

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

July 31, 2016

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

July 31, 2016

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$81.8 million. Its balance decreased \$9.3 million for the month primarily reflecting operating expenses. The cash position is considered sufficient to cover current and future obligations of the Fund.

Other accounts receivable had a month-end balance of approximately \$275 thousand. Its balance increased by \$57 thousand. The increase for the month was due to the July receivable from the Temporary Corporate Credit Union Stabilization Fund for that fund's administrative expenses paid by the Operating Fund.

Prepaid expenses and other assets had a month-end balance of approximately \$2.3 million. Its balance increased by \$388 thousand. The increase for the month was primarily due to adding computer software subscriptions.

Fixed assets net of accumulated depreciation had a month-end balance of approximately \$30.4 million. Its balance increased by approximately \$64 thousand in the month. This increase was primarily due to building construction-in-process offset by monthly depreciation of existing assets.

Intangible assets net of accumulated amortization had a month-end balance of approximately \$3.3 million. Its balance increased by approximately \$89 thousand in the month. This increase was primarily due to software development-in-process offset by monthly amortization of existing assets.

Accounts payable had a month-end balance of approximately \$6.2 million. Its balance includes trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$34 million. Its balance decreased by approximately \$7 million for the month. This decrease was due to the realization of deferred operating fees for the month.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net income for the month was \$959 thousand and net income year-to-date was approximately \$6.0 million. Interest income on overnight investments has averaged 0.27% year-to-date, versus 0.02% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$9.3 million since last month. In the current month approximately \$8.6 million was provided by operating activities. Approximately \$545 thousand 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 \$9.6 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$13.1 million or 7.9%, compared to being under the year-to-date budget by approximately \$11.3 million or 7.0% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$1,464 thousand or 1.2%. Travel cost were under budget by \$2.2 million or 13.4%. Contract services cost was under budget by \$4.0 million or 24.1%. The remaining expense categories combined were under budget by \$5.5 million or 42.3%. The budget-to-actual differences year-to-date are under the prior year differences in both amount and percentage.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$20,123 this year, which is \$277 less than last year.

Vacancies

The Agency had 35 vacancies as of this month—down 1 from the prior month. Of the 35 vacancies, 3 were in the central office and 32 were in the regions and the Asset Management and Assistance Center (AMAC). The 35 vacancies represent 2.8% percent of total authorized staff of 1,247.00.

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

| | July 2016 | July 2015 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 81,765 | \$ 68,897 |
| Due from National Credit Union Share Insurance Fund | 12 | 82 |
| Employee advances | 7 | 55 |
| Other accounts receivable, Net | 275 | 447 |
| Prepaid expenses and other assets | 2,253 | 2,457 |
| Assets held for sale | 150 | 207 |
| Fixed assets - Net of accum. depreciation of \$33,363 as of July 31, 2016 | 30,406 | 32,255 |
| Intangible assets - Net of accum. amortization of \$16,830 as of July 31, 2016 | 3,255 | 2,333 |
| TOTAL ASSETS | \$ 118,123 | \$ 106,733 |
| LIABILITIES | | |
| Accounts payable | \$ 6,185 | \$ 1,500 |
| Obligations under capital leases | 1,147 | 1,894 |
| Accrued wages and benefits | 6,423 | 6,363 |
| Deferred revenue ¹ | 33,722 | 32,763 |
| Accrued annual leave | 17,243 | 15,469 |
| Accrued employee travel | - | - |
| Note payable to National Credit Union Share Insurance Fund | 9,610 | 10,951 |
| TOTAL LIABILITIES | 74,330 | 68,940 |
| FUND BALANCE | 43,793 | 37,793 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 118,123 | \$ 106,733 |

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

| | July 2016 | Year-to-Date July 2016 | Year-to-Date July 2015 |
|---|------------------|-----------------------------------|-----------------------------------|
| REVENUES | | | |
| Operating fees | \$ 6,744 | \$ 47,211 | \$ 46,067 |
| Interest | 20 | 95 | 6 |
| Other | 84 | 578 | 677 |
| Total Revenues | 6,848 | 47,884 | 46,750 |
| EXPENSES, NET¹ | | | |
| Employee wages and benefits, net | 4,351 | 32,129 | 32,298 |
| Travel | 583 | 3,829 | 4,124 |
| Rent, communications, and utilities | 79 | 676 | 650 |
| Contracted services | 573 | 3,370 | 3,237 |
| Depreciation and amortization | 105 | 762 | 931 |
| Administrative | 198 | 1,120 | 1,145 |
| Total Expenses | 5,889 | 41,886 | 42,385 |
| EXCESS OF REVENUES OVER / (UNDER) EXPENSES | 959 | 5,998 | 4,365 |
| FUND BALANCE—Beginning of period | 42,834 | 37,795 | 33,428 |
| FUND BALANCE—End of period | \$ 43,793 | \$ 43,793 | \$ 37,793 |

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 July 31, 2016 and July 31, 2015
(Dollars in thousands)**

| | <u>July 2016</u> | <u>Year-to-Date July 2016</u> | <u>Year-to-Date July 2015</u> |
|---|------------------|-----------------------------------|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Excess of revenues over expenses | \$ 959 | \$ 5,998 | \$ 4,365 |
| Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities: | | | |
| Depreciation and amortization | 392 | 2,834 | 3,295 |
| Provision for loss on disposal of employee residences held for sale | - | 16 | 47 |
| (Gain) loss on fixed asset retirements | - | - | 11 |
| (Increase) decrease in assets: | | | |
| Due from National Credit Union Share Insurance Fund | 33 | 3,932 | 3,427 |
| Employee advances | 15 | 31 | 7 |
| Other accounts receivable | (57) | 57 | (125) |
| Prepaid expenses and other assets | (388) | (521) | (312) |
| (Decrease) increase in liabilities: | - | | |
| Accounts payable | 4,151 | 541 | (5,098) |
| Accrued wages and benefits | (6,984) | (753) | (6,510) |
| Deferred revenue | (6,745) | 33,722 | 32,763 |
| Accrued annual leave | - | - | - |
| Accrued employee travel | - | (646) | (491) |
| Net cash (used) or provided by operating activities | <u>(8,624)</u> | <u>45,211</u> | <u>31,379</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of fixed and intangible assets | (545) | (3,035) | (2,679) |
| Proceeds from insurance on fixed assets | - | - | - |
| Purchases of employee residences held for sale | - | - | (207) |
| Proceeds from sale of employee residences held for sale | - | 211 | 596 |
| Net cash used by investing activities | <u>(545)</u> | <u>(2,824)</u> | <u>(2,290)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Repayments of note payable to National Credit Union Share Insurance Fund | (112) | (782) | (782) |
| Principal payments under capital lease obligations | - | (368) | (350) |
| Net cash used by financing activities | <u>(112)</u> | <u>(1,150)</u> | <u>(1,132)</u> |
| NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS | <u>(9,281)</u> | <u>41,237</u> | <u>27,957</u> |
| CASH AND CASH EQUIVALENTS—Beginning of period | <u>91,046</u> | <u>40,528</u> | <u>40,940</u> |
| CASH AND CASH EQUIVALENTS—End of period | <u>\$ 81,765</u> | <u>\$ 81,765</u> | <u>\$ 68,897</u> |
| SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES | | | |
| Acquisition of equipment under capital lease | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,030</u> |
| Cash Payments for Interest | <u>\$ 15</u> | <u>\$ 108</u> | <u>\$ 123</u> |

The balances in the statement above are preliminary and unaudited.

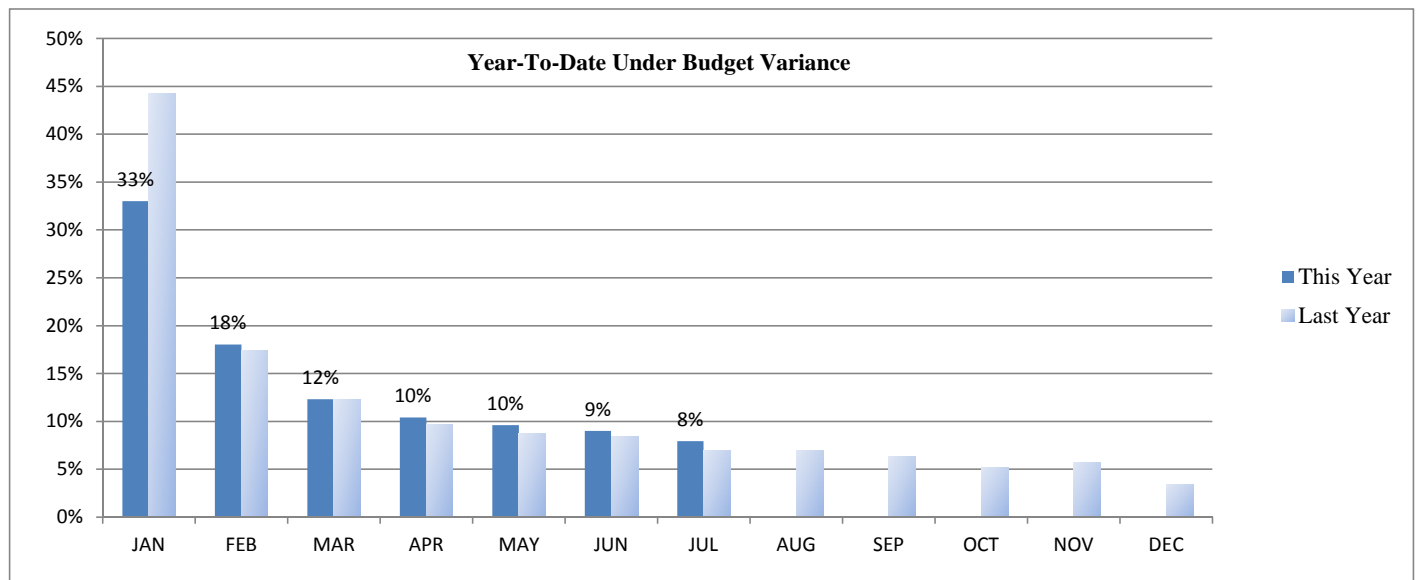
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of July 31, 2016 and July 31, 2015

(Dollars in thousands)

| | Year-To-Date 2016 | | | | Year-To-Date 2015 | | | |
|-------------------------------------|---------------------|---------|----------|--------|---------------------|---------|----------|--------|
| | BUDGET ¹ | ACTUAL | DIFF | % | BUDGET ¹ | ACTUAL | DIFF | % |
| Employee Pay & Benefits | 120,903 | 119,439 | (1,464) | -1.2% | 116,751 | 114,531 | (2,219) | -1.9% |
| Travel | 16,435 | 14,234 | (2,201) | -13.4% | 16,827 | 14,623 | (2,204) | -13.1% |
| Rent, Comm., & Utilities | 3,957 | 2,514 | (1,443) | -36.5% | 3,164 | 2,306 | (858) | -27.1% |
| Administrative | 8,945 | 4,926 | (4,019) | -44.9% | 9,533 | 7,361 | (2,172) | -22.8% |
| Contracted Services | 16,513 | 12,527 | (3,985) | -24.1% | 15,311 | 11,479 | (3,833) | -25.0% |
| TOTAL | 166,752 | 153,640 | (13,112) | -7.9% | 161,586 | 150,300 | (11,286) | -7.0% |



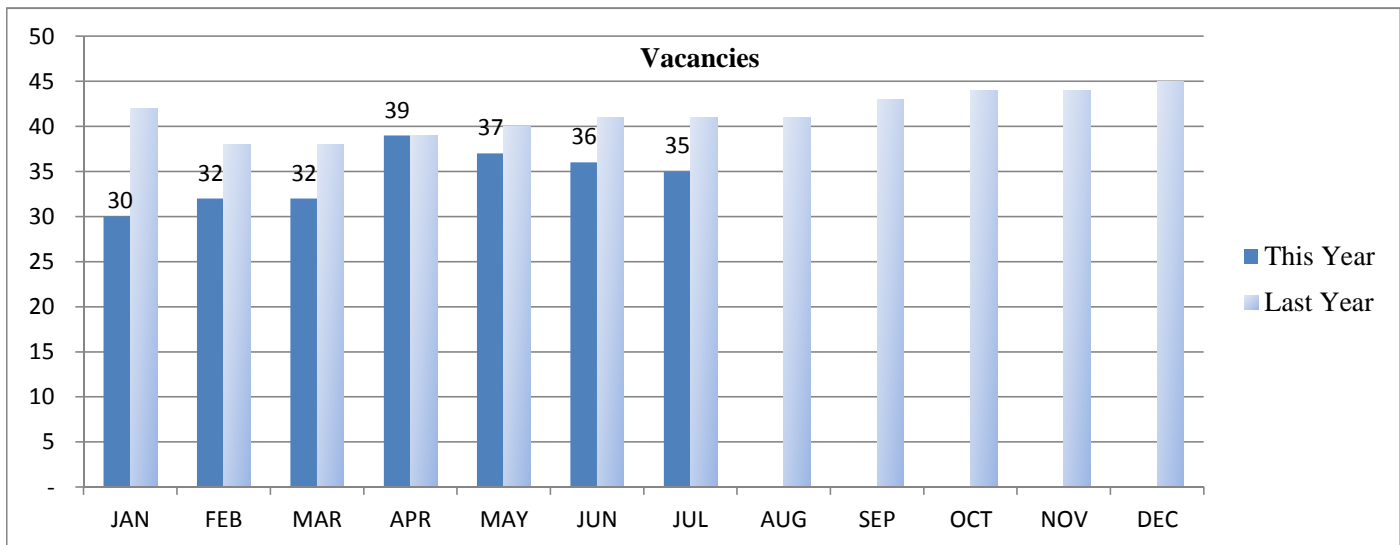
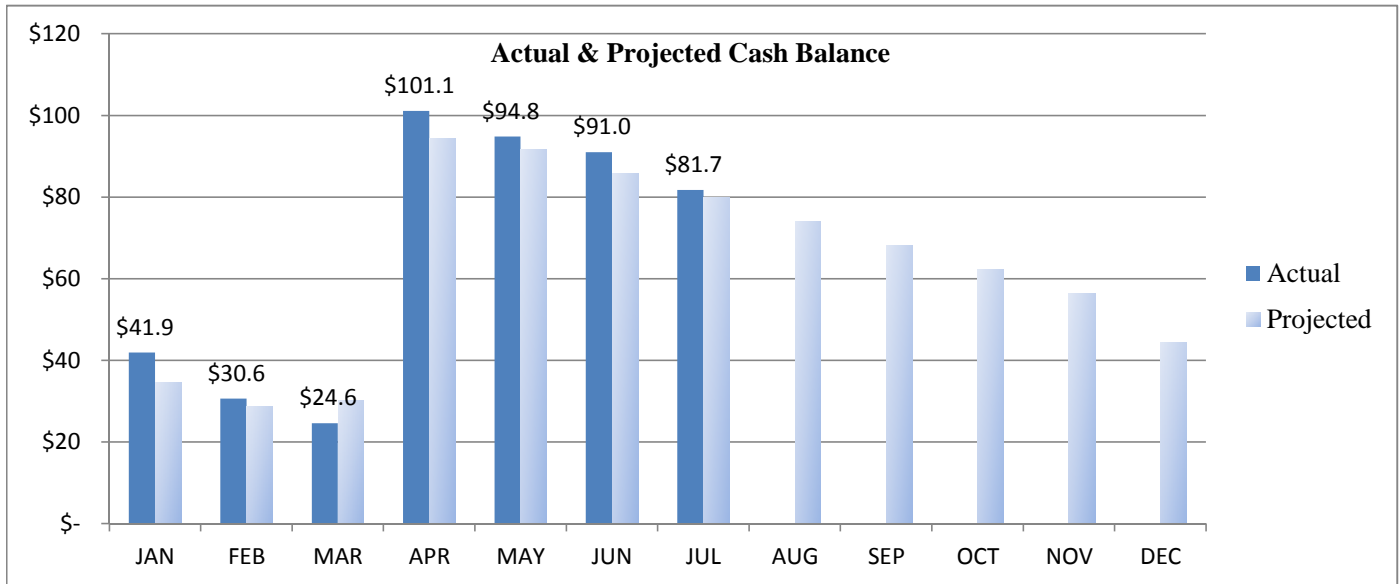
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of July 31, 2016 and July 31, 2015



| | 7/31/2016 | 7/31/2015 |
|---|------------------|------------------|
| Fund Balance / Total assets | 37.07% | 35.41% |
| YTD interest income to average investments (annualized) | 0.27% | 0.02% |
| Annualized travel spend per employee | \$20,123 | \$20,400 |
| Net year to date cash inflow (outflow) in millions of dollars | \$41 | \$28 |
| Cash and overnight investments / Total assets | 69.22% | 64.55% |
| Overhead transfer rate | 73.10% | 71.80% |

The balances in the supplement above are preliminary and unaudited.