

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

December 31, 2016

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

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

MANAGEMENT OVERVIEW December 31, 2016

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$49.3 million. Its balance decreased \$16.8 million for the month primarily reflecting operating expenses. The cash position is considered to be sufficient to cover current and future obligations of the Fund.

Other accounts receivable had a month-end balance of approximately \$437 thousand. Its balance increased by \$123 thousand. The increase for the month was primarily due to the December receivables from the Central Liquidity Facility for administrative expenses paid by the Operating Fund.

Prepaid expenses and other assets had a month-end balance of approximately \$1.8 million. Its balance decreased by \$921 thousand. The decrease for the month was primarily due to the quarterly amortization of these prepaid assets.

Accounts payable had a month-end balance of approximately \$5.6 million. Its balance includes trade and inter-agency payables.

Accrued wages and benefits had a month-end balance of approximately \$10.3 million. Its balance decreased by approximately \$2.1 million. This decrease was primarily due to the monthly payroll accrual timing differences.

Deferred revenue had a month-end balance of \$0. Its balance decreased by approximately \$7 million for the month due to the recognition of deferred operating fees.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net loss for the month was \$1.2 million and net income year-to-date was approximately \$7.5 million. Interest income on overnight investments has averaged 0.40% during the year, versus 0.05% during last year.

Statements of Cash Flow

The cash position decreased approximately \$16.8 million since last month. In the current month approximately \$14.9 million was used by operating activities. Approximately \$1.6 million was invested in new capital assets. Approximately \$112 thousand in cash was used to repay the National Credit Union Share Insurance Fund note payable on the King Street Station Building, which has a balance of \$9.1 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$13.2 million or 4.5%, compared to being under the year-to-date budget by approximately \$9.4 million or 3.4% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$3.8 million or 1.8%. Travel cost were under budget by \$2.8 million or 9.5%. Contract services cost was under budget by \$3.5 million or 12.3%. The remaining expense categories combined were under budget by \$3.0 million or 13.8%. The total budget-to-actual differences year-to-date are under the total prior year differences in both amount and percentage.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$21,749 this year, which is \$455 less than last year.

The Agency had 39 vacancies as of this month -- up 1 from the prior month. Of the 39 vacancies, 4 were in the central office and 35 were in the regions and AMAC. The 39 vacancies represent 3.1% percent of total authorized staff of 1,247.

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

	<u>December 2016</u>	<u>December 2015</u>
ASSETS		
Cash and cash equivalents	\$ 49,349	\$ 40,528
Due from National Credit Union Share Insurance Fund	4,059	3,944
Employee advances	5	38
Other accounts receivable, Net	437	332
Prepaid expenses and other assets	1,844	1,732
Assets held for sale	-	377
Fixed assets - Net of accum. depreciation of \$34,963 as of December 31, 2016	29,362	31,106
Intangible assets - Net of accum. amortization of \$17,219 as of December 31, 2016	4,855	2,354
TOTAL ASSETS	<u>\$ 89,911</u>	<u>\$ 80,411</u>
 LIABILITIES		
Accounts payable	\$ 5,609	\$ 5,644
Obligations under capital leases	957	1,515
Accrued wages and benefits	10,270	7,176
Accrued annual leave	18,169	17,243
Accrued employee travel	601	646
Note payable to National Credit Union Share Insurance Fund	9,051	10,392
TOTAL LIABILITIES	<u>44,657</u>	<u>42,616</u>
 FUND BALANCE	 <u>45,254</u>	 <u>37,795</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 89,911</u>	 <u>\$ 80,411</u>

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

	<u>December 2016</u>	<u>Year-to-Date December 2016</u>	<u>Year-to-Date December 2015</u>
REVENUES			
Operating fees	\$ 6,745	\$ 80,934	\$ 78,773
Interest	22	181	22
Other	121	1,071	1,100
Total Revenues	<u>6,888</u>	<u>82,186</u>	<u>79,895</u>
EXPENSES, NET¹			
Employee wages and benefits, net	5,454	55,713	55,876
Travel	679	7,099	7,685
Rent, communications, and utilities	262	1,539	1,278
Contracted services	1,295	6,800	6,867
Depreciation and amortization	120	1,313	1,811
Administrative	318	2,263	2,011
Total Expenses	<u>8,128</u>	<u>74,727</u>	<u>75,528</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>(1,240)</u>	<u>7,459</u>	<u>4,367</u>
FUND BALANCE—Beginning of period	<u>46,494</u>	<u>37,795</u>	<u>33,428</u>
FUND BALANCE—End of period	<u>\$ 45,254</u>	<u>\$ 45,254</u>	<u>\$ 37,795</u>

¹Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate set by the NCUA Board of 73.1% and 71.8% for 2016 and 2015, respectively.

The balances in the statement above are preliminary and unaudited.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
STATEMENTS OF CASH FLOWS
For the Periods Ended December 31, 2016 and December 31, 2015
(Dollars in thousands)

	<u>December 2016</u>	<u>Year-to-Date December 2016</u>	<u>Year-to-Date December 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ (1,240)	\$ 7,459	\$ 4,367
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	449	4,905	5,533
Provision for loss on disposal of employee residences held for sale	-	27	114
(Gain) loss on fixed asset retirements	1	9	1,184
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(3,929)	(115)	(435)
Employee advances	1	33	24
Other accounts receivable	(123)	(105)	(10)
Prepaid expenses and other assets	921	(112)	413
(Decrease) increase in liabilities:			
Accounts payable	(3,666)	(35)	(216)
Accrued wages and benefits	(2,092)	3,094	(5,697)
Deferred revenue	(6,745)	-	-
Accrued annual leave	926	926	1,774
Accrued employee travel	601	(45)	155
Net cash (used) or provided by operating activities	<u>(14,896)</u>	<u>16,041</u>	<u>7,206</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(1,568)	(5,473)	(5,702)
Purchases of employee residences held for sale	-	-	(443)
Proceeds from sale of employee residences held for sale	-	350	596
Net cash used by investing activities	<u>(1,568)</u>	<u>(5,123)</u>	<u>(5,549)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,341)	(1,341)
Principal payments under capital lease obligations	(203)	(756)	(728)
Net cash used by financing activities	<u>(315)</u>	<u>(2,097)</u>	<u>(2,069)</u>
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	<u>(16,779)</u>	<u>8,821</u>	<u>(412)</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>66,128</u>	<u>40,528</u>	<u>40,940</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 49,349</u>	<u>\$ 49,349</u>	<u>\$ 40,528</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ 198</u>	<u>\$ 198</u>	<u>\$ 2,030</u>
Cash Payments for Interest	<u>\$ 14</u>	<u>\$ 179</u>	<u>\$ 206</u>

The balances in the statement above are preliminary and unaudited.

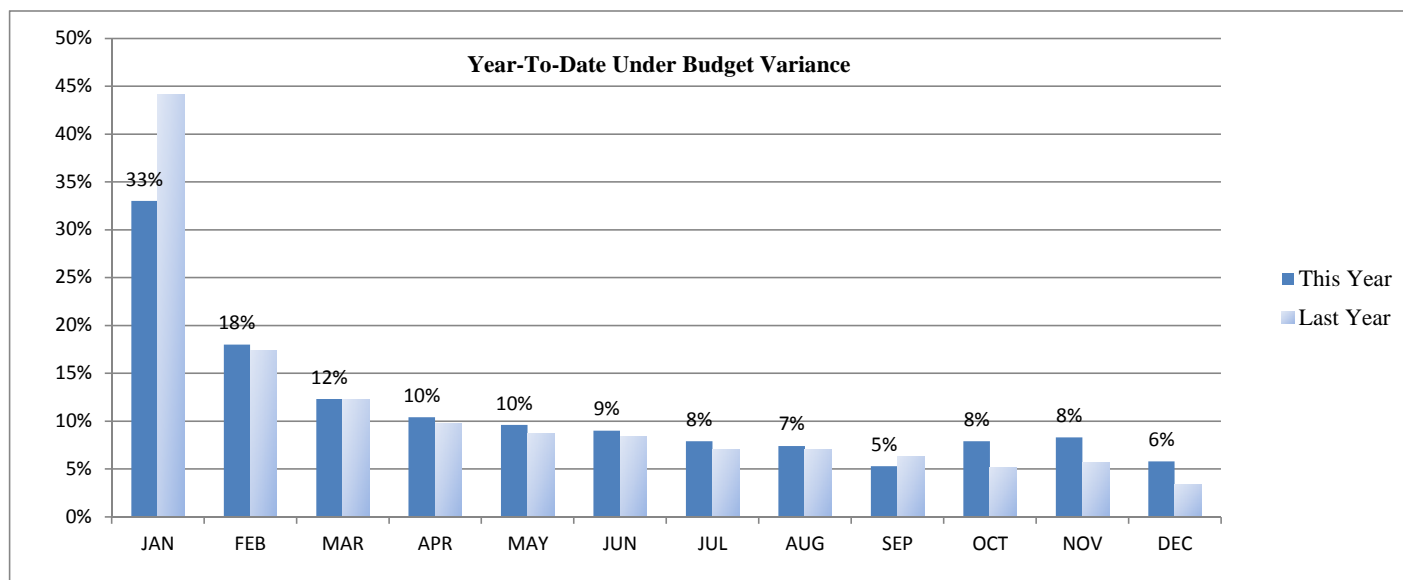
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of December 31, 2016 and December 31, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	210,928	207,113	(3,816)	-1.8%	200,473	198,141	(2,332)	-1.2%
Travel	29,126	26,351	(2,774)	-9.5%	28,744	27,252	(1,492)	-5.2%
Rent, Comm., & Utilities	6,814	5,722	(1,092)	-16.0%	5,284	4,533	(751)	-14.2%
Administrative	15,236	13,289	(1,948)	-12.8%	16,240	13,552	(2,688)	-16.6%
Contracted Services	28,812	25,279	(3,533)	-12.3%	26,443	24,351	(2,092)	-7.9%
TOTAL	290,916	277,754	(13,162)	-4.5%	277,184	267,829	(9,355)	-3.4%



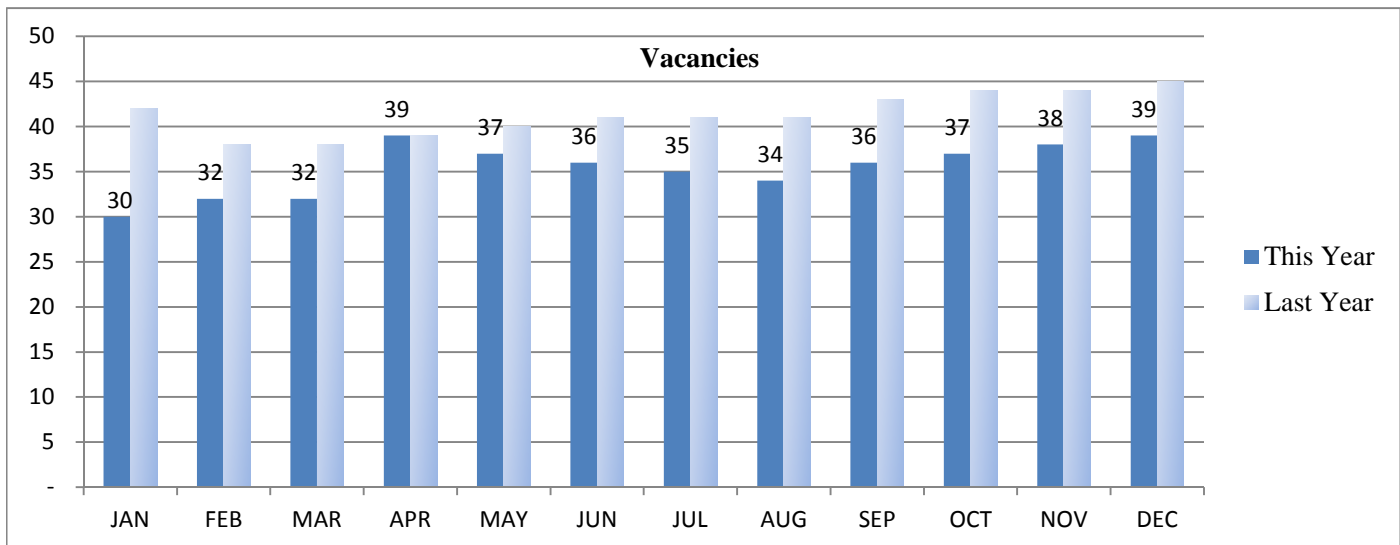
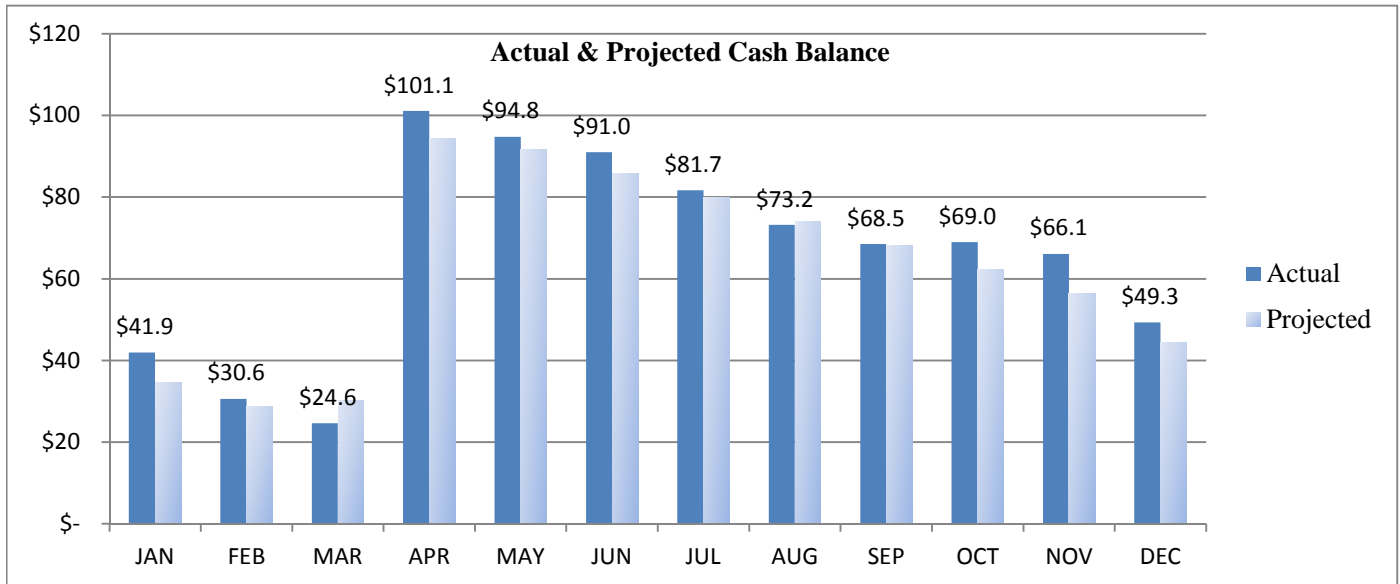
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of December 31, 2016 and December 31, 2015



	12/31/2016	12/31/2015
Fund Balance / Total assets	50.33%	47.00%
YTD interest income to average investments (annualized)	0.40%	0.05%
Annualized travel spend per employee	\$21,749	\$22,204
Net year to date cash inflow (outflow) in millions of dollars	\$9	(\$0)
Cash and overnight investments / Total assets	54.89%	50.40%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited.