

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

August 31, 2019

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

RENDELL L. JONES
CHIEF FINANCIAL OFFICER

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

**MANAGEMENT OVERVIEW
AUGUST 31, 2019**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$138.0 million. Its balance decreased by \$9.3 million for the month primarily reflecting cash disbursements for operating expenses and capital expenditures, and decrease in investment. The cash position is considered sufficient to cover current and future budgetary obligations of the Fund through April 2020.

Due from National Credit Union Share Insurance Fund represents the receivable for advances by the Operating Fund for Share Insurance Fund expenses. The balance decreased by \$816 thousand for the month.

Other accounts receivable, net had a month-end balance of approximately \$178 thousand. Its balance increased by approximately \$58 thousand from prior month primarily due to the receivable from the Central Liquidity Facility for administrative expenses paid by the Operating Fund and payroll receivable.

Accounts payable are trade, relocation and inter-agency payables. The balance increased by \$713 thousand for the month primarily due to vendor/trade and relocation payables.

Accrued wages and benefits are earned by NCUA staff, but unpaid at month-end.

Accrued annual leave is leave earned by NCUA staff, but not used.

Note payable to National Credit Union Share Insurance Fund is the 1992 construction loan for the NCUA King Street Station building.

Statements of Revenues, Expenses, and Changes in Fund Balance

Revenues in excess of expenses totaled \$2.1 million for the month. Operating fees reflects one-twelfth of the 2019 Operating Fees. Expenses, net are after the Overhead Transfer Rate adjustment that allocates 60.5 percent of expenses to the Share Insurance Fund. Operating Fund expenses are higher in 2019 because the Overhead Transfer Rate dropped to 60.5 percent from 61.5 percent for the prior year.

Statements of Cash Flow

The cash position decreased \$9.3 million from prior month. In the current month, \$6.3 million was used by operating activities and \$2.9 million was used by investing activities. Principal payments on the National Credit Union Share Insurance Fund note payable on the King Street Station Building totaled \$112 thousand.

Other Information

The Agency had 55 vacancies as of month-end. Of the 55 vacancies, 11 were in the central office and 44 were in the regions and AMAC. The 55 vacancies represent 4.7 percent of total authorized staff of 1,182. Annualized travel spend per employee is \$19 thousand.

Note: Minor modifications to the form and content of the Operating Fund's monthly financial highlights were made to conform to the annual financial statements.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

BALANCE SHEETS

**As of August 31, 2019 and 2018
(Dollars in thousands)**

| | August 2019 | August 2018 |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 137,963 | \$ 127,384 |
| Due from National Credit Union Share Insurance Fund | 1,012 | 741 |
| Employee advances | 7 | 15 |
| Other accounts receivable, Net | 178 | 209 |
| Prepaid expenses and other assets | 6,609 | 3,610 |
| Assets held for sale | 447 | 243 |
| Fixed assets - Net of accumulated depreciation of \$40,902 and \$39,875 as of August 31, 2019 and August 31, 2018, respectively | 29,677 | 25,474 |
| Intangible assets - Net of accumulated amortization of \$19,426 and \$20,212 as of August 31, 2019 and August 31, 2018, respectively | 15,392 | 5,592 |
| TOTAL ASSETS | \$ 191,285 | \$ 163,268 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts payable and accrued other liabilities | \$ 7,233 | \$ 3,645 |
| Obligations under capital leases | 1,169 | 177 |
| Accrued wages and benefits | 12,445 | 10,960 |
| Deferred revenue ¹ | 45,903 | 43,387 |
| Accrued annual leave | 19,960 | 19,590 |
| Note payable to National Credit Union Share Insurance Fund | 5,475 | 6,816 |
| TOTAL LIABILITIES | 92,185 | 84,575 |
| FUND BALANCE | 99,100 | 78,693 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 191,285 | \$ 163,268 |

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 August 31, 2019 and 2018

(Dollars in thousands)

| | <u>August 2019</u> | <u>Year-to-Date August 2019</u> | <u>Year-to-Date August 2018</u> |
|---------------------------------------------------|--------------------|-------------------------------------|-------------------------------------|
| REVENUES | | | |
| Operating fees | \$ 11,479 | \$ 91,828 | \$ 86,776 |
| Interest | 250 | 1,820 | 1,296 |
| Other | 75 | 665 | 827 |
| Total Revenues | <u>11,804</u> | <u>94,313</u> | <u>88,899</u> |
| EXPENSES, NET¹ | | | |
| Employee wages and benefits | 7,029 | 56,285 | 54,197 |
| Travel | 820 | 5,787 | 5,962 |
| Rent, communications, and utilities | 189 | 1,846 | 1,386 |
| Contracted services | 1,091 | 10,554 | 8,425 |
| Depreciation and amortization | 202 | 1,670 | 1,375 |
| Administrative | 397 | 3,135 | 2,207 |
| Total Expenses, Net | <u>9,728</u> | <u>79,277</u> | <u>73,552</u> |
| EXCESS OF REVENUES OVER / (UNDER) EXPENSES | 2,076 | 15,036 | 15,347 |
| FUND BALANCE—Beginning of period | <u>97,024</u> | <u>84,064</u> | <u>63,346</u> |
| FUND BALANCE—End of period | <u>\$ 99,100</u> | <u>\$ 99,100</u> | <u>\$ 78,693</u> |

¹Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate of 60.5% and 61.5% for 2019 and 2018, 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 August 31, 2019 and 2018

(Dollars in thousands)

| | August 2019 | Year-to-Date August 2019 | Year-to-Date August 2018 |
|-----------------------------------------------------------------------------------------------------------------|--------------------|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Excess of revenues over (under) expenses | \$ 2,076 | \$ 15,036 | \$ 15,347 |
| Adjustments to reconcile excess of revenues over (under) expenses to net cash provided by operating activities: | | | |
| Depreciation and amortization | 512 | 4,228 | 3,605 |
| (Increase) decrease in assets: | | | |
| Due from National Credit Union Share Insurance Fund | 816 | 3,011 | 4,412 |
| Employee advances | 13 | 336 | (4) |
| Other accounts receivable, net | (58) | 252 | 135 |
| Prepaid expenses and other assets | (434) | (3,931) | (1,224) |
| (Decrease) increase in liabilities: | | | |
| Accounts payable | 713 | (3,041) | (3,866) |
| Accrued wages and benefits | 1,649 | (2,332) | (1,320) |
| Deferred revenue | (11,479) | 45,903 | 43,387 |
| Accrued annual leave | (95) | 1,181 | 1,198 |
| Accrued employee travel | - | (619) | (607) |
| Net Cash Used by Operating Activities | (6,287) | 60,024 | 61,063 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of fixed and intangible assets | (2,881) | (12,298) | (2,272) |
| Purchases of assets held for sale | - | (447) | (243) |
| Net Cash Used by Investing Activities | (2,881) | (12,745) | (2,515) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of note payable to National Credit Union Share Insurance Fund | (112) | (894) | (894) |
| Principal payments under capital lease obligations | - | (544) | (34) |
| Net Cash Used in Financing Activities | (112) | (1,438) | (928) |
| NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS | (9,280) | 45,841 | 57,620 |
| CASH AND CASH EQUIVALENTS—Beginning of period | 147,243 | 92,122 | 69,764 |
| CASH AND CASH EQUIVALENTS—End of period | \$ 137,963 | \$ 137,963 | \$ 127,384 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES | | | |
| Acquisition of equipment under capital lease | \$ - | \$ - | \$ - |
| CASH PAYMENTS FOR INTEREST | \$ 9 | \$ 79 | \$ 81 |

The balances in the statement above are preliminary and unaudited.