

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

May 31, 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
May 31, 2016**

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$94.8 million. Its balance decreased \$6.3 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 \$353 thousand. The decrease for the month was due to the continuing collection on the annual operating fees of \$80.9 million that were due in April. In May, \$972 thousand in operating fees were collected.

Prepaid expenses and other assets had a month-end balance of approximately \$2.3 million. The balance includes primarily computer software and web-based software annual subscriptions.

Fixed assets net of accumulated depreciation had a month-end balance of approximately \$30.5 million. Its balance decreased by approximately \$310 thousand in the month. This decrease was primarily due to monthly depreciation of existing assets.

Accounts payable had a month-end balance of approximately \$1.5 million. Its balance included trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately \$47 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 \$332 thousand and net income year-to-date was approximately \$4.5 million. Interest income on overnight investments has averaged 0.20% year-to-date, versus 0.02% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$6.3 million since last month. In the current month approximately \$6.1 million was provided by operating activities. Approximately \$139 thousand was invested in new capital assets. Approximately \$111 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 \$9.8 million on the balance sheet.

Budget (Year-to-Date)

Agency expenses was under the year-to-date budget by \$11.6 million or 9.6%, compared to being under the year-to-date budget by approximately \$10.0 million or 8.7% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$1,383 thousand or 1.6%. Travel cost were under budget by \$2.6 million or 21.6%. Contract services cost was under budget by \$3.3 million or 27.7%. The remaining expense categories combined were under budget by \$4.3 million or 45.6%. The under budget amounts are primarily due to the use of straight line budget estimates. Actual costs will align with budgeted costs as the year progresses.

The average annualized travel spend per Full-Time Equivalent (FTE) was \$18,922 this year, which is \$372 less than last year.

Vacancies

The Agency had 37 vacancies as of this month—down 2 from the prior month. Of the 37 vacancies, 6 were in the central office and 31 were in the regions and the Asset Management and Assistance Center (AMAC). The 37 vacancies represent 3.0% percent of total authorized staff of 1,247.00.

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

	May 2016	May 2015
ASSETS		
Cash and cash equivalents	\$ 94,759	\$ 85,528
Due from National Credit Union Share Insurance Fund	35	52
Employee advances	18	38
Other accounts receivable, Net	353	1,479
Prepaid expenses and other assets	2,301	2,636
Assets held for sale	153	-
Fixed assets - Net of accum. depreciation of \$32,714 as of May 31, 2016	30,529	33,042
Intangible assets - Net of accum. amortization of \$16,674 as of May 31, 2016	2,988	2,037
TOTAL ASSETS	\$ 131,136	\$ 124,812
LIABILITIES		
Accounts payable	\$ 1,481	\$ 2,902
Obligations under capital leases	1,331	2,068
Accrued wages and benefits	11,785	10,072
Deferred revenue ¹	47,211	46,021
Accrued annual leave	17,243	15,469
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	9,834	11,174
TOTAL LIABILITIES	88,885	87,706
FUND BALANCE	42,251	37,106
TOTAL LIABILITIES AND FUND BALANCE	\$ 131,136	\$ 124,812

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

	May 2016	Year-to-Date May 2016	Year-to-Date May 2015
REVENUES			
Operating fees	\$ 6,744	\$ 33,722	\$ 32,809
Interest	19	57	4
Other	119	411	496
Total Revenues	6,882	34,190	33,309
EXPENSES, NET¹			
Employee wages and benefits, net	4,639	23,106	22,882
Travel	786	2,573	2,787
Rent, communications, and utilities	168	473	380
Contracted services	727	2,287	2,147
Depreciation and amortization	109	546	697
Administrative	121	749	738
Total Expenses	6,550	29,734	29,631
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	332	4,456	3,678
FUND BALANCE—Beginning of period	41,919	37,795	33,428
FUND BALANCE—End of period	\$ 42,251	\$ 42,251	\$ 37,106

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

	May 2016	Year-to-Date May 2016	Year-to-Date May 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 332	\$ 4,456	\$ 3,678
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	400	2,030	2,464
Provision for loss on disposal of employee residences held for sale	-	13	47
(Gain) loss on fixed asset retirements	-	-	11
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(10)	3,909	3,457
Employee advances	85	20	24
Other accounts receivable	846	(21)	(1,157)
Prepaid expenses and other assets	(474)	(569)	(491)
(Decrease) increase in liabilities:	-		
Accounts payable	(2,094)	(4,163)	(3,696)
Accrued wages and benefits	1,563	4,609	(2,801)
Deferred revenue	(6,745)	47,211	46,021
Accrued annual leave	-	-	-
Accrued employee travel	-	(646)	(491)
Net cash (used) or provided by operating activities	(6,097)	56,849	47,066
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(139)	(2,087)	(2,343)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	-	-
Proceeds from sale of employee residences held for sale	-	211	596
Net cash used by investing activities	(139)	(1,876)	(1,747)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(111)	(558)	(559)
Principal payments under capital lease obligations	-	(184)	(172)
Net cash used by financing activities	(111)	(742)	(731)
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	(6,347)	54,231	44,588
CASH AND CASH EQUIVALENTS—Beginning of period	101,106	40,528	40,940
CASH AND CASH EQUIVALENTS—End of period	\$ 94,759	\$ 94,759	\$ 85,528
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	\$ -	\$ -	\$ 2,027
Cash Payments for Interest	\$ 16	\$ 79	\$ 88

The balances in the statement above are preliminary and unaudited

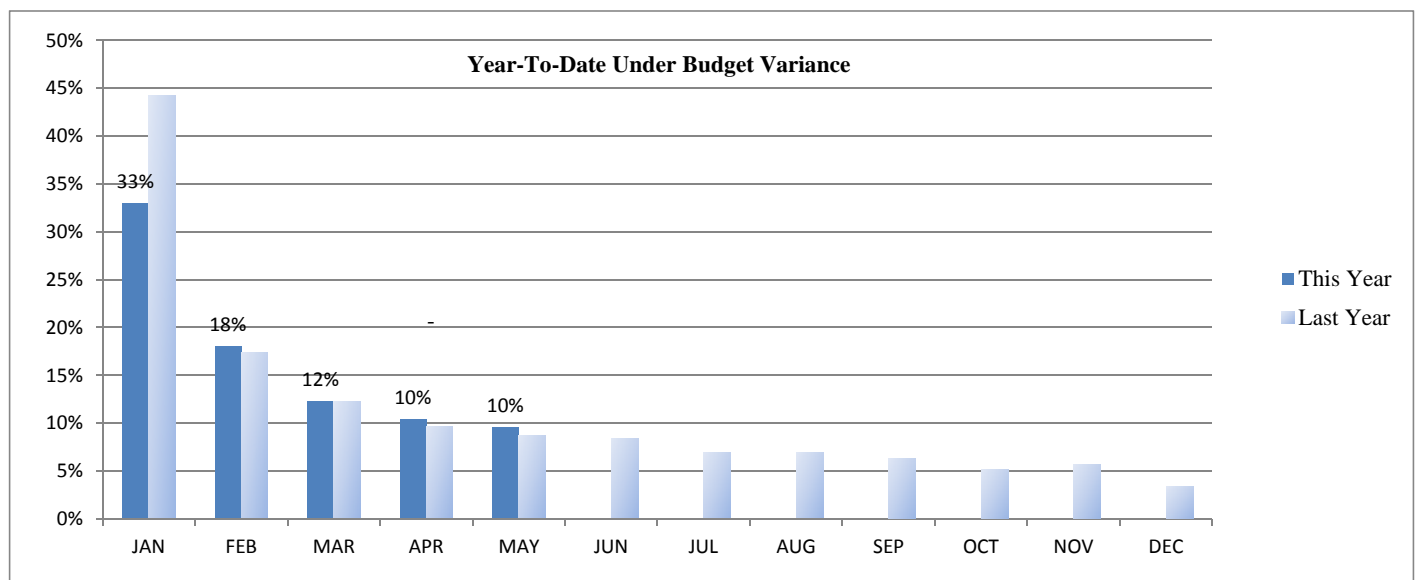
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of May 31, 2016 and May 31, 2015

(Dollars in thousands)

	Year-To-Date 2016				Year-To-Date 2015			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	87,281	85,897	(1,383)	-1.6%	82,769	81,147	(1,622)	-2.0%
Travel	12,206	9,563	(2,642)	-21.6%	12,204	9,882	(2,321)	-19.0%
Rent, Comm., & Utilities	2,819	1,759	(1,060)	-37.6%	2,405	1,348	(1,057)	-43.9%
Administrative	6,542	3,336	(3,206)	-49.0%	6,806	5,088	(1,718)	-25.2%
Contracted Services	11,761	8,502	(3,260)	-27.7%	10,911	7,601	(3,310)	-30.3%
TOTAL	120,609	109,057	(11,552)	-9.6%	115,095	105,066	(10,029)	-8.7%



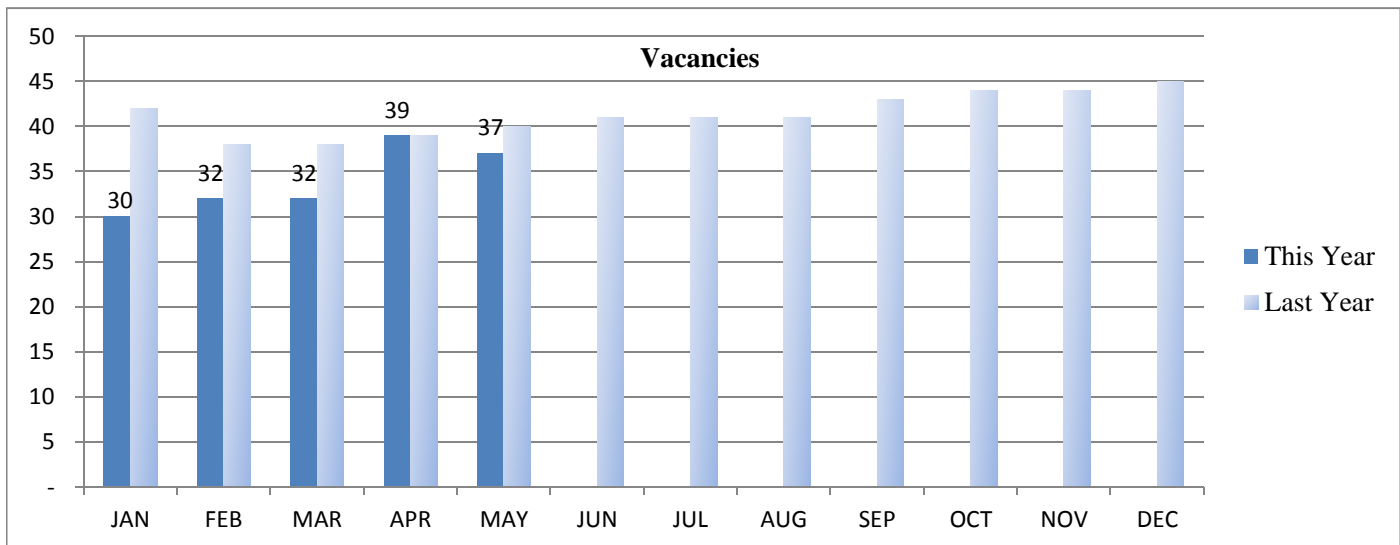
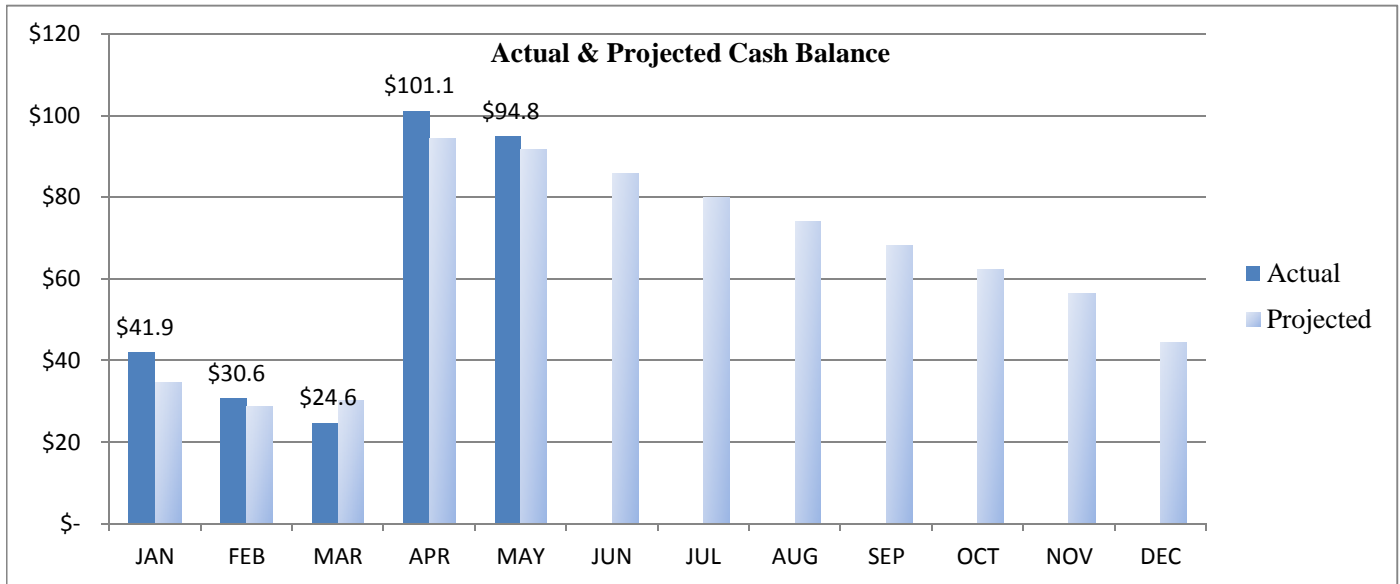
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of May 31, 2016 and May 31, 2015



	5/31/2016	5/31/2015
Fund Balance / Total assets	32.22%	29.73%
YTD interest income to average investments (annualized)	0.20%	0.02%
Annualized travel spend per employee	\$18,922	\$19,294
Net year to date cash inflow (outflow) in millions of dollars	\$54	\$45
Cash and overnight investments / Total assets	72.26%	68.53%
Overhead transfer rate	73.10%	71.80%

The balances in the supplement above are preliminary and unaudited