

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

September 30, 2015

A handwritten signature in blue ink, appearing to read "Rendell L. Jones", with a long, sweeping underline.

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

MANAGEMENT OVERVIEW

September 30, 2015

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$59.8 million. Its balance decreased \$5.5 million in the month primarily due to monthly realization of deferred revenue, purchase of fixed assets and repayment of 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.

Accrued wages and benefits had a month-end balance of approximately \$9.3 million. Its balance increased by approximately \$2.2 million in the month primarily due to monthly payroll accrual timing differences.

Deferred revenue had a month-end balance of approximately \$19.7 million. Its balance decreased by approximately \$6.5 million in the month due to the recognition of the monthly operating fee revenue.

Statements of Revenues, Expenses, and Changes in Fund Balance

Net loss for the month was \$1.6 million and net income year-to-date was approximately \$3.4 million. Interest income on overnight investments has averaged 0.02% year-to-date, versus 0.03% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$5.5 million since last month. In the current month approximately \$4.6 million was used for operating expenses. Approximately \$623 thousand was invested in new capital assets. Approximately \$112 thousand in cash was used to reduce or repay the National Credit Union Share Insurance Fund note payable long-term liability, which has a balance of approximately \$10.7 million on the balance sheet.

Budget (Year-to-Date)

Agency spending was under the year-to-date budget by \$13.1 million or 6.3%, compared to being under the year-to-date budget by approximately \$10.5 million or 5.3% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$3.7 million or 2.5%. Travel cost were under budget by \$2.0 million or 9.2%. Contract services cost was under budget by \$3.6 million or 18.1%. The remaining expense categories combined were under budget by \$3.8 million or 23.5%. 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 Equivelant (FTE) was \$21,288 this year, which is \$1,478 less than last year.

Vacancies

The Agency had 43 vacancies as of this month—up 2 from the prior month. Of the 43 vacancies, 9 were in the central office and 34 were in the regions and the Asset Management and Assistance Center (AMAC). The 43 vacancies represent 3.4% percent of total authorized staff of 1,268.70.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
BALANCE SHEETS
As of September 30, 2015
(Dollars in thousands)

	September 2015	September 2014
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 59,823	\$ 55,850
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND	4,269	2,450
EMPLOYEE ADVANCES	49	78
OTHER ACCOUNTS RECEIVABLE , Net	259	270
PREPAID EXPENSES AND OTHER ASSETS	1,953	1,799
ASSETS HELD FOR SALE	171	996
FIXED ASSETS — Net of accumulated depreciation of \$30,818	31,911	29,524
INTANGIBLE ASSETS — Net of accumulated amortization of \$16,978 as of September 30, 2015	1,530	2,810
TOTAL ASSETS	\$ 99,965	\$ 93,777
LIABILITIES		
Accounts payable	\$ 2,164	\$ 2,270
Obligations under capital leases	1,697	103
Accrued wages and benefits	9,319	8,084
Deferred revenue (1)	19,696	19,469
Accrued annual leave	17,646	16,282
Accrued employee travel	1,877	2,061
Note payable to National Credit Union Share Insurance Fund	10,727	12,068
TOTAL LIABILITIES	63,126	60,337
FUND BALANCE	36,839	33,440
TOTAL LIABILITIES AND FUND BALANCE	\$ 99,965	\$ 93,777

(1) 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 September 30, 2015 and September, 2014
(Dollars in thousands)**

	<u>September 2015</u>	<u>Year-to-Date September 2015</u>	<u>Year-to-Date September 2014</u>
REVENUES			
Operating fees	\$ 6,523	\$ 59,088	\$ 58,406
Interest	-	9	12
Other	<u>54</u>	<u>807</u>	<u>942</u>
Total Revenues	<u>6,577</u>	<u>59,904</u>	<u>59,360</u>
EXPENSES, NET (1)			
Employee wages and benefits, net	5,381	42,058	43,154
Travel	1,171	5,970	6,465
Rent, communications, and utilities	119	869	1,060
Contracted services	880	4,634	4,415
Depreciation and amortization	1,446	5,221	4,488
Administrative	<u>(817)</u>	<u>(2,259)</u>	<u>(1,185)</u>
Total Expenses	<u>8,180</u>	<u>56,493</u>	<u>58,397</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>(1,603)</u>	<u>3,411</u>	<u>963</u>
FUND BALANCE—Beginning of period	<u>38,442</u>	<u>33,428</u>	<u>32,477</u>
FUND BALANCE—End of period	<u>\$ 36,839</u>	<u>\$ 36,839</u>	<u>\$ 33,440</u>

(1) Operating 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 71.8% and 69.2% for 2015 and 2014, 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 September 30, 2015 and September 30, 2014
(Dollars in thousands)**

	<u>September 2015</u>	<u>Year-to-Date September 2015</u>	<u>Year-to-Date September 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ (1,603)	\$ 3,411	\$ 963
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	1,446	5,221	4,480
Provision for loss on disposal of employee residences held for sale	36	83	129
(Gain) loss on fixed asset retirements	-	12	13
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	(4,269)	(760)	863
Employee advances	(20)	13	(40)
Other accounts receivable	304	63	(67)
Prepaid expenses and other assets	504	192	(421)
(Decrease) increase in liabilities:			
Accounts payable	(723)	(4,434)	(2,448)
Accrued wages and benefits	2,238	(3,554)	(3,272)
Deferred revenue	(6,523)	19,696	19,469
Accrued annual leave	2,177	2,177	1,711
Accrued employee travel	1,877	1,386	993
Net cash (used) or provided by operating activities	<u>(4,556)</u>	<u>23,506</u>	<u>22,373</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(623)	(3,460)	(2,288)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	(207)	(1,125)
Proceeds from sale of employee residences held for sale	-	596	-
Net cash used by investing activities	<u>(623)</u>	<u>(3,071)</u>	<u>(3,413)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(1,006)	(1,006)
Principal payments under capital lease obligations	(196)	(546)	(17)
Net cash used by financing activities	<u>(308)</u>	<u>(1,552)</u>	<u>(1,023)</u>
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	<u>(5,487)</u>	<u>18,883</u>	<u>17,937</u>
CASH AND CASH EQUIVALENTS—Beginning of period	<u>65,310</u>	<u>40,940</u>	<u>37,913</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 59,823</u>	<u>\$ 59,823</u>	<u>\$ 55,850</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	<u>\$ -</u>	<u>\$ 2,030</u>	<u>\$ 61</u>
Cash Payments for Interest	<u>\$ 17</u>	<u>\$ 156</u>	<u>\$ 173</u>

The balances in the statement above are preliminary and unaudited

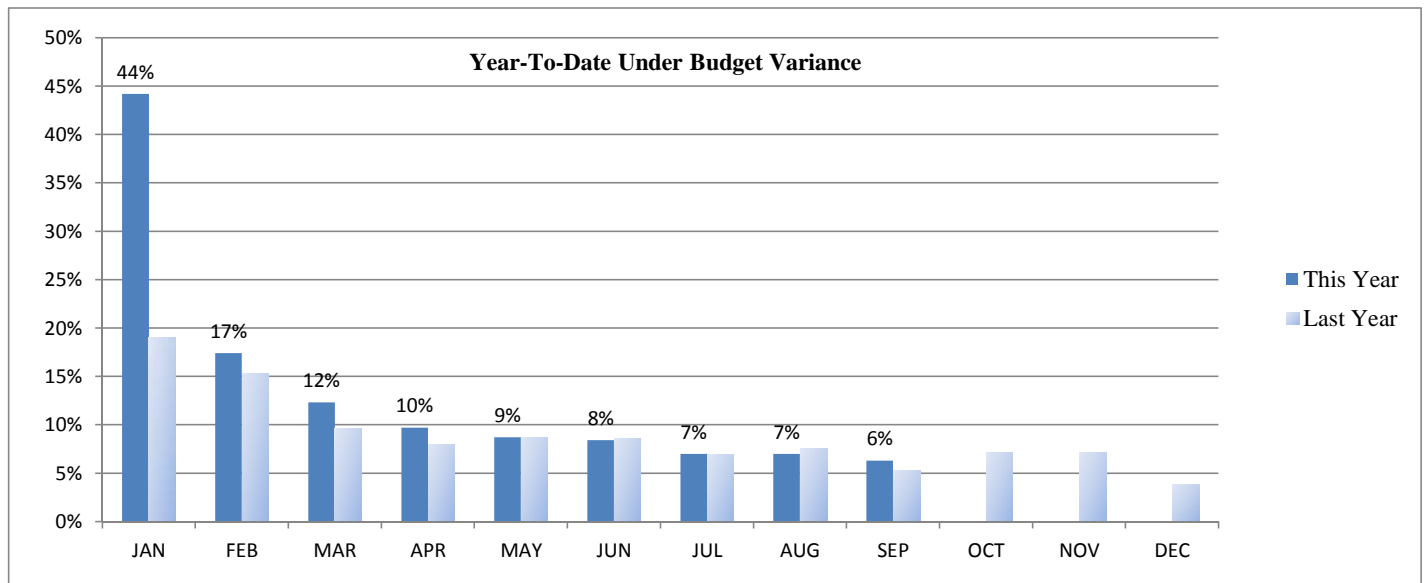
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of September 30, 2015 and September 30, 2014

(Dollars in thousands)

	Year-To-Date 2015				Year-To-Date 2014			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	149,779	146,101	(3,678)	-2.5%	144,186	140,111	(4,075)	-2.8%
Travel	21,588	19,612	(1,976)	-9.2%	21,352	20,989	(362)	-1.7%
Rent, Comm., & Utilities	4,068	2,927	(1,141)	-28.0%	4,254	3,441	(813)	-19.1%
Administrative	12,259	9,563	(2,696)	-22.0%	11,724	10,279	(1,445)	-12.3%
Contracted Services	19,731	16,163	(3,568)	-18.1%	18,119	14,331	(3,788)	-20.9%
TOTAL	207,424	194,367	(13,058)	-6.3%	199,636	189,152	(10,483)	-5.3%



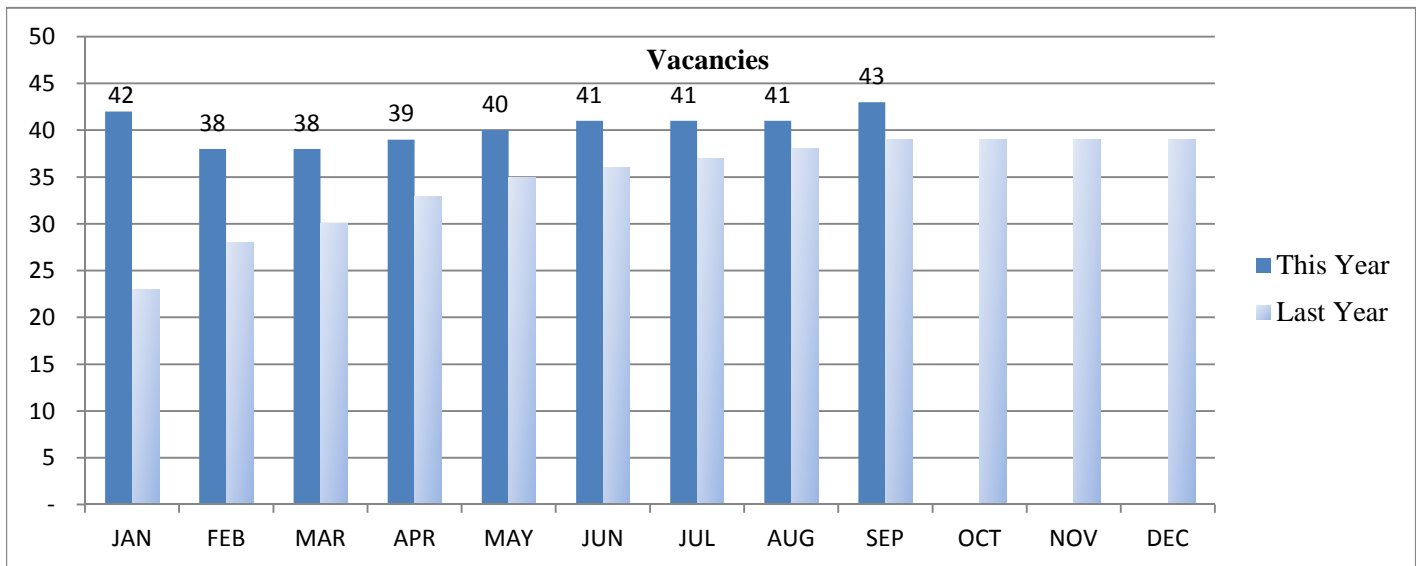
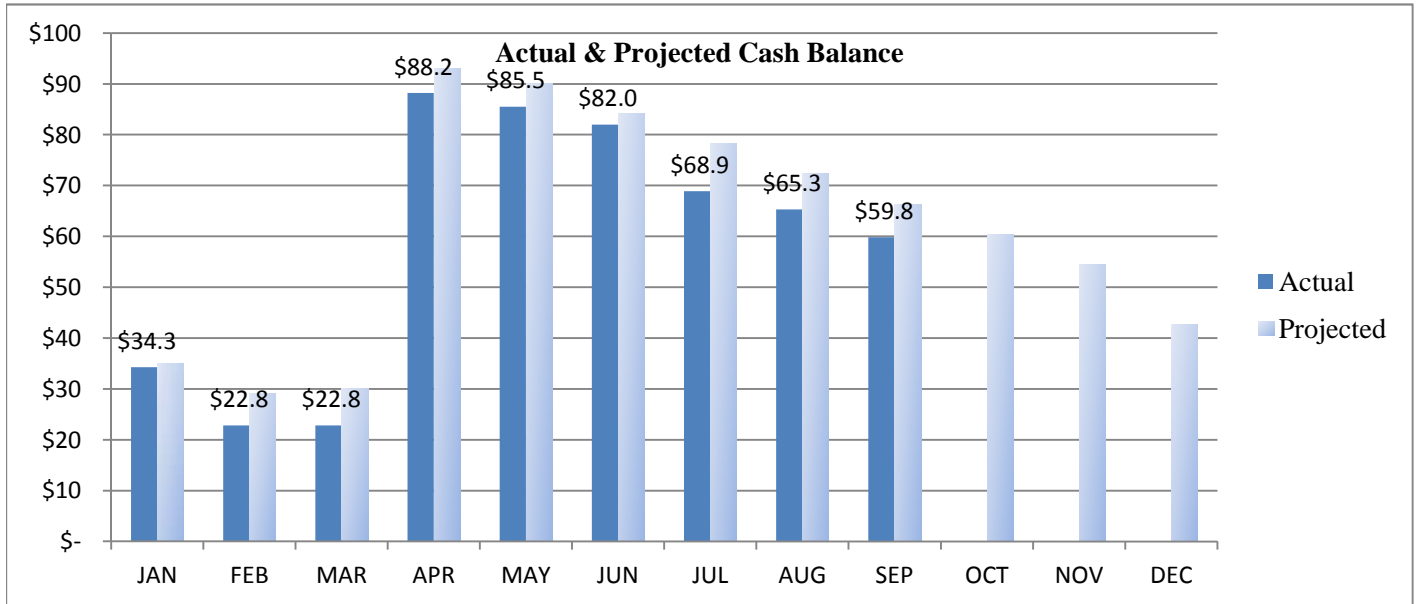
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of September 30, 2015 and September 30, 2014



	9/30/2015	9/30/2014
Fund Balance / Total assets	36.85%	35.66%
YTD interest income to average investments (annualized)	0.02%	0.03%
Annualized travel spend per employee	\$21,288	\$22,766
Net year to date cash inflow (outflow) in millions of dollars	\$19	\$18
Cash and overnight investments / Total assets	59.84%	59.56%
Overhead transfer rate	71.80%	69.20%

The balances in the supplement above are preliminary and unaudited