



116512 *[Handwritten scribble]*
COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-202052

OCTOBER 2, 1981



116512

To the National Credit Union
Administration Board

We have examined the balance sheet of the National Credit Union Administration as of December 31, 1980, and the related statements of income and expense and changes in financial position for the year then ended. Our examination was made pursuant to the Federal Credit Union Act, as amended (12 U.S.C. 1752a(f) and 1789 (1976 and Supp. III, 1979)) and in accordance with generally accepted government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the National Credit Union Administration as of December 31, 1980, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles.

Acting

Milton F. Fowler

Comptroller General
of the United States

AFMD-81-102

018741

NATIONAL CREDIT UNION ADMINISTRATION

COMPARATIVE BALANCE SHEET

DECEMBER 31, 1980 AND 1979

ASSETS

	December 31, <u>1980</u>	Unaudited December 31, <u>1979</u>
Cash	\$ 1,161,175.20	\$ (948,440.86)
Due from trust fund	83,372.81	81,012.08
Accounts receivable	4,172,924.26	9,873,536.48
Interest receivable	1,762,919.01	1,801,311.02
Prepaid charges (note 1)	1,405,810.24	45,381.87
Investments at cost	138,381,809.54	139,490,011.58
Investments acquired	2,290,473.29	2,941,742.45
Loans acquired (note 2)	4,973,523.72	5,776,754.56
Subrogated assets (note 3)	24,291,798.54	6,189,020.29
Other assets (note 4)	7,325,000.00	5,528,919.15
Fixed assets (note 5)	<u>1,031,271.23</u>	<u>832,896.44</u>
Total assets	<u>\$186,880,077.84</u>	<u>\$171,612,145.06</u>

LIABILITIES AND EQUITY

Accounts payable:		
Trade accounts payable	\$ 553,227.90	\$ 498,626.97
Shareholder payable	17,729,401.06	5,373,170.18
Unclaimed monies (note 6)	54,268.27	203,871.09
Total accounts payable	<u>18,336,897.23</u>	<u>6,075,668.24</u>
Deposits and advances	500.00	500.00
Accrued liabilities	2,391,480.41	1,984,768.74
Deferred income	9,486.06	-
Guarantee agreement (OEO)	-	342,883.50
Clearing accounts	24,890.40	11,926.36
Contingent liabilities (note 7)	<u>-</u>	<u>-</u>
Total liabilities	<u>20,763,254.10</u>	<u>8,415,746.84</u>
Fund balances:		
Beginning balance	163,196,398.22	131,050,682.09
Income	2,699,951.81	36,499,716.13
Adjustments	220,473.71	(4,354,000.00)
Net income	<u>2,920,425.52</u>	<u>32,145,716.13</u>
Ending balance	<u>166,116,823.74</u>	<u>163,196,398.22</u>
Total liabilities and equity	<u>\$186,880,077.84</u>	<u>\$171,612,145.06</u>

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

NATIONAL CREDIT UNION ADMINISTRATION
 COMPARATIVE STATEMENT OF INCOME AND EXPENSE
 CALENDAR YEARS 1980 AND 1979

	<u>1980</u>	UNAUDITED <u>1979</u>	INCREASE (DECREASE)
INCOME			
Operating fees	\$18,695,590.86	\$16,545,002.89	\$ 2,150,587.97
Insurance premiums	38,778,975.94	36,484,377.24	2,294,598.70
Interest	15,965,653.05	11,941,405.72	4,024,247.33
Miscellaneous	<u>73,170.39</u>	<u>79,713.37</u>	<u>(6,542.98)</u>
Total income	<u>73,513,390.24</u>	<u>65,050,499.22</u>	<u>8,462,891.02</u>
EXPENSE			
Personal services	16,834,022.61	14,525,287.03	2,308,735.58
Employee benefits	1,769,343.19	1,525,491.46	243,851.73
Employee travel	2,067,278.48	2,197,960.33	(130,681.85)
Rent, communica- tions, utilities	2,819,477.66	1,802,479.76	1,016,997.90
Administrative	1,565,047.34	1,124,782.93	440,264.41
Contracted services	1,429,799.98	1,332,577.60	97,222.38
Financial	12,714,104.41	1,922,967.52	10,791,136.89
Liquidation	<u>31,614,364.76</u>	<u>4,119,236.46</u>	<u>27,495,128.30</u>
Total expense	<u>70,813,438.43</u>	<u>28,550,783.09</u>	<u>42,262,655.34</u>
Income	2,699,951.81	36,499,716.13	(33,799,764.32)
Adjustment	<u>220,473.71</u>	<u>(4,354,000.00)</u>	<u>4,574,473.71</u>
Net income	<u>\$ 2,920,425.52</u>	<u>\$32,145,716.13</u>	<u>\$(29,225,290.61)</u>

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

NATIONAL CREDIT UNION ADMINISTRATION
 COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
 CALENDAR YEARS 1980 AND 1979

	<u>1980</u>	UNAUDITED " <u>1979</u>	<u>CHANGES</u>
FUNDS WERE PROVIDED BY:			
Operating fees	\$18,695,590.86	\$ 16,545,002.89	\$ 2,150,587.97
Insurance premiums	38,778,975.94	36,484,377.24	2,294,598.70
Interest income	15,965,653.05	11,941,405.72	4,024,247.33
Miscellaneous income	73,170.39	79,713.37	(6,542.98)
Decrease in working capital	15,806,736.16	(1,069,136.99)	16,875,873.15
Decrease in acquired investments	651,269.16	(525,788.37)	1,177,057.53
Decrease in acquired loans	803,230.84	(1,810,709.00)	2,613,939.84
Decrease in investments	1,108,202.04	(34,717.735.35)	35,825,937.39
Decrease in OEO guarantee	342,883.50	3,189.71	339,693.79
Total funds provided	<u>\$92,225,711.94</u>	<u>\$ 26,930.319.22</u>	<u>\$65,295,392.72</u>
FUNDS WERE APPLIED TO:			
Increase subrogated assets	\$18,102,778.25	\$ (2,770,851.37)	\$20,873,629.62
Increase other assets	1,896,080.85	769,708.00	1,126,372.85
Increase assets acquired from credit unions	1,042,750.00	-0-	1,042,750.00
Increase fixed assets	198,374.79	241,938.95	(43,564.16)
Increase in annual leave liability	172,289.62	138,740.55	33,549.07
Operating costs	<u>70,813,438.43</u>	<u>28,550,783.09</u>	<u>42,262,655.34</u>
Total funds applied	<u>\$92,225,711.94</u>	<u>\$ 26,930,319.22</u>	<u>\$65,295,392.72</u>

The accompanying summary of significant accounting policies and notes to financial statements are an integral part of these statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AND

NOTES TO FINANCIAL STATEMENTS

Summary of Accounting Policies:

U.S. Government securities are presented at cost, less the amortized premium or plus the amortized discount. Premiums and discounts are amortized on a straight-line basis from the acquisition date to the maturity date.

Costs are allocated from the operating fund to the share insurance fund based on the actual time spent on share insurance activities.

Fixed assets are depreciated on a straight-line basis using a useful life of 3 to 10 years.

The financial statements do not show the potential liability of NCUA should all of the insured credit unions fail because of economic conditions. (See note 7.)

Notes of Financial Statements:

1. Prepaid charges include \$1.2 million paid toward the purchase of computer equipment which will be capitalized in 1981 when title passes to NCUA. Depreciation will be taken over a 7-year useful life.
2. Loans acquired represent loans assumed from credit unions that were involuntarily liquidated. The loans generally are high risk and collections are considered extremely doubtful.

Loans acquired	\$19,339,691.25
Allowance for loss	<u>14,366,167.53</u>
Net	<u>\$ 4,973,523.72</u>

3. Subrogated assets represent assets obtained from liquidated credit unions. These assets will be sold and funds returned to the share insurance fund.
4. Other assets consist of (1) loans to four credit unions, under section 208, amounting to \$6,282,250 and (2) land, buildings, furnishings, and equipment valued at \$1,042,750 acquired from two merged credit unions.

5. Fixed assets consist of the following:

Furniture & equipment	\$1,425,163.50
Accumulated depreciation	<u>871,123.03</u>
	554,040.47
Leasehold improvements	<u>477,230.76</u>
Total fixed assets	<u>\$1,031,271.23</u>

6. Deposit accounts in liquidated credit unions that are not claimed by shareholders by 18 months after liquidation are placed in trust. At December 31, 1980, trustee funds totaled \$1,311,527.29. These funds are not included in the financial statements.
7. Under 12 U.S.C. 1788(a)(2)(1976 and Supp. III, 1979) of the Federal Credit Union Act, NCUA is authorized to give special assistance to avoid liquidation or to assist in the voluntary liquidation of credit unions by guaranteeing credit union loans which have been purchased by other organizations. NCUA also guarantees the replacement of reserves which credit unions have used to avoid liquidation. At December 31, 1980, NCUA had guaranteed \$75,823,309.30 and \$52,763,154.74, respectively under the two programs. Since the inception of the loan guarantee program in 1971, actual cash expenditures from the NCUA share insurance fund have amounted to 13.3 percent and 15.1 percent, respectively of the guaranteed amounts. These amounts are not included in the financial statements.

Credit unions have encountered severe financial difficulties during the past few years. If interest rates persist for an extended period at high levels, credit unions with total savings of \$2.1 billion as of May 1981 could face liquidation. Such an occurrence would represent a substantial liability to the National Credit Union Share Insurance Fund.

(920570)