

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

March 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
March 31, 2016**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$24.6 million. Its balance decreased \$6.0 million in the month primarily due to monthly decrease in accounts payable, purchase of assets under construction, purchase of software under development, capital lease payments 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 \$101.1 million. Its balance increased by approximately \$87.2 million in the month. This increase was due to the March billing of credit union operating fees due. In March \$237 thousand of the approximately \$80.9 million of billed operating fees were collected. The due date for the operating fees is April 15, 2016.

Intangible assets net of accumulated amortization had a month-end balance of approximately \$2.8 million. Its balance increased by approximately \$484 thousand in the month. This increase was due to software development costs.

Accounts payable had a month-end balance of approximately \$1.0 million. Its balance decreased by approximately \$1.3 million in the month. This decrease was due to the repayment of the prior month liability to the Share Insurance Fund. This liability was the result of the February estimate-to-actual true-up of monthly expenses transferred via the overhead transfer rate (OTR) to the Share Insurance Fund.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net income for the month was \$112 thousand and net income year-to-date was approximately \$3.3 million. Interest income on overnight investments has averaged 0.34% year-to-date, versus 0.03% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$6.0 million since last month. In the current month approximately \$4.7 million was used by operating activities. Approximately \$1 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 approximately \$10.1 million on the balance sheet. Approximately \$183 thousand was used to make quarterly capital lease payments.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$8.9 million or 12.3%, compared to being under the year-to-date budget by approximately \$8.5 million or 12.3% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$204 thousand or 0.4%. Travel cost were under budget by \$3.3 million or 45.1%. Contract services cost was under budget by \$3.7 million or 52.9%. The remaining expense categories combined were under budget by \$1.7 million or 29.7%. 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 \$13,240 this year, which is \$661 less than last year.

Vacancies

The Agency had 32 vacancies as of this month—no change from the prior month. Of the 32 vacancies, 5 were in the central office and 27 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 March 31, 2016 and 2015
(Dollars in thousands)

	March 2016	March 2015
ASSETS		
Cash and cash equivalents	\$ 24,597	\$ 22,749
Due from National Credit Union Share Insurance Fund	207	22
Employee advances	48	49
Other accounts receivable, Net	101,079	74,584
Prepaid expenses and other assets	1,761	1,891
Assets held for sale	153	428
Fixed assets - Net of accum. depreciation of \$32,060 as of March 31, 2016	30,451	30,958
Intangible assets - Net of accum. amortization of \$16,519 as of March 31, 2016	2,815	2,298
TOTAL ASSETS	\$ 161,111	\$ 132,979
LIABILITIES		
Accounts payable	\$ 966	\$ 1,712
Obligations under capital leases	1,331	996
Accrued wages and benefits	9,462	7,806
Deferred revenue ¹	80,934	59,177
Accrued annual leave	17,243	15,469
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	10,057	11,398
TOTAL LIABILITIES	119,993	96,558
FUND BALANCE	41,118	36,421
TOTAL LIABILITIES AND FUND BALANCE	\$ 161,111	\$ 132,979

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

	<u>March 2016</u>	<u>Year-to-Date March 2016</u>	<u>Year-to-Date March 2015</u>
REVENUES			
Operating fees	\$ 6,720	\$ 20,162	\$ 19,726
Interest	8	28	2
Other	<u>61</u>	<u>222</u>	<u>275</u>
Total Revenues	<u>6,789</u>	<u>20,412</u>	<u>20,003</u>
EXPENSES, NET¹			
Employee wages and benefits, net	4,806	14,055	13,846
Travel	571	1,081	1,205
Rent, communications, and utilities	196	263	164
Contracted services	698	893	983
Depreciation and amortization	408	1,218	1,434
Administrative	<u>(2)</u>	<u>(421)</u>	<u>(622)</u>
Total Expenses	<u>6,677</u>	<u>17,089</u>	<u>17,010</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>112</u>	<u>3,323</u>	<u>2,993</u>
FUND BALANCE—Beginning of period	<u>41,006</u>	<u>37,795</u>	<u>33,428</u>
FUND BALANCE—End of period	<u>\$ 41,118</u>	<u>\$ 41,118</u>	<u>\$ 36,421</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 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 March 31, 2016 and March 31, 2015
(Dollars in thousands)

	<u>March 2016</u>	<u>Year-to-Date March 2016</u>	<u>Year-to-Date March 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 112	\$ 3,323	\$ 2,993
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	408	1,218	1,434
Provision for loss on disposal of employee residences held for sale	9	13	4
(Gain) loss on fixed asset retirements	-	-	10
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(145)	3,737	3,487
Employee advances	(11)	(10)	13
Other accounts receivable	(87,183)	(100,747)	(74,262)
Prepaid expenses and other assets	231	(29)	254
(Decrease) increase in liabilities:			
Accounts payable	(1,266)	(4,678)	(4,886)
Accrued wages and benefits	2,227	2,286	(5,067)
Deferred revenue	80,934	80,934	59,177
Accrued annual leave	-	-	-
Accrued employee travel	-	(646)	(491)
Net cash used by operating activities	<u>(4,684)</u>	<u>(14,599)</u>	<u>(17,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(1,008)	(1,025)	(734)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	-	-
Proceeds from sale of employee residences held for sale	-	211	212
Net cash used by investing activities	<u>(1,008)</u>	<u>(814)</u>	<u>(522)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(335)	(335)
Principal payments under capital lease obligations	(183)	(183)	-
Net cash used by financing activities	<u>(295)</u>	<u>(518)</u>	<u>(335)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,987)</u>	<u>(15,931)</u>	<u>(18,191)</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>30,584</u>	<u>40,528</u>	<u>40,940</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 24,597</u>	<u>\$ 24,597</u>	<u>\$ 22,749</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783</u>
Cash Payments for Interest	<u>\$ 48</u>	<u>\$ 48</u>	<u>\$ 53</u>

The balances in the statement above are preliminary and unaudited

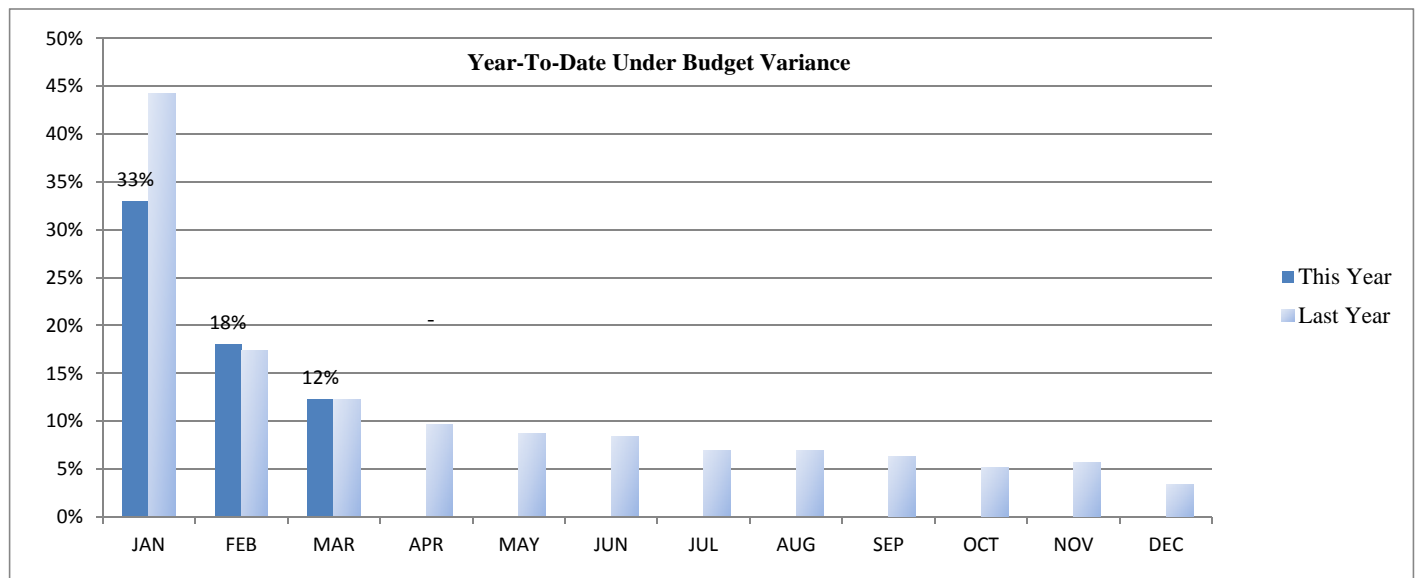
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of March 31, 2016 and March 30, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	52,530	52,327	(204)	-0.4%	49,507	49,179	(328)	-0.7%
Travel	7,323	4,024	(3,299)	-45.1%	7,322	4,272	(3,050)	-41.7%
Rent, Comm., & Utilities	1,691	980	(712)	-42.1%	1,443	583	(860)	-59.6%
Administrative	3,925	2,969	(957)	-24.4%	4,084	2,875	(1,209)	-29.6%
Contracted Services	7,057	3,326	(3,731)	-52.9%	6,547	3,487	(3,060)	-46.7%
TOTAL	72,527	63,625	(8,902)	-12.3%	68,903	60,396	(8,506)	-12.3%



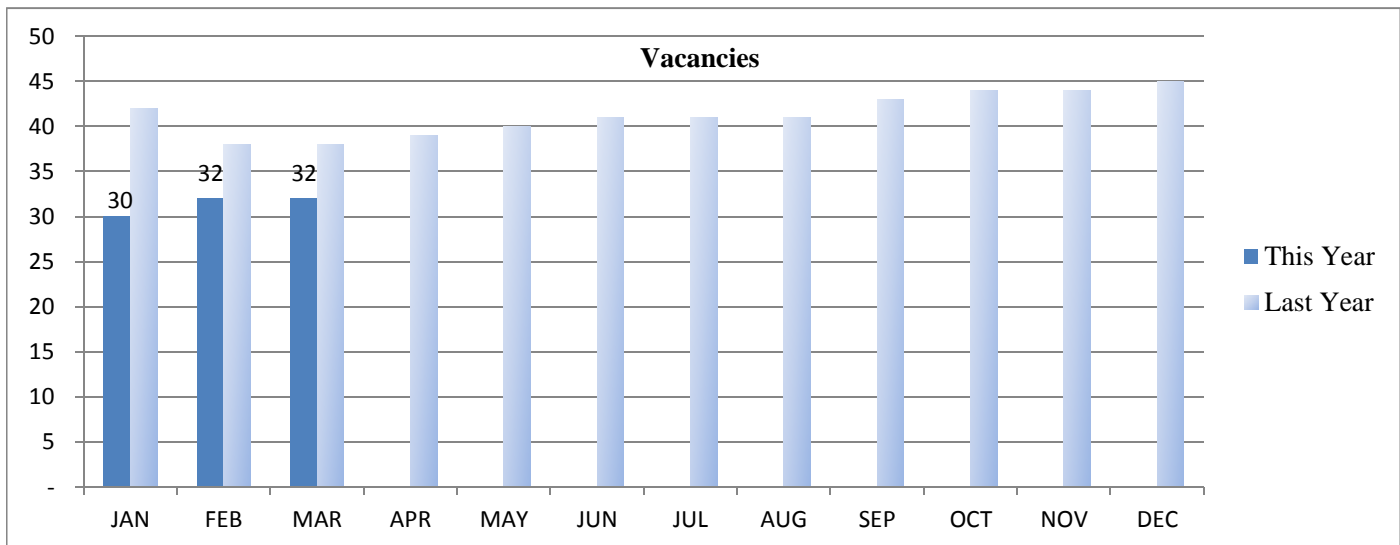
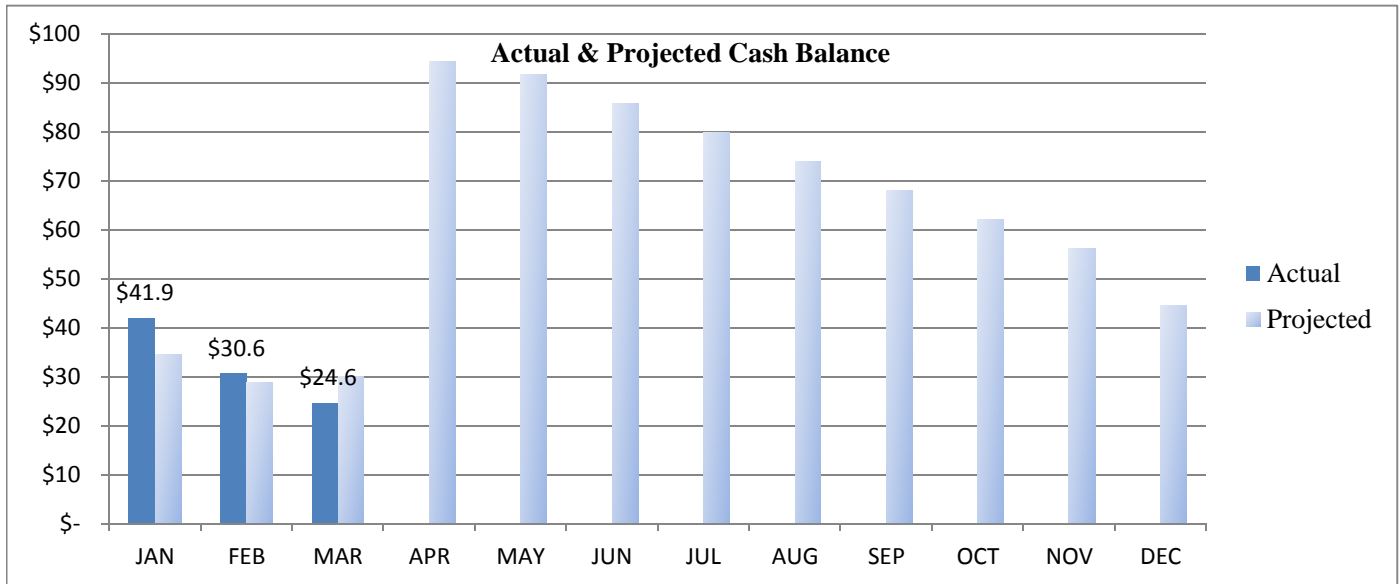
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of March 31, 2016 and March 30, 2015



	3/31/2016	3/30/2015
Fund Balance / Total assets	25.52%	27.39%
YTD interest income to average investments (annualized)	0.34%	0.03%
Annualized travel spend per employee	\$13,240	\$13,901
Net year to date cash inflow (outflow) in millions of dollars	(\$16)	(\$18)
Cash and overnight investments / Total assets	15.27%	17.11%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited