

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

March 31, 2017

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

March 31, 2017

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$31.8 million. Its balance decreased \$5.1 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 \$105.2 million. Its balance increased by \$87.3 million. This increase was primarily due to the March billing of credit union operating fees. In March, \$1.8 million of the approximately \$106.5 million of billed operating fees were collected. The due date for the operating fees was April 17, 2017.

Prepaid expenses and other assets had a month-end balance of approximately \$2.1 million. Its balance decreased by \$332 thousand, which was primarily due to the amortization of prepaid assets.

Accounts payable had a month-end balance of approximately \$3.5 million. Its balance includes trade and inter-agency payables.

Accrued wages and benefits had a month-end balance of approximately \$10.4 million. Its balance decreased by approximately \$77 thousand for the month primarily due to monthly payroll accrual timing differences.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net income for the month was \$2.2 million and net income year-to-date was approximately \$6.3 million. Interest income on overnight investments has averaged 0.64% year-to-date, versus 0.34% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$5.1 million since last month. In the current month approximately \$4.1 million was used by operating activities. Approximately \$763 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 \$8.7 million on the balance sheet. Approximately \$156 thousand was used to make quarterly capital lease payments.

Other Information

The average annualized travel spend per Full-Time Equivalent (FTE) was \$12,977 this year, which is \$263 less than last year.

The Agency had 50 vacancies as of this month -- up 1 from the prior month. Of the 50 vacancies, 18 were in the central office and 32 were in the regions and AMAC. The 50 vacancies represent 4.1% percent of total authorized staff of 1,221.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
BALANCE SHEETS
As of March 31, 2017 and 2016
(Dollars in thousands)

	March 2017	March 2016
ASSETS		
Cash and cash equivalents	\$ 31,828	\$ 24,597
Due from National Credit Union Share Insurance Fund	4	207
Employee advances	1	48
Other accounts receivable, Net	105,204	101,079
Prepaid expenses and other assets	2,114	1,761
Assets held for sale	-	153
Fixed assets - Net of accum. depreciation of \$35,951 as of March 31, 2017	28,704	30,451
Intangible assets - Net of accum. amortization of \$17,446 as of March 31, 2017	5,062	2,815
TOTAL ASSETS	\$ 172,917	\$ 161,111
 LIABILITIES		
Accounts payable	\$ 3,459	\$ 966
Obligations under capital leases	801	1,331
Accrued wages and benefits	10,397	9,462
Deferred revenue ¹	79,841	80,934
Accrued annual leave	18,169	17,243
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	8,716	10,057
TOTAL LIABILITIES	121,383	119,993
 FUND BALANCE	 51,534	 41,118
 TOTAL LIABILITIES AND FUND BALANCE	 \$ 172,917	 \$ 161,111

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, 2017 and March 31, 2016
(Dollars in thousands)

	<u>March 2017</u>	<u>Year-to-Date March 2017</u>	<u>Year-to-Date March 2016</u>
REVENUES			
Operating fees	\$ 9,113	\$ 26,614	\$ 20,162
Interest	22	65	28
Other	137	186	222
Total Revenues	<u>9,272</u>	<u>26,865</u>	<u>20,412</u>
EXPENSES, NET¹			
Employee wages and benefits, net	5,290	16,936	14,055
Travel	670	1,231	1,081
Rent, communications, and utilities	136	240	263
Contracted services	620	1,436	893
Depreciation and amortization	135	392	327
Administrative	197	350	470
Total Expenses	<u>7,048</u>	<u>20,585</u>	<u>17,089</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>2,224</u>	<u>6,280</u>	<u>3,323</u>
FUND BALANCE—Beginning of period	<u>49,310</u>	<u>45,254</u>	<u>37,795</u>
FUND BALANCE—End of period	<u>\$ 51,534</u>	<u>\$ 51,534</u>	<u>\$ 41,118</u>

¹Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate of 67.7% and 73.1% for 2017 and 2016, 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, 2017 and March 31, 2016
(Dollars in thousands)

	<u>March 2017</u>	<u>Year-to-Date March 2017</u>	<u>Year-to-Date March 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 2,224	\$ 6,280	\$ 3,323
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	419	1,214	1,218
Provision for loss on disposal of employee residences held for sale	-	-	13
(Gain) loss on fixed asset retirements	-	-	-
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(3)	4,055	3,737
Employee advances	14	4	(10)
Other accounts receivable	(87,348)	(104,767)	(100,747)
Prepaid expenses and other assets	332	(270)	(29)
(Decrease) increase in liabilities:			
Accounts payable	483	(2,150)	(4,678)
Accrued wages and benefits	(77)	127	2,286
Deferred revenue	79,841	79,841	80,934
Accrued annual leave	-	-	-
Accrued employee travel	-	(601)	(646)
Net cash used by operating activities	<u>(4,115)</u>	<u>(16,267)</u>	<u>(14,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(763)	(763)	(1,025)
Purchases of employee residences held for sale	-	-	-
Proceeds from sale of employee residences held for sale	-	-	211
Net cash used by investing activities	<u>(763)</u>	<u>(763)</u>	<u>(814)</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	(156)	(156)	(183)
Net cash used by financing activities	<u>(268)</u>	<u>(491)</u>	<u>(518)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(5,146)</u>	<u>(17,521)</u>	<u>(15,931)</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>36,974</u>	<u>49,349</u>	<u>40,528</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 31,828</u>	<u>\$ 31,828</u>	<u>\$ 24,597</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
CASH PAYMENTS FOR INTEREST	<u>\$ 11</u>	<u>\$ 35</u>	<u>\$ 48</u>

The balances in the statement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

YEAR-TO-DATE BUDGET TO ACTUAL EXPENSES (BEFORE OVERHEAD TRANSFER RATE)

As of March 31, 2017 and March 31, 2016

(Dollars in thousands)

	Year-To-Date 2017				Year-To-Date 2016			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	54,063	52,432	(1,631)	-3.0%	52,530	52,327	(203)	-0.4%
Travel	7,116	3,811	(3,305)	-46.4%	7,323	4,024	(3,299)	-45.0%
Rent, Comm., & Utilities	1,668	742	(926)	-55.5%	1,691	980	(711)	-42.0%
Administrative	3,353	2,298	(1,055)	-31.5%	3,925	2,969	(956)	-24.4%
Contracted Services	8,339	4,140	(4,199)	-50.4%	7,057	3,326	(3,731)	-52.9%
TOTAL	74,539	63,423	(11,116)	-14.9%	72,526	63,626	(8,900)	-12.3%

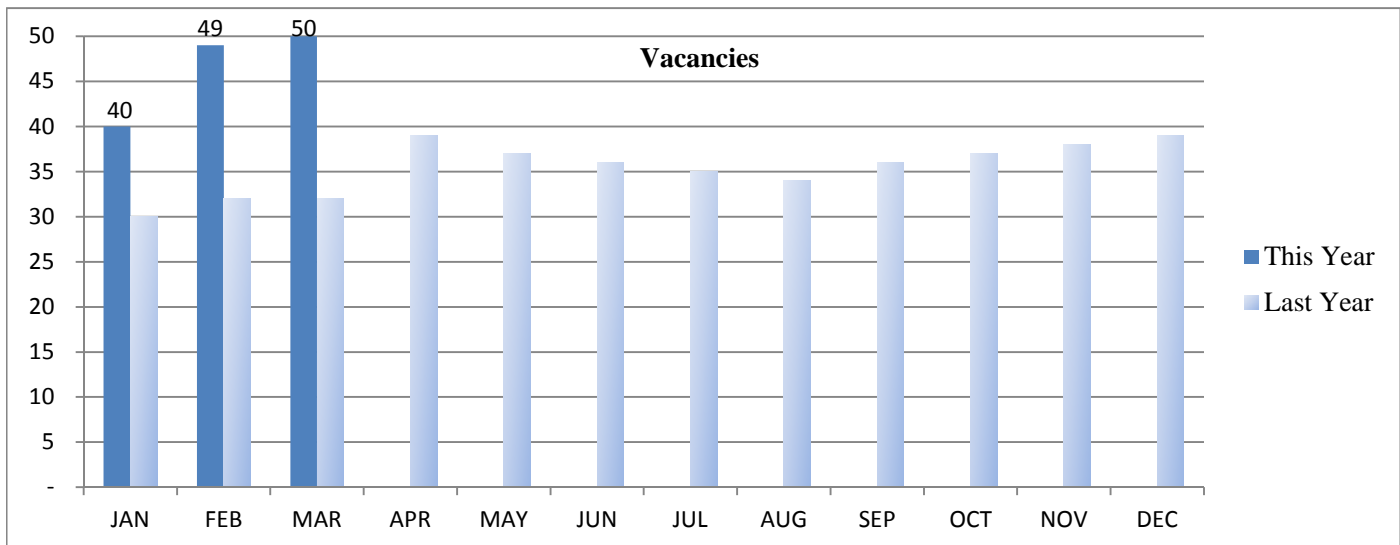
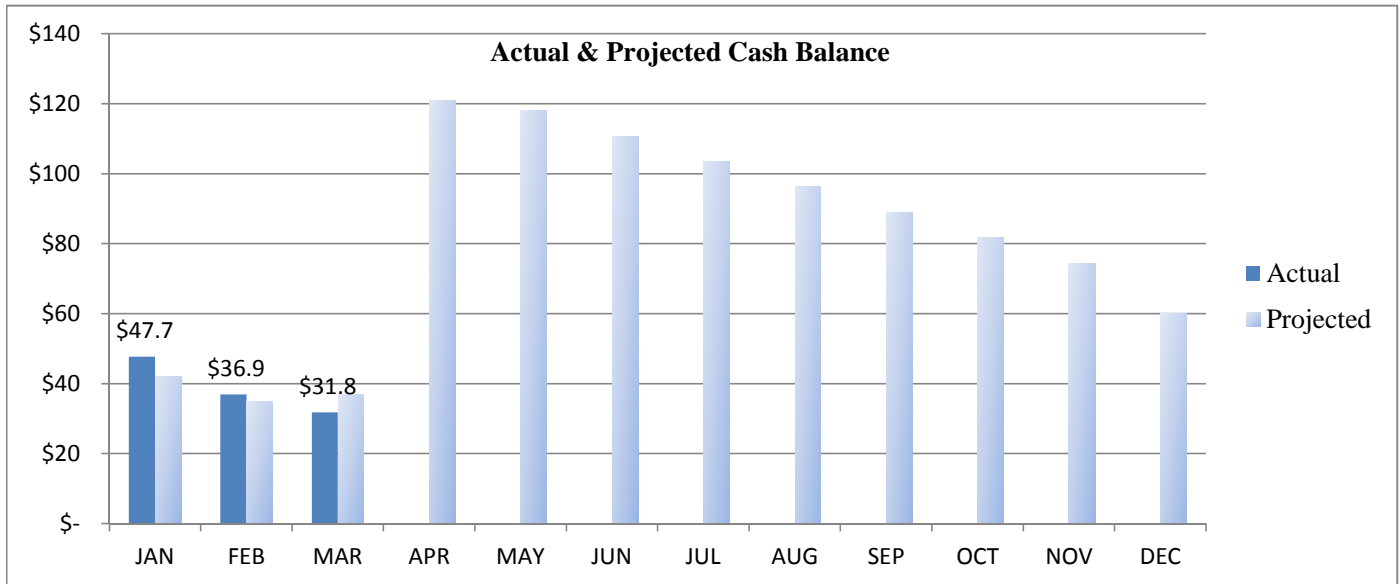
¹Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of March 31, 2017 and March 31, 2016



	3/31/2017	3/31/2016
Fund Balance / Total assets	29.86%	25.52%
YTD interest income to average investments (annualized)	0.64%	0.34%
Annualized travel spend per employee	\$12,977	\$13,240
Net year to date cash inflow (outflow) in millions of dollars	(\$18)	(\$16)
Cash and overnight investments / Total assets	18.41%	15.27%
Overhead transfer rate	67.70%	73.10%

The balances in the supplement above are preliminary and unaudited.