

# **OPERATING FUND**



## **PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS**

**October 31, 2017**

A handwritten signature in blue ink, appearing to read "Rendell L. Jones".

**RENDELL L. JONES  
CHIEF FINANCIAL OFFICER**

# NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

## MANAGEMENT OVERVIEW

October 31, 2017

---

### **Balance Sheet**

Cash and cash equivalents had a month-end balance of \$90.1 million. Its balance decreased by \$2.8 million for the month primarily reflecting operating expenses. The cash position is considered sufficient to cover current and future obligations of the Fund through April 2018.

Other accounts receivable had a month-end balance of \$146 thousand. Its balance decreased by \$130 thousand primarily due to the repayment of receivables from the Central Liquidity Facility for expenses paid by the Operating Fund.

Prepaid expenses and other assets had a month-end balance of \$2.9 million. Its balance increased by \$281 thousand for the month, which was primarily due to payments made on annual software licenses and maintenance.

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

Deferred revenue had a month-end balance of \$17.7 million. Its balance decreased by \$8.9 million due to the recognition of deferred operating fees for the month.

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

Net income for the month was \$3.3 million and net income year-to-date was \$17.7 million. Interest income on overnight investments has averaged 1.09% year-to-date, versus 0.31% during the same period last year.

### **Statements of Cash Flow**

The cash position decreased \$2.8 million since last month. In the current month, \$2.4 million was used by operating activities. Investments in new capital assets were \$255 thousand. 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 \$7.9 million on the balance sheet.

### **Other Information**

The average annualized travel spend per Full-Time Equivalent (FTE) was \$18,927 this year, which is \$2,551 less than last year.

The Agency had 59 vacancies as of this month -- up 3 from the prior month. Of the 59 vacancies, 13 were in the central office and 46 were in the regions and AMAC. The 59 vacancies represent 4.8% percent of total authorized staff of 1,221.

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

	<b>October 2017</b>	<b>October 2016</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 90,126	\$ 68,979
Due from National Credit Union Share Insurance Fund	88	45
Employee advances	2	271
Other accounts receivable, Net	146	190
Prepaid expenses and other assets	2,890	2,655
Assets held for sale	-	-
Fixed assets - Net of accum. depreciation of \$37,920 as of October 31, 2017	27,447	29,799
Intangible assets - Net of accum. amortization of \$17,953 as of October 31, 2017	6,154	3,415
<b>TOTAL ASSETS</b>	<b>\$ 126,853</b>	<b>\$ 105,354</b>
 <b>LIABILITIES</b>		
Accounts payable	\$ 6,241	\$ 7,965
Obligations under capital leases	410	986
Accrued wages and benefits	12,141	10,871
Deferred revenue <sup>1</sup>	17,742	13,489
Accrued annual leave	19,432	17,243
Accrued employee travel	-	-
Note payable to National Credit Union Share Insurance Fund	7,934	9,275
<b>TOTAL LIABILITIES</b>	<b>63,900</b>	<b>59,829</b>
 <b>FUND BALANCE</b>	 <b>62,953</b>	 <b>45,525</b>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	 <b>\$ 126,853</b>	 <b>\$ 105,354</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 October 31, 2017 and 2016**  
**(Dollars in thousands)**

	<u>October 2017</u>	<u>Year-to-Date October 2017</u>	<u>Year-to-Date October 2016</u>
<b>REVENUES</b>			
Operating fees	\$ 8,871	\$ 88,712	\$ 67,444
Interest	84	632	142
Other	79	871	859
Total Revenues	<u>9,034</u>	<u>90,215</u>	<u>68,445</u>
<b>EXPENSES, NET<sup>1</sup></b>			
Employee wages and benefits	5,247	55,757	45,764
Travel	140	5,959	5,836
Rent, communications, and utilities	94	1,438	1,084
Contracted services	82	6,321	5,089
Depreciation and amortization	120	1,274	1,086
Administrative	94	1,767	1,856
Total Expenses, Net	<u>5,777</u>	<u>72,516</u>	<u>60,715</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENSES</b>	3,257	17,699	7,730
<b>FUND BALANCE—Beginning of period</b>	<u>59,696</u>	<u>45,254</u>	<u>37,795</u>
<b>FUND BALANCE—End of period</b>	<u>\$ 62,953</u>	<u>\$ 62,953</u>	<u>\$ 45,525</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 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 October 31, 2017 and 2016**  
**(Dollars in thousands)**

	<b>October 2017</b>	<b>Year-to-Date October 2017</b>	<b>Year-to-Date October 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of revenues over expenses	\$ 3,257	\$ 17,699	\$ 7,730
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	372	3,944	4,059
Provision for loss on disposal of employee residences held for sale	-	-	27
(Gain) loss on fixed asset retirements	-	-	8
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	913	3,971	3,899
Employee advances	-	3	(233)
Other accounts receivable	130	291	142
Prepaid expenses and other assets	(281)	(1,046)	(923)
(Decrease) increase in liabilities:			
Accounts payable	2,880	632	2,321
Accrued wages and benefits	534	1,871	3,695
Deferred revenue	(8,872)	17,742	13,489
Accrued annual leave	336	1,263	-
Accrued employee travel	(1,681)	(601)	(646)
Net cash (used) or provided by operating activities	(2,412)	45,769	33,568
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of fixed and intangible assets	(255)	(3,320)	(3,797)
Proceeds from sale of employee residences held for sale	-	-	350
Net cash used by investing activities	(255)	(3,320)	(3,447)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,117)	(1,117)
Principal payments under capital lease obligations	-	(555)	(553)
Net cash used by financing activities	(112)	(1,672)	(1,670)
<b>NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS</b>	(2,779)	40,777	28,451
<b>CASH AND CASH EQUIVALENTS—Beginning of period</b>	92,905	49,349	40,528
<b>CASH AND CASH EQUIVALENTS—End of period</b>	\$ 90,126	\$ 90,126	\$ 68,979
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES</b>			
Acquisition of equipment under capital lease	\$ -	\$ -	\$ 24
<b>CASH PAYMENTS FOR INTEREST</b>	\$ 11	\$ 109	\$ 151

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 October 31, 2017 and 2016

(Dollars in thousands)

	Year-To-Date 2017				Year-To-Date 2016			
	BUDGET <sup>1</sup>	ACTUAL	DIFF	%	BUDGET <sup>1</sup>	ACTUAL	DIFF	%
<b>Employee Pay &amp; Benefits</b>	179,907	172,623	(7,284)	-4.0%	175,370	170,127	(5,243)	-3.0%
<b>Travel</b>	23,626	18,449	(5,176)	-21.9%	24,257	21,696	(2,561)	-10.6%
<b>Rent, Comm., &amp; Utilities</b>	5,593	4,452	(1,141)	-20.4%	5,678	4,031	(1,647)	-29.0%
<b>Administrative</b>	11,123	6,740	(4,383)	-39.4%	12,973	8,241	(4,732)	-36.5%
<b>Contracted Services</b>	28,012	19,571	(8,441)	-30.1%	23,748	18,917	(4,831)	-20.3%
<b>TOTAL</b>	248,261	221,835	(26,426)	-10.6%	242,026	223,012	(19,014)	-7.9%

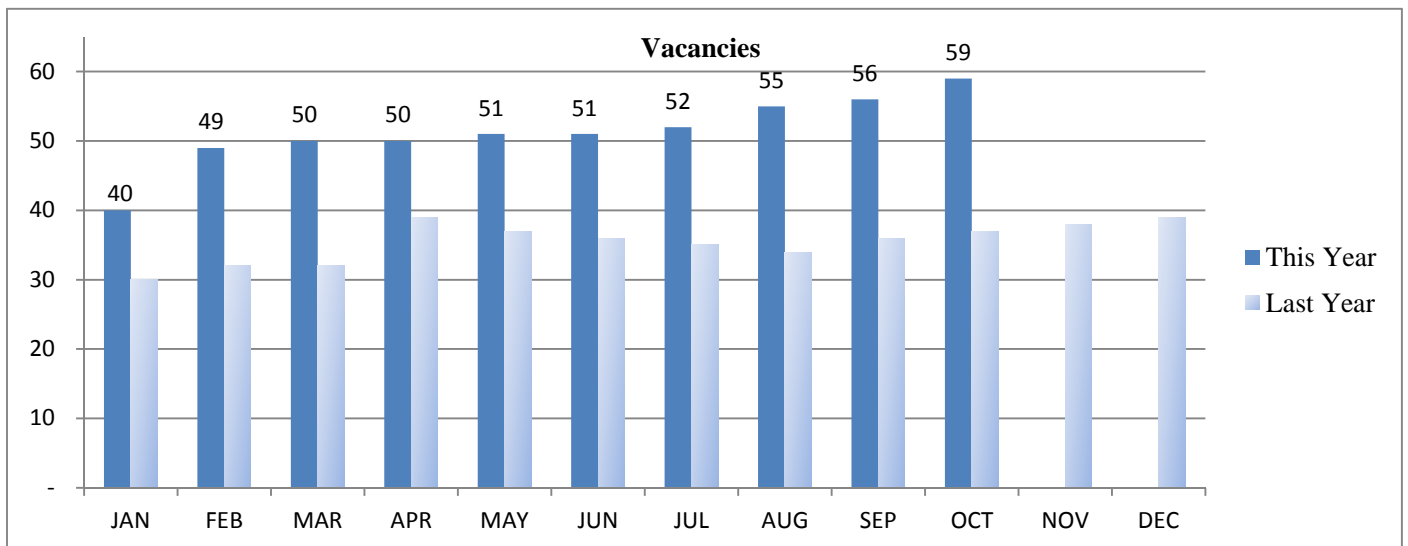
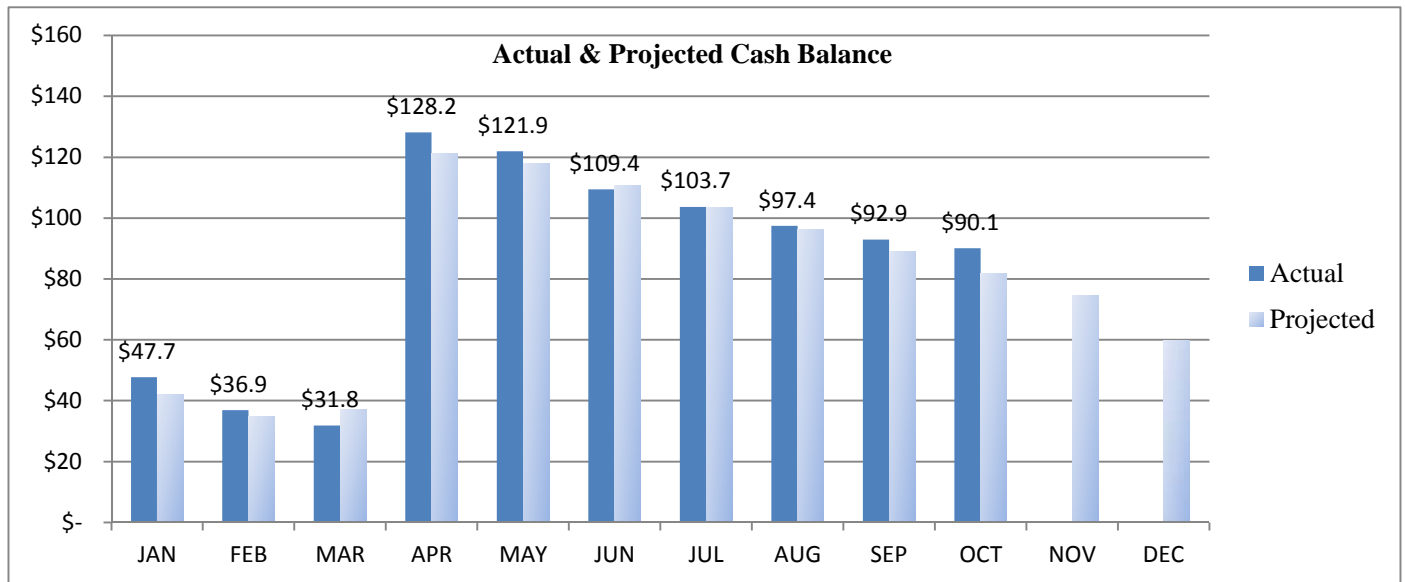
<sup>1</sup>Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.

**NATIONAL CREDIT UNION ADMINISTRATION  
OPERATING FUND**

**GRAPHS AND RATIOS**

As of October 31, 2017 and 2016



	10/31/2017	10/31/2016
Fund Balance / Total assets	49.63%	43.21%
YTD interest income to average investments (annualized)	1.09%	0.31%
Annualized travel spend per employee	\$18,927	\$21,478
Net year to date cash inflow (outflow) in millions of dollars	\$41	\$28
Cash and overnight investments / Total assets	71.05%	65.47%
Overhead transfer rate	67.70%	73.10%

The balances in the supplement above are preliminary and unaudited.