

OPERATING FUND



PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS

August 31, 2015

A handwritten signature in blue ink, which appears to read "Rendell L. Jones", is positioned above the printed name and title.

**RENDELL L. JONES
CHIEF FINANCIAL OFFICER**

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

MANAGEMENT OVERVIEW

August 31, 2015

Balance Sheet

Cash and cash equivalents had a month-end balance of approximately \$65.3 million. Its balance decreased \$3.6 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.

Accounts payable had a month-end balance of approximately \$2.9 million. Its balance increased by approximately \$1.4 million in the month primarily due to a liability created by the estimate-to-actual differences of Operating Fund overhead expenses transferred to the Share Insurance Fund.

Accrued wages and benefits had a month-end balance of approximately \$7.1 million. Its balance increased by approximately \$718 thousand in the month primarily due to monthly payroll accrual timing differences.

Deferred revenue had a month-end balance of approximately \$26.2 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 income for the month was \$649 thousand and net income year-to-date was \$5.0 million. Interest income on overnight investments has averaged 0.03% year-to-date, versus 0.04% during the same period last year.

Statements of Cash Flow

The cash position decreased approximately \$3.6 million since last month. In the current month approximately \$3.3 million was used for operating expenses. Approximately \$158 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 \$10.8 million on the balance sheet.

Budget (Year-to-Date)

Agency spending was under the year-to-date budget by \$12.8 million or 7.0%, compared to being under the year-to-date budget by approximately \$13.4 million or 7.6% during the same period last year. Of the total variance, employee pay and benefits was under budget by \$2.8 million or 2.1%. Travel cost were under budget by \$2.2 million or 11.5%. Contract services cost was under budget by \$4.2 million or 23.9%. The remaining expense categories combined were under budget by \$3.6 million or 24.8%. 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 \$20,773 this year, which is \$309 more than last year.

Vacancies

The Agency had 41 vacancies as of this month—no change from the prior month. Of the 41 vacancies, 9 were in the central office and 32 were in the regions and the Asset Management and Assistance Center (AMAC). The 41 vacancies represent 3.2% percent of total authorized staff of 1,268.70.

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

	August 2015	August 2014
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 65,310	\$ 62,723
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND	-	68
EMPLOYEE ADVANCES	29	128
OTHER ACCOUNTS RECEIVABLE , Net	563	216
PREPAID EXPENSES AND OTHER ASSETS	2,457	1,888
ASSETS HELD FOR SALE	207	244
FIXED ASSETS — Net of accumulated depreciation of \$30,465	31,962	29,629
INTANGIBLE ASSETS — Net of accumulated amortization of \$16,890 as of August 31, 2015	2,303	3,083
TOTAL ASSETS	\$ 102,831	\$ 97,979
LIABILITIES		
Accounts payable	\$ 2,887	\$ 4,657
Obligations under capital leases	1,894	59
Accrued wages and benefits	7,081	5,749
Deferred revenue (1)	26,219	25,958
Accrued annual leave	15,469	14,571
Note payable to National Credit Union Share Insurance Fund	10,839	12,180
TOTAL LIABILITIES	64,389	63,174
FUND BALANCE	38,442	34,805
TOTAL LIABILITIES AND FUND BALANCE	\$ 102,831	\$ 97,979

(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 August 31, 2015 and August 31, 2014
(Dollars in thousands)

	<u>August 2015</u>	<u>Year-to-Date August 2015</u>	<u>Year-to-Date August 2014</u>
REVENUES			
Operating fees	\$ 6,498	\$ 52,565	\$ 51,917
Interest	3	9	12
Other	<u>76</u>	<u>753</u>	<u>863</u>
Total Revenues	<u>6,577</u>	<u>53,327</u>	<u>52,792</u>
EXPENSES, NET (1)			
Employee wages and benefits, net	4,379	36,677	37,665
Travel	675	4,799	5,150
Rent, communications, and utilities	100	750	945
Contracted services	517	3,754	3,908
Depreciation and amortization	480	3,775	3,950
Administrative	<u>(223)</u>	<u>(1,442)</u>	<u>(1,154)</u>
Total Expenses	<u>5,928</u>	<u>48,313</u>	<u>50,464</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	<u>649</u>	<u>5,014</u>	<u>2,328</u>
FUND BALANCE—Beginning of period	<u>37,793</u>	<u>33,428</u>	<u>32,477</u>
FUND BALANCE—End of period	<u>\$ 38,442</u>	<u>\$ 38,442</u>	<u>\$ 34,805</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 August 31, 2015 and August 31, 2014
(Dollars in thousands)

	August 2015	Year-to-Date August 2015	Year-to-Date August 2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of revenues over expenses	\$ 649	\$ 5,014	\$ 2,328
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:			
Depreciation and amortization	480	3,775	3,950
Provision for loss on disposal of employee residences held for sale	-	47	-
(Gain) loss on fixed asset retirements	1	12	-
(Increase) decrease in assets:			
Due from National Credit Union Share Insurance Fund	82	3,509	3,245
Employee advances	26	33	(90)
Other accounts receivable	(116)	(241)	(13)
Prepaid expenses and other assets	-	(312)	(510)
(Decrease) increase in liabilities:			
Accounts payable	1,387	(3,711)	(61)
Accrued wages and benefits	718	(5,792)	(5,607)
Deferred revenue	(6,544)	26,219	25,958
Accrued employee travel	-	(491)	(1,068)
Net cash (used) or provided by operating activities	(3,317)	28,062	28,132
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of fixed and intangible assets	(158)	(2,837)	(2,184)
Proceeds from insurance on fixed assets	-	-	-
Purchases of employee residences held for sale	-	(207)	(244)
Proceeds from sale of employee residences held for sale	-	596	-
Net cash used by investing activities	(158)	(2,448)	(2,428)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of note payable to National Credit Union Share Insurance Fund	(112)	(894)	(894)
Principal payments under capital lease obligations	-	(350)	-
Net cash used by financing activities	(112)	(1,244)	(894)
NET (DECREASE) OR INCREASE IN CASH AND CASH EQUIVALENTS	(3,587)	24,370	24,810
CASH AND CASH EQUIVALENTS—Beginning of period	68,897	40,940	37,913
CASH AND CASH EQUIVALENTS—End of period	\$ 65,310	\$ 65,310	\$ 62,723
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES			
Acquisition of equipment under capital lease	\$ -	\$ 2,030	\$ -
Cash Payments for Interest	\$ 17	\$ 140	\$ 154

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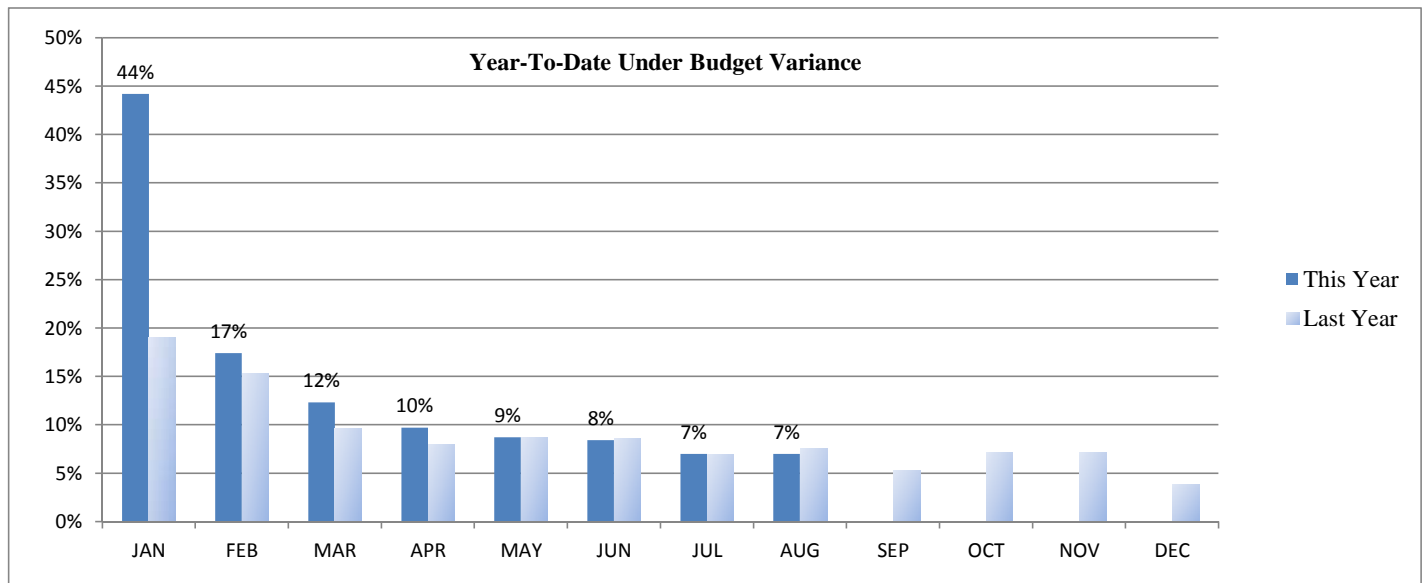
**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

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

As of August 31, 2015 and August 31, 2014

(Dollars in thousands)

	Year-To-Date 2015				Year-To-Date 2014			
	BUDGET ¹	ACTUAL	DIFF	%	BUDGET ¹	ACTUAL	DIFF	%
Employee Pay & Benefits	132,881	130,062	(2,819)	-2.1%	127,919	122,288	(5,631)	-4.4%
Travel	19,223	17,016	(2,207)	-11.5%	19,014	16,722	(2,292)	-12.1%
Rent, Comm., & Utilities	3,616	2,658	(958)	-26.5%	3,782	3,067	(715)	-18.9%
Administrative	10,920	8,275	(2,644)	-24.2%	10,341	9,079	(1,262)	-12.2%
Contracted Services	17,482	13,306	(4,176)	-23.9%	16,151	12,672	(3,480)	-21.5%
TOTAL	184,121	171,317	(12,804)	-7.0%	177,207	163,827	(13,380)	-7.6%



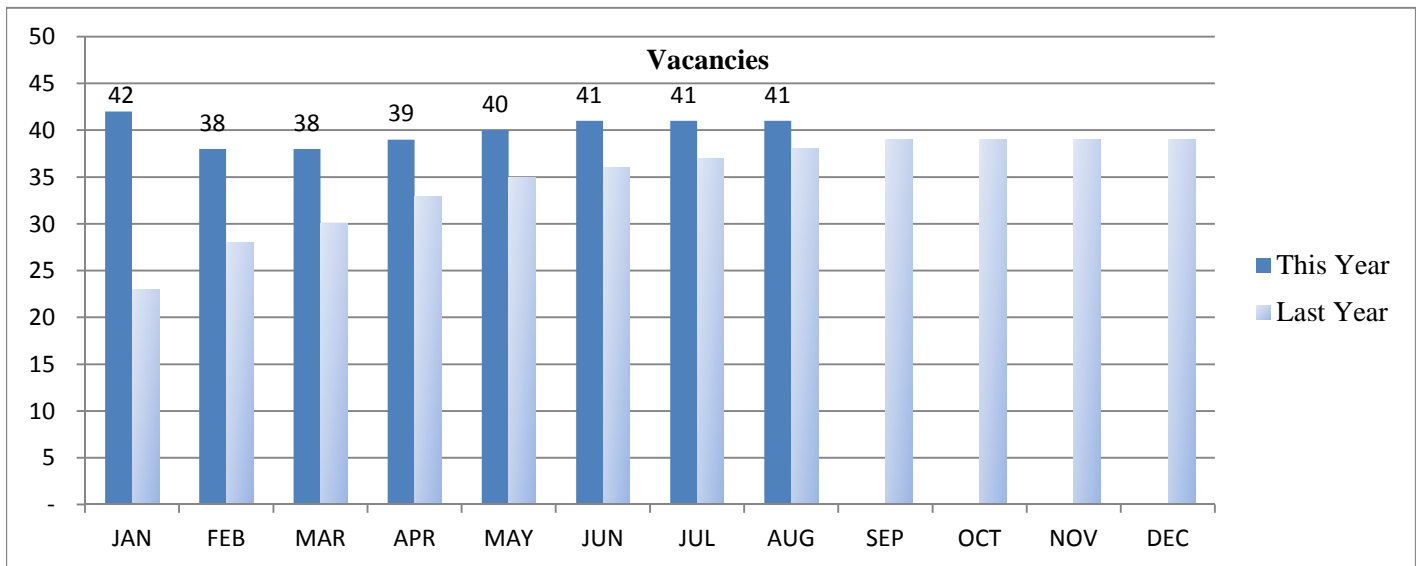
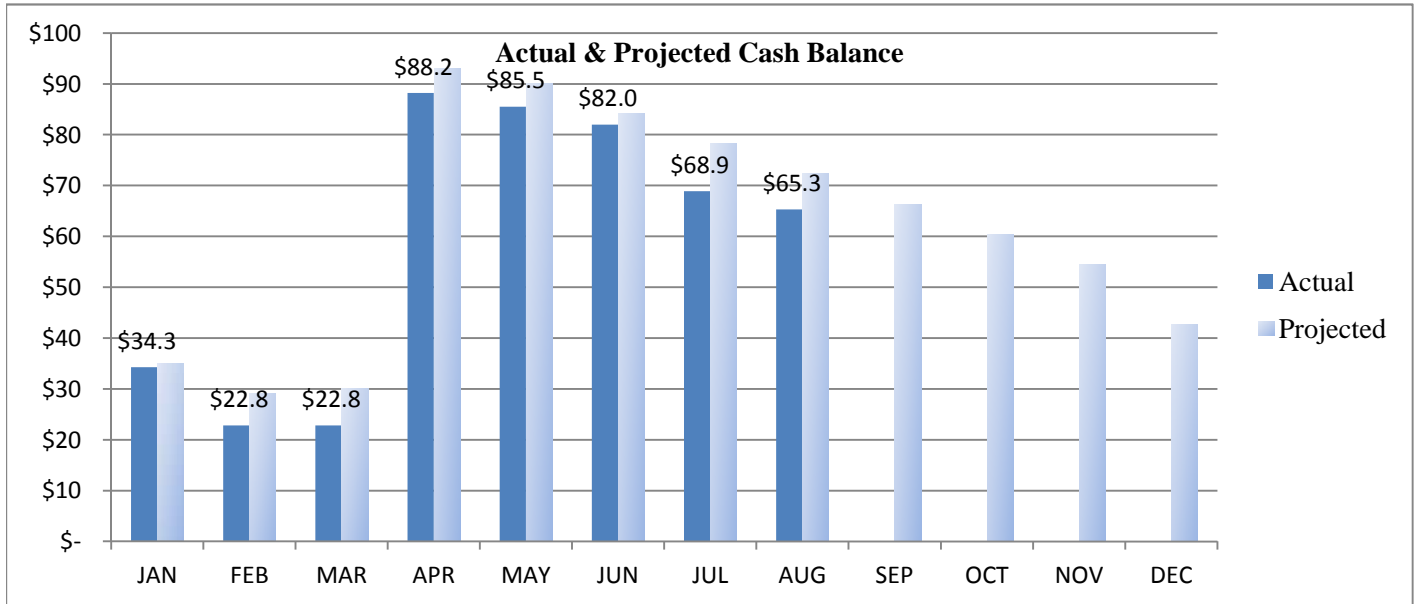
¹Budget amounts reflect the Board-approved base budget plus mid-session adjustments.

The balances in the supplement above are preliminary and unaudited

**NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND**

GRAPHS AND RATIOS

As of August 31, 2015 and August 31, 2014



	8/31/2015	8/31/2014
Fund Balance / Total assets	37.38%	35.52%
YTD interest income to average investments (annualized)	0.03%	0.04%
Annualized travel spend per employee	\$20,773	\$20,464
Net year to date cash inflow (outflow) in millions of dollars	\$24	\$25
Cash and overnight investments / Total assets	63.51%	64.02%
Overhead transfer rate	71.80%	69.20%

The balances in the supplement above are preliminary and unaudited