

# **OPERATING FUND**



**PRELIMINARY & UNAUDITED  
FINANCIAL HIGHLIGHTS  
February 29, 2016**

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

**RENDELL L. JONES  
CHIEF FINANCIAL OFFICER**

**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**MANAGEMENT OVERVIEW  
February 29, 2016**

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**Balance Sheet**

Cash and cash equivalents had a month-end balance of approximately \$30.6 million. Its balance decreased \$11.3 million in the month primarily due to monthly increase in accounts receivable, decrease in accounts payable, purchase of internal use software and payment on the National Credit Union Share Insurance Fund long-term note payable. 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 \$13.9 million. Its balance increased by approximately \$6.9 million in the month. This increase was due to the recognition of February credit union operating fees due.

**Assets Held for Sale**

Assets held for sale had a month-end balance of approximately \$162 thousand. Its balance decreased by approximately \$211 thousand in the month. This decrease was due to the February sale of a home purchased under the relocation program.

Accounts payable had a month-end balance of approximately \$2.2 million. Its balance decreased by approximately \$4.7 million in the month. This decrease was due to a smaller estimate-to-actual difference of the Operating Fund overhead expenses transferred to the Share Insurance Fund. The repayment of the January estimate-to-actual difference of the Operating Fund overhead expenses transferred to the Share Insurance Fund also contributed to the current month decrease in accounts payable.

**Statements of Revenues, Expenses, and Changes in Fund Balance**

Net income for the month was \$724 thousand and net income year-to-date was approximately \$3.2 million. Interest income on overnight investments has averaged 0.34% year-to-date, versus 0.02% during the same period last year.

**Statements of Cash Flow**

The cash position decreased approximately \$11.3 million since last month. In the current month approximately \$11.2 million was used by operating activities. Approximately \$138 thousand was invested in new capital assets. Approximately \$112 thousand in cash was used to reduce or repay the National Credit Union Share Insurance Fund note payable long-term liability, which has a balance of approximately \$10.2 million on the balance sheet.

**Budget (Year-to-Date)**

Agency expenses was under the year-to-date budget by \$8.5 million or 18.0%, compared to being under the year-to date budget by approximately \$7.9 million or 17.4% during the same period last year. Of the total variance, employee pay and benefits was over budget by \$491 thousand or 1.4%. Travel cost were under budget by \$3.0 million or 61.1%. Contract services cost was under budget by \$4.0 million or 84.6%. The remaining expense categories combined were under budget by \$2.0 million or 54.4%. The under budget amounts are due to the use of straight line budget estimates. Actual costs will more clearly align with budgeted costs as the year progresses.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$9,361 this year, which is \$996 less than last year.

**Vacancies**

The Agency had 32 vacancies as of this month—up 2 from the prior month. Of the 32 vacancies, 4 were in the central office and 28 were in the regions and the Asset Management and Assistance Center (AMAC). The 32 vacancies represent 2.6% percent of total authorized staff of 1,247.00.

**NATIONAL CREDIT UNION ADMINISTRATION**  
**OPERATING FUND**  
**BALANCE SHEETS**  
As of February 29, 2016  
(Dollars in thousands)

	<b>February 2016</b>	<b>February 2015</b>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 30,584	\$ 22,802
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND	62	-
EMPLOYEE ADVANCES	37	32
OTHER ACCOUNTS RECEIVABLE , Net	13,896	13,538
PREPAID EXPENSES AND OTHER ASSETS	1,992	2,515
ASSETS HELD FOR SALE	162	428
FIXED ASSETS — Net of accumulated depreciation of \$31,732 as of February 29, 2016	30,336	30,687
INTANGIBLE ASSETS — Net of accumulated amortization of \$16,439 as of February 29, 2016	2,331	2,474
<b>TOTAL ASSETS</b>	<b>\$ 79,400</b>	<b>\$ 72,476</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,232	\$ 2,087
Obligations under capital leases	1,515	996
Accrued wages and benefits	7,235	6,289
Deferred revenue <sup>1</sup>	-	-
Accrued annual leave	17,243	15,469
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	10,169	11,510
<b>TOTAL LIABILITIES</b>	<b>38,394</b>	<b>36,351</b>
<b>FUND BALANCE</b>	<b>41,006</b>	<b>36,125</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 79,400</b>	<b>\$ 72,476</b>

<sup>1</sup>The 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 February 29, 2016 and February 28, 2015**  
**(Dollars in thousands)**

	<u>February 2016</u>	<u>Year-to-Date February 2016</u>	<u>Year-to-Date February 2015</u>
<b>REVENUES</b>			
Operating fees	\$ 6,721	\$ 13,442	\$ 13,165
Interest	12	20	1
Other	<u>94</u>	<u>161</u>	<u>138</u>
Total Revenues	<u>6,827</u>	<u>13,623</u>	<u>13,304</u>
<b>EXPENSES, NET<sup>1</sup></b>			
Employee wages and benefits, net	4,952	9,249	9,258
Travel	398	510	621
Rent, communications, and utilities	113	67	52
Contracted services	415	195	222
Depreciation and amortization	405	810	945
Administrative	<u>(180)</u>	<u>(419)</u>	<u>(491)</u>
Total Expenses	<u>6,103</u>	<u>10,412</u>	<u>10,607</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENSES</b>	<u>724</u>	<u>3,211</u>	<u>2,697</u>
<b>FUND BALANCE—Beginning of period</b>	<u>40,282</u>	<u>37,795</u>	<u>33,428</u>
<b>FUND BALANCE—End of period</b>	<u>\$ 41,006</u>	<u>\$ 41,006</u>	<u>\$ 36,125</u>

<sup>1</sup>Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate set by the 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 February 29, 2016 and February 28, 2015  
(Dollars in thousands)**

	<u>February 2016</u>	<u>Year-to-Date February 2016</u>	<u>Year-to-Date February 2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenues over expenses	\$ 724	\$ 3,211	\$ 2,697
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	405	810	945
Provision for loss on disposal of employee residences held for sale	4	4	4
(Gain) loss on fixed asset retirements	-	-	10
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(61)	3,882	3,509
Employee advances	-	1	30
Other accounts receivable	(6,883)	(13,564)	(13,216)
Prepaid expenses and other assets	(158)	(260)	(370)
(Decrease) increase in liabilities:			
Accounts payable	(4,707)	(3,412)	(4,511)
Accrued wages and benefits	(568)	59	(6,584)
Deferred revenue	-	-	-
Accrued annual leave	-	-	-
Accrued employee travel	-	(646)	(491)
Net cash used by operating activities	(11,244)	(9,915)	(17,977)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of fixed and intangible assets	(138)	(17)	(150)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	-	-
Proceeds from sale of employee residences held for sale	211	211	212
Net cash provided by investing activities	73	194	62
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(223)	(223)
Principal payments under capital lease obligations	-	-	-
Net cash used by financing activities	(112)	(223)	(223)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(11,283)</u>	<u>(9,944)</u>	<u>(18,138)</u>
<b>CASH AND CASH EQUIVALENTS—Beginning of period</b>	<u>41,867</u>	<u>40,528</u>	<u>40,940</u>
<b>CASH AND CASH EQUIVALENTS—End of period</b>	<u>\$ 30,584</u>	<u>\$ 30,584</u>	<u>\$ 22,802</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>			
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783</u>
Cash Payments for Interest	<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 35</u>

The balances in the statement above are preliminary and unaudited

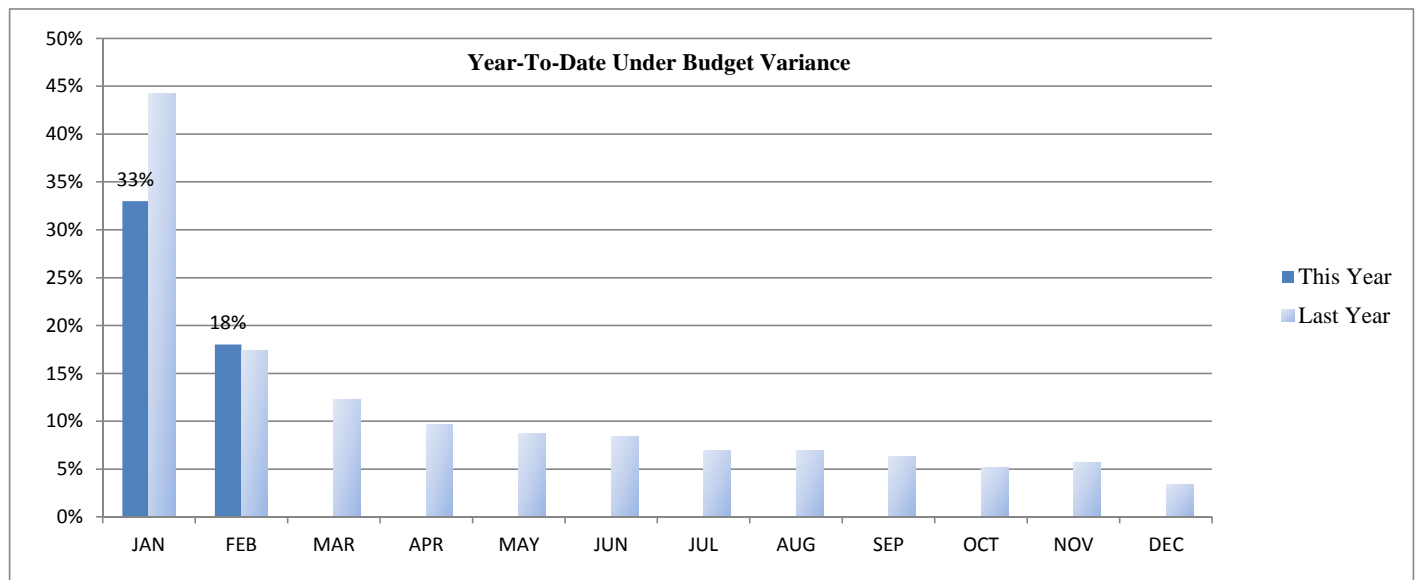
**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

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

As of February 29, 2016 and February 28, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET <sup>1</sup>	ACTUAL	DIFF	%	BUDGET <sup>1</sup>	ACTUAL	DIFF	%
<b>Employee Pay &amp; Benefits</b>	33,943	34,434	491	1.4%	32,489	32,830	341	1.1%
<b>Travel</b>	4,882	1,897	(2,985)	-61.1%	4,881	2,121	(2,761)	-56.6%
<b>Rent, Comm., &amp; Utilities</b>	1,128	249	(878)	-77.9%	962	185	(777)	-80.8%
<b>Administrative</b>	2,617	1,457	(1,160)	-44.3%	2,722	1,613	(1,109)	-40.7%
<b>Contracted Services</b>	4,704	727	(3,978)	-84.6%	4,365	786	(3,579)	-82.0%
<b>TOTAL</b>	47,274	38,764	(8,510)	-18.0%	45,419	37,535	(7,884)	-17.4%



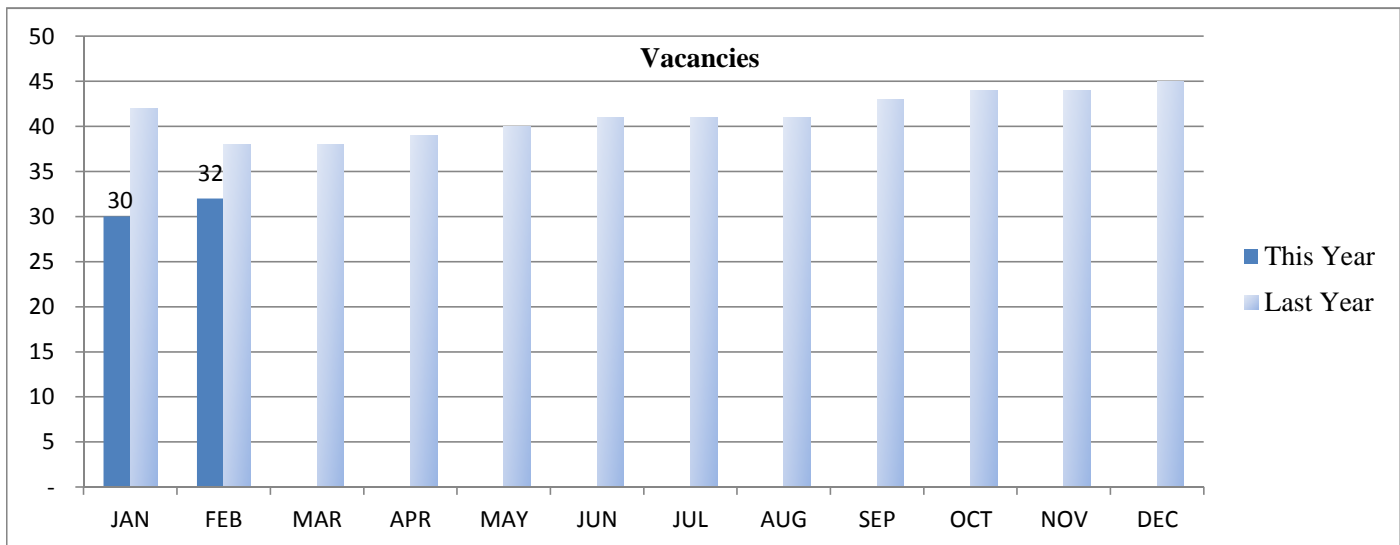
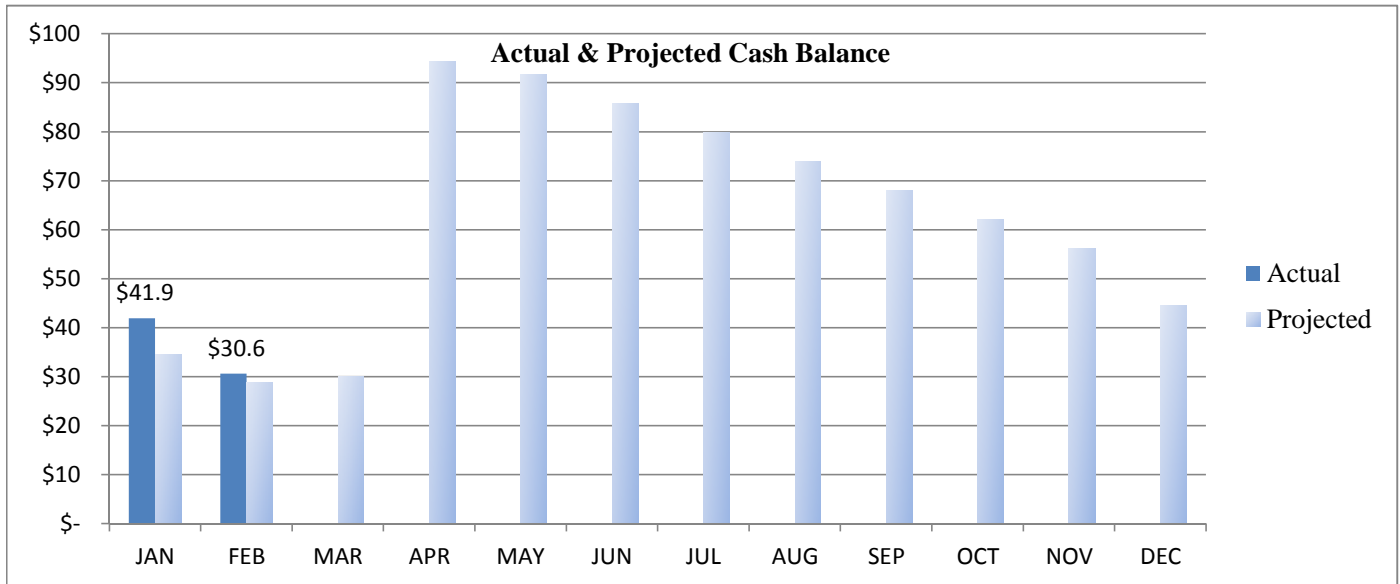
<sup>1</sup>Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**GRAPHS AND RATIOS**

**As of February 29, 2016 and February 28, 2015**



	<b>2/29/2016</b>	<b>2/28/2015</b>
Fund Balance / Total assets	51.64%	49.84%
YTD interest income to average investments (annualized)	0.34%	0.02%
Annualized travel spend per employee	\$9,361	\$10,357
Net year to date cash inflow (outflow) in millions of dollars	(\$10)	(\$18)
Cash and overnight investments / Total assets	38.52%	31.46%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited