ 7,947	$ 5,000

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund's investment policy guidelines.

As of December 31, 2019 and 2018, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

3. INVESTMENTS

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. All investments at the NCUSIF pertain to market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2019 and 2018, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain/(Loss)	Carrying/ Fair Value
As of December 31, 2019:						
U.S. Treasury Securities						
Available-for-Sale	$ 15,557,172	$ (97,974)	$ 76,631	$ 15,350,000	$ 44,349	$ 15,503,547
Held to Maturity	516,269	-	-	516,269	-	516,269
Total	$ 16,073,441	$ (97,974)	$ 76,631	$ 15,866,269	$ 44,349	$ 16,019,816
As of December 31, 2018:						
U.S. Treasury Securities						
Available-for-Sale	$ 14,106,883	$ (68,914)	$ 62,454	$ 14,000,000	$ (184,266)	$ 13,853,703
Held to Maturity	1,218,499	-	-	1,218,499	-	1,218,499
Total	$ 15,325,382	$ (68,914)	$ 62,454	$ 15,218,499	$ (184,266)	$ 15,072,202

Maturities of U.S. Treasury securities as of December 31, 2019 and 2018 were as follows (in thousands):

	2019 Fair Value	2018 Fair Value
Held to Maturity (Overnights)	$ 516,269	$ 1,218,499
Available-for-Sale:		
Due in one year or less	4,511,563	2,775,562
Due after one year through five years	7,372,156	9,363,016
Due after five years through ten years	3,619,828	1,715,125
Total	$ 16,019,816	$ 15,072,202

For the years ended December 31, 2019 and 2018, there were no realized gains from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, for which an OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2019 and 2018 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized losses	Fair value	Unrealized losses	Fair value
As of December 31, 2019:						
Available-for-Sale:						
U.S. Treasury Securities	$ (32,629)	$ 4,093,188	$ (3,094)	$ 1,609,594	$ (35,723)	$ 5,702,782
As of December 31, 2018:						
Available-for-Sale:						
U.S. Treasury Securities	$ (7,574)	$ 1,479,125	$ (182,366)	$ 10,133,734	$ (189,940)	$ 11,612,859

4. ACCOUNTS RECEIVABLE

Public – Accounts Receivable

Accounts Receivable Due from Insured Credit Unions
As of December 31, 2019 and 2018, no accounts receivable were due from insured credit unions.

NGN Guarantee Fee Receivable
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs. Guarantee fees on each NGN Trust are 35 basis points per year, payable monthly, on the outstanding balance of the NGNs. As of December 31, 2019 and 2018, the NGN guarantee fee receivable was $0.8 million and $1.1 million, respectively.

The allowance for doubtful accounts on public accounts receivable as of December 31, 2019 and 2018 was $0.

5. NOTE RECEIVABLE

Intragovernmental – Note Receivable

Note Due from the NCUA Operating Fund
In 1992, the NCUSIF entered into a commitment to lend $42.0 million to the NCUA Operating Fund, pursuant to a 30-year note secured by the NCUA premises in Alexandria, Virginia. Interest income recognized was approximately $112.4 thousand and $123.1 thousand for the

years ended December 31, 2019 and 2018, respectively. The note receivable balance as of December 31, 2019 and 2018 was approximately $5.0 million and $6.4 million, respectively.

The variable rate on the note is equal to the NCUSIF's prior-month yield on investments. The average interest rate for the years ended December 31, 2019 and 2018 was 1.98% and 1.80%, respectively. The interest rate as of December 31, 2019 and 2018 was 1.88% and 2.01%, respectively.

As of December 31, 2019, the above note requires principal repayments as follows (in thousands):

Years Ending December 31	Secured Term Note
2020	1,341
2021	1,341
2022	1,341
2023	1,005
Total	$ 5,028

6. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of General Property, Plant and Equipment, Net as of December 31, 2019 and 2018 were as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
As of December 31, 2019:			
Assets under Capital Lease	$ 176	$ (63)	$ 113
Internal-Use Software	2,017	(2,017)	-
Total General Property, Plant and Equipment	$ 2,193	$ (2,080)	$ 113
As of December 31, 2018:			
Assets under Capital Lease	$ 176	$ (4)	$ 172
Internal-Use Software	2,017	(1,977)	40
Total General Property, Plant and Equipment	$ 2,193	$ (1,981)	$ 212

7. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union AMEs (Corporate AMEs). The components of the Receivables from AMEs, Net as of December 31, 2019 and 2018 were as follows (in thousands):

	2019			2018		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivable from AME	$ 1,800,089	$ 2,804,049	$ 4,604,138	$ 1,868,736	$ 2,895,652	$ 4,764,388
Allowance for Loss, beginning balance	1,459,868	2,606,305	4,066,173	787,497	2,679,849	3,467,346
AME Receivable Bad Debt Expense (Reduction)	(9,831)	(69,599)	(79,430)	(26,315)	(73,544)	(99,859)
Increase in Allowance	40,048	-	40,048	752,902	-	752,902
Write-off of Canceled Charters	(32,880)	-	(32,880)	(54,216)	-	(54,216)
Allowance for Loss, ending balance	1,457,205	2,536,706	3,993,911	1,459,868	2,606,305	4,066,173
Receivable from AME, Net	$ 342,884	$ 267,343	$ 610,227	$ 408,868	$ 289,347	$ 698,215

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents overall increases in expected asset recovery rates and related repayments. The Increase in Allowance primarily represents the net loss on payments made during liquidation. The amounts for Write-off of Canceled Charters total the final loss or recovery recognized upon closing AMEs.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expectations and assumptions about the recovery value of the Corporate AMEs' assets, as further discussed in Note 14.

8. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMEL rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMEL system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of five critical elements of a credit union's operations: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, and **L**iquidity/Asset-Liability Management (CAMEL). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMEL ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMEL ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $117.0 million and $119.1 million as of December 31, 2019 and 2018, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2019	2018
Beginning balance	$ 119,053	$ 925,487
Reserve expenses (reduction)	38,835	(13,967)
Payments to settle claims	(51,418)	(1,165,033)
Recoveries and other adjustments	10,508	372,566
Ending balance	$ 116,978	$ 119,053

The Insurance and Guarantee Program Liabilities at December 31, 2019 and 2018 were comprised of the following:

- Specific reserves were $6.4 million and $7.3 million, respectively.
- General reserves were $110.6 million and $111.8 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2019 or as of December 31, 2019. There were no guarantees outstanding during 2018 or as of December 31, 2018.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2019 and 2018 were approximately $3.5 million and $0, respectively. The insured credit unions borrowed $1.3 million and $0 from the third-party lender under these lines-of-credit guarantees as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the NCUSIF reserved $75.5 thousand and $0, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2019 and 2018.

In addition to these recognized contingent liabilities, adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and could differ significantly from these estimates.

NCUA Guaranteed Notes

The NCUA, through the NCUSIF, administers the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. These notes were issued as a series of floating and fixed-rate NGNs and have final maturities ranging from 2016 to 2021. As payments are made on the collateral underlying the Legacy Assets, the NGN Trusts are required to distribute the cash flows received in the following order: guarantee fees, guarantee payments of principal and interest, guarantor reimbursements and residuals (recovery values).

The NCUA receives a guarantee fee payment from the NGN Trusts on each NGN payment date equal to 35 basis points of the outstanding NGN balance prior to the distribution of principal on the payment date. In exchange for this fee, the NCUSIF ensures the timely payment of principal and interest due to NGN investors and guarantees parity payments if there are differences between the expected and actual unpaid principal balance on the monthly payment date.

Guarantor reimbursements from the NGN Trusts to the NCUA will not occur until the applicable NGNs have been repaid in full. Once the NGNs are repaid in full, any cash flows received on the Legacy Assets underlying the NGN Trusts are directed toward reimbursement until the NCUA is reimbursed in full. The NCUA earns interest on any guarantee payments not yet reimbursed by the NGN Trusts at a rate equal to the interest rate on the associated NGNs.

As of December 31, 2019, the outstanding principal balance of the NGNs was $3.2 billion. This amount represents the maximum potential, but not the expected, future guarantee payments that the NCUA could be required to make. The gross estimated guarantee payments of $2.4 billion were offset by contractual guarantor reimbursements and earned interest of $2.4 billion and receivables from the Corporate AMEs based on the value of their economic residual interests in the NGN Trusts of up to $1.6 billion.

At December 31, 2018, the outstanding principal balance of the NGNs was $4.4 billion. The gross estimated guarantee payments of $2.5 billion were offset by contractual guarantor reimbursements and earned interest of $2.4 billion and receivables from the Corporate AMEs based on the value of their economic residual interests in the NGN Trusts of up to $1.4 billion.

There were no probable losses for the guarantee of NGNs associated with the re-securitization transactions as of December 31, 2019 and 2018, respectively.

The NCUA uses a model to estimate the guarantee liability associated with the NGN Program. The guarantee liability is comprised of NCUA's estimated guarantee payments, guarantor reimbursements, and the recovery values, if any, of the Corporate AMEs' economic residual interests in the NGN Trusts are derived using a model that distributes estimated cash flows of the Legacy Assets transferred to the NGN Trusts in the priority of payments pursuant to the governing documents of each NGN Trust. The estimated cash flows incorporated the NCUA's assumptions about discount rates. The NCUSIF recorded no liabilities on its Balance Sheet for NGNs as of December 31, 2019 and 2018.

The model produced estimated cash flows of collateral underlying the Legacy Assets by incorporating the NCUA's expectations and assumptions about prepayments, defaults and loss severity of the collateral consisting of residential and commercial mortgages and other assets. Assumptions about prepayments, defaults and loss severity were developed based on the characteristics and historical performance of the collateral, as well as assumptions about macroeconomic variables such as unemployment rate and housing prices, among other factors.

The model used to derive the expected losses from the guarantee of the NGNs is sensitive to assumptions made about Legacy Asset performance. Key assumptions in the modeling include borrower status, prepayments, default, loss severity, discount rates, forward interest rate curves, house price appreciation forecasts, legal and regulatory changes, property locations, and unemployment expectations. Management evaluates these inputs and variables regularly to determine the reasonableness of the assumptions over time.

9. OTHER LIABILITIES

The NCUSIF leases laptops for state credit union examiners under a capital lease agreement with a non-federal vendor that ends in 2021. The capital lease liability as of December 31, 2019 and 2018 was $118.8 thousand and $176.4 thousand, respectively.

The future minimum lease payments to be paid over the remaining life as of December 31, 2019 are as follows (in thousands):

Years Ending December 31	Minimum Lease Payments
2020	61
2021	61
Total Future Lease Payments	$ 122
Less: Imputed Interest	(3)
Net Capital Lease Liability	$ 119

The capital lease liability is covered by budgetary resources. The remaining balance in Other Liabilities includes payroll and other accrued liabilities, totaling $1.7 million and $0.9 million at December 31, 2019 and 2018, respectively.

10. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Program costs and revenues are separated between Intragovernmental and Public to facilitate government-wide financial reporting. Intragovernmental revenue and costs arise from transactions with other federal entities. Public revenue and costs arise from transactions with persons and organizations outside of the federal government. Intragovernmental costs and exchange revenue as of December 31, 2019 and 2018 were as follows (in thousands):

Intragovernmental Costs and Exchange Revenue	2019		2018	
Intragovernmental Costs	$	182,894	$	180,201
Public Costs/(Cost Reduction)		(32,325)		(103,846)
Total		150,569		76,355
Intragovernmental Exchange Revenue		(112)		(123)
Public Exchange Revenue		(13,656)		(18,035)
Total		(13,768)		(18,158)
Net Cost	$	136,801	$	58,197

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2019 and 2018, the allocation to the NCUSIF was 60.5% and 61.5% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled approximately $182.9 million and $180.2 million for the years ended December 31, 2019 and 2018, respectively, is reflected as an expense in the Statements of Net Cost and above in Intragovernmental Costs. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	2019		2018	
Employee Salaries	$	93,211	$	92,539
Employee Benefits		36,715		37,395
Employee Travel		13,946		14,740
Rent, Communications, and Utilities		3,962		3,713
Contracted Services		26,356		22,475
Depreciation and Amortization		3,940		3,641
Administrative Costs		4,764		5,698
Total Services Provided by the NCUA Operating Fund	$	182,894	$	180,201

As of December 31, 2019 and 2018, amounts due to the NCUA Operating Fund for allocated expenses were $2.3 million and $4.0 million, respectively.

11. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2019 and 2018, was $6.0 billion and $6.0 billion, respectively.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority. As of December 31, 2019 and 2018, the CLF had statutory borrowing authority of $7.3 billion and $7.0 billion, respectively. As of December 31, 2019 and 2018, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $2.0 billion and $2.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2020. The NCUSIF did not exercise its borrowing authority in 2019 or 2018.

12. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2019 and 2018. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2019 and 2018, the NCUSIF's resources in budgetary accounts were $16.5 billion and $17.4 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF has $1.3 million and $0.9 million in unpaid undelivered orders, and $1.0 million and $1.0 million in paid undelivered orders, as of December 31, 2019 and 2018, respectively. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2019 and 2018 are as follows (in thousands):

Undelivered obligations	2019	2018
Federal:		
Unpaid	$ -	$ -
Paid	-	-
Nonfederal:		
Unpaid	$ 1,271	$ 903
Paid	1,020	995
Total:		
Unpaid, undelivered obligations	$ 1,271	$ 903
Paid, undelivered obligations	$ 1,020	$ 995

Budgetary resources listed on the NCUSIF's financial statements and the budgetary resources found in the budget of the federal government differ because the NCUSIF's annual financial statements are prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

13. CONTRIBUTED CAPITAL

As of December 31, 2019 and 2018, contributed capital owed to the NCUSIF totaled $0. Contributed capital due from insured credit unions was $0 as of December 31, 2019 and 2018.

On December 12, 2019, the Board set the NOL at 1.38%, which is equal to the previously set NOL level on December 13, 2018.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio is 1.35% as of December 31, 2019. This equity ratio is based on insured shares of $1.2 trillion as of December 31, 2019, and is below the normal operating level of 1.38%.

As of December 31, 2018, the NCUSIF equity ratio of 1.39% was above the normal operating level of 1.38%, which resulted in a $160.1 million distribution to credit unions that was paid during the second quarter of 2019. Total contributed capital as of December 31, 2019 and 2018 was $12.0 billion and $11.3 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2019 and 2018 was 1.30% and 1.31%, based on total insured shares as of December 31, 2019 and 2018 of $1.2 trillion and $1.1 trillion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

14. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2019 and 2018 (in thousands):

Schedule of Fiduciary Activity	2019	2018
Fiduciary Net Liabilities, beginning of year	$ (1,467,231)	$ (795,403)
Net Realized Losses upon Liquidation	(40,198)	(752,265)
Revenues		
Interest on Loans	30,596	7,561
Other Fiduciary Revenues	132	215
Expenses		
Professional & Outside Services Expenses	(18,253)	(6,577)
Compensation and Benefits	(537)	(458)
Other Expenses	(803)	(381)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain on Loans	9,177	27,497
Net Gain/(Loss) on Real Estate Owned	(802)	162
Other, Net (Loss)	(8,348)	(1,798)
(Increase) in Fiduciary Net Liabilities	(29,036)	(726,044)
Write-off of Fiduciary Liabilities for Canceled Charters	32,880	54,216
Fiduciary Net Liabilities, end of year	**$ (1,463,387)**	**$ (1,467,231)**

The NPCU AMEs' fiduciary net liabilities decreased by $3.9 million from 2018 to 2019 due to canceled charter write-offs of $32.9 million, partially offset by an increase in fiduciary net liabilities of $29.0 million.

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2019 and 2018 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	2019	2018
Fiduciary Assets		
Loans	$ 316,346	$ 375,382
Real Estate Owned	2,731	6,542
Other Fiduciary Assets	48,642	64,847
Total Fiduciary Assets	367,719	446,771
Fiduciary Liabilities		
Insured Shares	472	1,478
Accrued Liquidation Expenses	27,314	39,662
Unsecured Claims	1,563	709
Uninsured Shares	1,668	3,417
Due to NCUSIF (Note 7)	1,800,089	1,868,736
Total Fiduciary Liabilities	1,831,106	1,914,002
Total Fiduciary Net Assets/(Liabilities)	**$ (1,463,387)**	**$ (1,467,231)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2019 and 2018, gross receivables related to criminal restitution orders were $247.1 million and $206.2 million, of which we determined $40.6 thousand and $60.8 thousand were collectible, respectively.

(b) Corporate AMEs (Legacy TCCUSF AMEs)

Following are the Schedules of Fiduciary Activity for the years ended December 31, 2019 and 2018 (in thousands):

Schedule of Fiduciary Activity	For the Year Ended December 31, 2019			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2018	$ 393,271	$ -	$ -	$ 393,271
Revenues				
Interest on Loans	(966)	-	-	(966)
Income from AMEs on Re-Securitized Assets	-	(121,139)	121,139	-
Income from Investment Securities	(185,979)	-	-	(185,979)
Settlements and Legal Claims	(23,092)	-	-	(23,092)
Other Fiduciary Revenues	(12,752)	-	-	(12,752)
Expenses				
Professional and Outside Services Expenses	8,813	-	-	8,813
Interest Expense on Borrowings and NGNs	33	107,972	-	108,005
Payments to NGN Trusts	121,139	-	(121,139)	-
Guarantee Fees	-	13,167	-	13,167
Other Expenses	445	-	-	445
Net Change in Recovery Value of Assets and Liabilities	(233,291)	- -	-	(233,291)
(Decrease) in Fiduciary Net Liabilities	(325,650)	-	-	(325,650)
Fiduciary Net Liabilities, December 31, 2019	$ 67,621	$ -	$ -	$ 67,621

Schedule of Fiduciary Activity	For the Year Ended December 31, 2018			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2017	$ 630,320	$ -	$ -	$ 630,320
Revenues				
Interest on Loans	(1,974)	-	-	(1,974)
Income from AMEs on Re-Securitized Assets	-	(142,062)	142,062	-
Income from Investment Securities	(256,934)	-	-	(256,934)
Settlements and Legal Claims	(7,738)	-	-	(7,738)
Other Fiduciary Revenues	(7,042)	-	-	(7,042)
Expenses				
Professional and Outside Services Expenses	7,274	-	-	7,274
Interest Expense on Borrowings and NGNs	-	125,080	-	125,080
Payments to NGN Trusts	142,062	-	(142,062)	-
Guarantee Fees	-	16,982	-	16,982
Other Expenses	414	-	-	414
Net Change in Recovery Value of Assets and Liabilities	(113,111)	-	-	(113,111)
(Decrease) in Fiduciary Net Liabilities	(237,049)	-	-	(237,049)
Fiduciary Net Liabilities, December 31, 2018	$ 393,271	$ -	$ -	$ 393,271

For the year ended December 31, 2019, the Corporate AMEs' Fiduciary Net Liabilities decreased by $325.7 million. This decrease represents a benefit to the AME claimants, of which a portion was recognized by the NCUSIF through the reduction of the AME Receivable Bad Debt Expense, as discussed in Note 7.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs, including interest expense on borrowings and the NGNs.

Following are the Schedules of Fiduciary Net Assets/Liabilities as of December 31, 2019 and 2018 (in thousands):

Schedule of Fiduciary Net Assets / Liabilities	**As of December 31, 2019**			
	AMEs	**NGN Trusts**	**Eliminations**	**Total**
Fiduciary Assets				
Cash and Cash Equivalents	$ 710,759	$ 316,462	$ -	$ 1,027,221
Legacy Assets	409,165	-	-	409,165
Legacy Assets/Investments Collateralizing the NGNs	4,303,121	237,094	-	4,540,215
Loans	27	-	-	27
Receivable from AMEs	-	2,655,418	(2,655,418)	-
Other Fiduciary Assets	-	-	-	-
Total Fiduciary Assets	5,423,072	3,208,974	(2,655,418)	5,976,628
Fiduciary Liabilities				
Accrued Expenses	31,120	5,910	-	37,030
NGNs	-	3,203,064	-	3,203,064
Due to NGN Trusts	2,655,418	-	(2,655,418)	-
Unsecured Claims and Payables	106	-	-	106
Due to NCUSIF (Note 7)	2,804,049	-	-	2,804,049
Total Fiduciary Liabilities	5,490,693	3,208,974	(2,655,418)	6,044,249
Total Fiduciary Net Assets / (Liabilities)	$ (67,621)	$ -	$ -	$ (67,621)

Schedule of Fiduciary Net Assets / Liabilities	As of December 31, 2018			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	$ 530,577	$ 115,740	$ -	$ 646,317
Legacy Assets	535,899	-	-	535,899
Legacy Assets/Investments Collateralizing the NGNs	5,243,148	438,144	-	5,681,292
Loans	48,035	-	-	48,035
Receivable from AMEs	-	3,828,579	(3,828,579)	-
Other Fiduciary Assets	15	-	-	15
Total Fiduciary Assets	6,357,674	4,382,463	(3,828,579)	6,911,558
Fiduciary Liabilities				
Accrued Expenses	26,608	9,778	-	36,386
NGNs	-	4,372,685	-	4,372,685
Due to NGN Trusts	3,828,579	-	(3,828,579)	-
Unsecured Claims and Payables	106	-	-	106
Due to NCUSIF (Note 7)	2,895,652	-	-	2,895,652
Total Fiduciary Liabilities	6,750,945	4,382,463	(3,828,579)	7,304,829
Total Fiduciary Net Assets / (Liabilities)	$ (393,271)	$ -	$ -	$ (393,271)

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the Corporate AMEs outstanding at December 31, 2019 and 2018. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein.

There were no maturities of NGN principal balances during 2019 and 2018.

As of December 31, 2019 and 2018, the NCUA held $0 and $528.9 million, respectively, in fiduciary cash on behalf of the Corporate AMEs.

15. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays is shown below (in thousands):

	2019		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 182,782	$ (45,981)	$ 136,801
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(38,835)	(38,835)
AME Receivable Bad Debt Expense (Reduction)	-	79,430	79,430
Depreciation Expense	-	(99)	(99)
Increase / (decrease) in assets:			
Accounts Receivable	(35)	(425)	(460)
Other Assets	-	25	25
(Increase) / decrease in liabilities:			
Accounts Payable	1,715	393	2,108
Other Liabilities	-	(723)	(723)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	1,680	39,766	41,446
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivable from AMEs	-	(126,844)	(126,844)
Interest Revenue - Investments	(292,289)	-	(292,289)
Change in Contributed Capital	-	(640,153)	(640,153)
Dividend Distribution to Insured Credit Unions	-	160,099	160,099
Other Adjustments that do not affect Net Cost of Operations	47,833	336	48,169
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(244,456)	(606,562)	(851,018)
Net Outlays	$ (59,994)	$ (612,777)	$ (672,771)

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 14, 2020, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2019.