NCUA

National Credit Union Administration

OFFICE OF INSPECTOR GENERAL

NCUA 2022
FINANCIAL STATEMENT AUDITS
FOR
SHARE INSURANCE FUND
OPERATING FUND
CENTRAL LIQUIDITY FACILITY
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

For the year ended December 31, 2022

Audited Financial Statements	Audit Report Number
Share Insurance Fund	OIG-23-01
Operating Fund	OIG-23-02
Central Liquidity Facility	OIG-23-03
Community Development Revolving Loan Fund	OIG-23-04

February 13, 2023

Office of Inspector General

February 13, 2023

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

I am pleased to transmit KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements, which includes the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, as of and for the years ended December 31, 2022 and 2021. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

Under a contract monitored by the NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of NCUA's financial statements as of December 31, 2022. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

KPMG's audit report for 2022 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit of the NCUA, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses in internal controls,[1]
- There were no significant deficiencies related to internal controls,[2] and
- No instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

[1] A material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
[2] A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, and reviewed and accepted KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NCUA's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's reports dated February 13, 2023, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

We would like to extend our thanks to NCUA management and staff involved in issuing the financial statements within the established milestones. In addition, we appreciate the professionalism, courtesies, and cooperation extended to KPMG throughout the audit and to the OIG during our oversight of the audit process.

Respectfully,

James W. Hagen
Inspector General

cc: Executive Director Larry Fazio
Deputy Executive Director (Audit Follow-up Official) Rendell Jones
General Counsel Frank Kressman
OEAC Director Elizabeth Eurgubian
Chief Financial Officer Eugene Schied
Chief Information Officer Rob Foster
CURE Director Martha Ninichuk
Regional Director and AMAC President Keith Morton
E&I Director Kelly Lay
President Central Liquidity Facility Anthony Cappetta

OIG-23-01
National Credit Union Administration Share Insurance Fund

Financial Statements as of and for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

NATIONAL CREDIT UNION SHARE INSURANCE FUND

TABLE OF CONTENTS

Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2022, the NCUSIF insures $1.7 trillion in member shares in 4,771 credit unions, which includes 11 corporate credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

II. Performance Goals, Objectives, and Results

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2022 and 2021, the following additional measures should be considered:

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[1] The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2022. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

2022 and 2021 Performance Measures		
	December 31, 2022	December 31, 2021
Equity Ratio	1.30%	1.26%
Insured Shares	$1.7 trillion	$1.6 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	6	7
Assets in CAMELS[2] 3, 4 and 5 rated Credit Unions	$77.0 billion	$51.8 billion

Equity Ratio and Normal Operating Level

The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions. The NOL is the Board's target equity level for the NCUSIF. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20% and 1.50%. On December 15, 2022, the Board set the NOL at 1.33%, equal to the previous level of 1.33%.

The NCUSIF pays a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. As of December 31, 2022, the equity ratio was 1.30%, which is below the NOL. Previously, the equity ratio was 1.26% as of December 31, 2021, which was below the established NOL of 1.33%.

Insurance Related Activities

The NCUA identifies credit unions at risk of failure through the supervisory and examination process. Estimated losses are based on economic trends and each credit union's financial condition and operations. The NCUA also evaluates overall credit union trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

For 2022, there were six credit union failures compared to seven failures in 2021. The cost of these failures, or the estimated cost of resolution at the time of liquidation, in 2022 was $9.8 million compared to $5.6 million in 2021.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2022, there were two credit unions operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities in the Balance Sheets.

The credit union industry remained stable during 2022. The aggregate net worth ratio increased during the year ending at 10.75% versus 10.26% at December 31, 2021. Assets in CAMELS 3, 4 and 5 rated credit unions increased to $77.0 billion at the end of 2022 versus $51.8 billion at the end of 2021.

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[2] The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Risk, and Sensitivity to Market Risk (CAMELS). The NCUA employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes.

III. Financial Statement Analysis

The NCUSIF ended 2022 with a decrease in Total Assets and Net Position, primarily as a result of a decrease in Investment, Net and Receivables from Asset Management Estates, Net. Net Cost of Operations increased to $168.1 million, primarily as a result of an increase in the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	**2022**	**2021**	**Increase / (Decrease) $**	**%**
Net Position				
Assets:				
Fund Balance with Treasury	25,905	87,055	(61,150)	-70.2%
Investments, Net – U.S. Treasury Securities	20,138,514	20,313,910	(175,396)	-0.9%
Accrued Interest Receivable - Investments	107,945	102,390	5,555	5.4%
Receivables from Asset Management Estates (AMEs), Net	76,463	222,954	(146,491)	-65.7%
Other	14,815	9,039	5,776	63.9%
Total Assets	**$20,363,642**	**$20,735,348**	**($371,706)**	**-1.8%**
Total Liabilities	**$188,208**	**$171,491**	**$16,717**	**9.7%**
Net Position (Assets minus Liabilities)	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**
Net Cost				
Gross Costs:				
Operating Expenses	208,194	199,199	8,995	4.5%
Provision for Insurance Losses	(39,518)	(143,014)	103,496	72.4%
Other Losses	150	32	118	368.8%
Total Gross Costs	**$168,826**	**$56,217**	**$112,609**	**200.3%**
Exchange Revenue	**$685**	**$3,965**	**($3,280)**	**-82.7%**
Total Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations				
Beginning Balances	**$4,780,200**	**$5,132,167**	**($351,967)**	**-6.9%**
Non-Exchange Revenue:				
Interest Revenue - Investments	286,795	236,781	50,014	21.1%
Net Unrealized Gain / (Loss) - Investments	(1,639,856)	(536,496)	(1,103,360)	-205.7%
Total Non-Exchange Revenue	**($1,353,061)**	**($299,715)**	**($1,053,346)**	**-351.4%**
Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations	**$3,258,998**	**$4,780,200**	**($1,521,202)**	**-31.8%**
Contributed Capital	**$16,916,436**	**$15,783,657**	**$1,132,779**	**7.2%**
Net Position	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**

Fiduciary Activity Highlights

The financial results of the NPCU AMEs and Corporate AMEs with the NCUA Guaranteed Notes (NGN) Program Trusts are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard No. 31, *Accounting for Fiduciary Activities,* and are included in the notes to the NCUSIF financial statements.

NGN Program

The NCUA, through the NCUSIF, administered the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. The notes were issued as a series of floating and fixed-rate NGNs with final maturities ranging from 2017 to 2021. In June 2021, the last outstanding note matured and there are no NGN Program contingent liabilities for the NCUSIF related to the Corporate AMEs.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Liquidity Risk and Capital Resources

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight securities as held-to-maturity investments, which are available to meet urgent liquidity needs of the NCUSIF.

2022 and 2021 Fund Balance with Treasury and Investments

	December 31, 2022	December 31, 2021
Fund Balance with Treasury	$ 25.9 million	$ 87.1 million
U.S. Treasury Securities		
Held to Maturity (Overnights)	1,666.2 million	316.8 million
Available-for-Sale	18,472.3 million	19,997.1 million

During 2022, the NCUSIF's Investments decreased slightly, primarily due to an increase in the Net Unrealized Loss of Available-for-Sale U.S. Treasury Securities, partially offset by capital contributions of $1.1 billion from credit unions.

The NCUSIF has multiple funding sources which include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;

- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

IV. Systems, Controls, and Legal Compliance

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 *et seq*., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the definitions of "equity ratio" and "net worth" in the FCU Act. The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 *et seq.*).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and the *Payment Integrity Information Act of 2019*, Public Law 116-117, requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors’ Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NCUSIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the financial statements and related notes to the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the NCUSIF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 25,905	$ 87,055
Investments, Net - U.S. Treasury Securities (Note 3)	20,138,514	20,313,910
Accrued Interest Receivable - Investments (Note 3)	107,945	102,390
Accounts Receivable - Due from the NCUA Operating Fund	1,338	-
Advances and Prepayments (Note 6)	12,259	7,760
Total Intragovernmental Assets	20,285,961	20,511,115
WITH THE PUBLIC		
Advances and Prepayments	1,218	1,279
Receivables from Asset Management Estates (AMEs), Net (Note 4)	76,463	222,954
Total with the Public Assets	77,681	224,233
TOTAL ASSETS	$ 20,363,642	$ 20,735,348
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 6)	19	4,918
Total Intragovernmental Liabilities	19	4,918
WITH THE PUBLIC		
Accounts Payable	2,385	3,400
Insurance and Guarantee Program Liabilities (Note 5)	185,228	161,958
Other Liabilities	576	1,215
Total with the Public Liabilities	188,189	166,573
TOTAL LIABILITIES	188,208	171,491
Commitments and Contingencies (Note 5)		
NET POSITION		
Cumulative Results of Operations	3,258,998	4,780,200
Contributed Capital (Note 9)	16,916,436	15,783,657
Total Net Position	20,175,434	20,563,857
TOTAL LIABILITIES AND NET POSITION	$ 20,363,642	$ 20,735,348

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
GROSS COSTS		
Operating Expenses	$ 208,194	$ 199,199
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 5)	33,568	2,422
AME Receivable Bad Debt Expense (Reduction) (Note 4)	(73,086)	(145,436)
Total Provision for Insurance Losses	(39,518)	(143,014)
Other Losses	150	32
Total Gross Costs	168,826	56,217
LESS EXCHANGE REVENUES		
Guarantee Fee Revenue - NGNs	-	(625)
Other Revenue	(685)	(3,340)
Total Exchange Revenues	(685)	(3,965)
TOTAL NET COST / (INCOME) OF OPERATIONS	$ 168,141	$ 52,252

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 4,780,200	$ 5,132,167
Non-Exchange Revenue		
Interest Revenue - Investments	286,795	236,781
Net Unrealized Gain / (Loss) - Investments (Note 3)	(1,639,856)	(536,496)
Net Income / (Cost) of Operations	(168,141)	(52,252)
Change in Cumulative Results of Operations	(1,521,202)	(351,967)
CUMULATIVE RESULTS OF OPERATIONS	3,258,998	4,780,200
CONTRIBUTED CAPITAL (Note 9)		
Beginning Balances	15,783,657	13,810,674
Change in Contributed Capital	1,132,779	1,972,983
CONTRIBUTED CAPITAL	16,916,436	15,783,657
NET POSITION	$ 20,175,434	$ 20,563,857

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
BUDGETARY RESOURCES (Notes 7, 8 and 11)		
Unobligated balance from prior year budget authority, net (mandatory)	$ 19,677,064	$ 17,305,571
Spending authority from offsetting collections (mandatory)	3,067,459	4,303,939
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 1,503,824	$ 1,932,446
Unobligated balance, end of year:		
Exempt from apportionment	21,240,699	19,677,064
Unobligated balance, end of year (total)	21,240,699	19,677,064
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
OUTLAYS, NET		
Outlays, net (total) (mandatory)	$ (1,558,896)	$ (2,368,322)
AGENCY OUTLAYS, NET (MANDATORY)	$ (1,558,896)	$ (2,368,322)

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in federally insured state chartered credit unions.

The NCUA exercises direct supervisory authority over FCUs and coordinates supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to the NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF, pursuant to the FCU Act, may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit, cash assistance in the form of a subordinated note, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

Sources of Funding

Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain 1.00% of its insured shares in the NCUSIF. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Accounting Principles

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* revised June 3, 2022.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, the NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between accrual and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 11. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation,* the Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

The NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. § 661 et seq.).

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments, Net

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. All marketable securities are carried as available-for-sale in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. All non-marketable U.S. Treasury overnight securities are purchased and reported at par value, which are classified as held-to-maturity.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

All U.S. Treasury securities that are in an unrealized loss position are reviewed for other-than-temporary impairment (OTTI). The NCUSIF evaluates its U.S. Treasury securities on a monthly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is an OTTI, the NCUA takes into consideration whether it has the intent to sell the security. The NCUA also considers available evidence to assess whether it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If the NCUA either intends to sell or more likely than not, will be required to sell the security before recovery of its amortized cost basis, an OTTI shall be considered to have occurred.

Premiums and discounts are amortized over the life of the related available-for-sale security as an adjustment to yield using the effective interest method.

Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

Accounts Receivable

Accounts receivable represents the NCUSIF’s claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Accounts receivable with the public represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

Capitalization Deposits from Insured Credit Unions
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2022 and 2021.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for accounts receivable. A permanent reduction of an account may occur if it is probable that the NCUSIF will not collect all amounts contractually due.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment, Net consists of internal-use software and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*.

General property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software. Internal use software has a useful life of three years per the NCUA capitalization policy.

General Property, Plant, and Equipment, Net consists of fully depreciated internal-use software with a cost of $2.0 million as of December 31, 2022 and 2021.

Receivables from Asset Management Estates, Net

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Insurance and Guarantee Program Liabilities

NCUA's activities related to insured credit unions are considered by SFFAS No. 51, *Insurance Programs*, as an exchange transaction insurance program, and NCUSIF discloses and reports the insurance program accordingly. Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of insurance programs as well as premium pricing policies, the nature and magnitude of estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 7. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 9. The remaining information required to be disclosed is discussed further in Note 5.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term "Claim expenses", which will remain "Reserve expense". Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of "Reserve expense" in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 5.

The NCUSIF records a liability for probable losses relating to insured credit unions. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

Other Liabilities

Other Liabilities includes payroll and other accrued liabilities.

Net Position and Contributed Capital

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandates that the amount of each insured credit union's deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF's Balance Sheets and Statements of Changes in Net Position.

The CUMAA mandates that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of premium assessments, and guarantee fee income, is used to recover the losses of the credit union system.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs.

Premium Assessments from Insured Credit Unions
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally

enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue when invoiced. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, the NCUSIF recognizes interest revenue on investments in U.S. Treasury securities as non-exchange revenue because the main source of funds for investments comes from capital deposits. The related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue.

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

Receiverships

An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) NPCUs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 10.

Conservatorships

The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. As of December 31, 2022, there are two credit unions operating under NCUA's conservatorship. The NCUA lists credit union(s) currently under conservatorship on its website.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 21,240,699	$ 19,677,064
Obligated Balance Not Yet Disbursed	42,902	40,748
Non-Budgetary Investment Accounts	(21,148,413)	(19,528,367)
Non-Budgetary FBWT Accounts	(109,283)	(102,390)
Total	$ 25,905	$ 87,055

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund's investment policy guidelines.

As of December 31, 2022 and 2021, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

3. INVESTMENTS

The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2022 and 2021, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain/(Loss)	Carrying/Fair Value
As of December 31, 2022:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,499,539	$ (361,971)	$ 107,762	$ 19,650,029	$ (1,665,274)	$ 18,472,294
Held to Maturity	1,666,220	-	183	1,666,220	-	1,666,220
Total	$ 22,165,759	$ (361,971)	$ 107,945	$ 21,316,249	$ (1,665,274)	$ 20,138,514
As of December 31, 2021:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,222,975	$ (200,424)	$ 102,390	$ 19,249,684	$ (25,418)	$ 19,997,133
Held to Maturity	316,777	-	-	316,777	-	316,777
Total	$ 20,539,752	$ (200,424)	$ 102,390	$ 19,566,461	$ (25,418)	$ 20,313,910

Maturities of U.S. Treasury securities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022 Fair Value	2021 Fair Value
Held to Maturity (Overnights)	$ 1,666,220	$ 316,777
Available-for-Sale:		
Due in one year or less	2,766,197	2,466,653
Due after one year through five years	10,534,222	11,524,479
Due after five years through ten years	5,171,875	6,006,001
Total	$ 20,138,514	$ 20,313,910

For the years ended December 31, 2022 and 2021, there were no realized gains or losses from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, for which an OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2022 and 2021 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2022:						
Available-for-Sale:						
U.S. Treasury Securities	$ (626,149)	$ 10,021,016	$ (1,039,125)	$ 8,451,278	$ (1,665,274)	$ 18,472,294
As of December 31, 2021:						
Available-for-Sale:						
U.S. Treasury Securities	$ (128,886)	$ 8,323,726	$ (68,418)	$ 1,616,110	$ (197,304)	$ 9,939,836

4. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed NPCU AMEs and Corporate AMEs. The components of the Receivables from AMEs, Net as of December 31, 2022 and 2021 were as follows (in thousands):

	2022			2021		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivables from AMEs	$ 1,398,849	$ 2,452,095	$ 3,850,944	$ 1,400,946	$ 2,659,917	$ 4,060,863
Allowance for Loss, beginning balance	1,399,557	2,438,352	3,837,909	1,393,663	2,573,462	3,967,125
AME Receivable Bad Debt Expense (Reduction)	(15,030)	(58,056)	(73,086)	(10,326)	(135,110)	(145,436)
Increase / (Decrease) in Allowance	9,658	-	9,658	16,220	-	16,220
Allowance for Loss, ending balance	1,394,185	2,380,296	3,774,481	1,399,557	2,438,352	3,837,909
Receivables from AMEs, Net	$ 4,664	$ 71,799	$ 76,463	$ 1,389	$ 221,565	$ 222,954

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents overall increases in expected asset recovery rates and related repayments. The Increase/(Decrease) in Allowance primarily represents the net loss (gain) on payments made during liquidation.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expected recovery value of the Corporate AMEs' assets, as further discussed in Note 10.

5. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, **L**iquidity Risk, and **S**ensitivity to Market Risk (CAMELS). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMELS ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMELS ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $185.2 million and $162.0 million as of December 31, 2022 and 2021, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2022	2021
Beginning balance	$ 161,958	$ 177,300
Reserve expense (reduction)	33,568	2,422
Payments to settle claims	(14,738)	(17,447)
Recoveries and other adjustments	4,440	(317)
Ending balance	$ 185,228	$ 161,958

The Insurance and Guarantee Program Liabilities at December 31, 2022 and 2021 were comprised of the following:

- Specific reserves were $7.7 million and $6.6 million, respectively.
- General reserves were $177.5 million and $155.4 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2022 or as of December 31, 2022. There were no guarantees outstanding during 2021 or as of December 31, 2021.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2022 and 2021 were approximately $1.0 million and $0.0, respectively. There were no borrowings by insured credit unions from the third-party lenders under these line-of-credit guarantees as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the NCUSIF reserved $37.5 thousand and $0.0, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2022 and 2021.

In addition to these recognized contingent liabilities, adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and could differ significantly from these estimates.

6. TRANSACTIONS WITH THE NCUA OPERATING FUND

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2022 and 2021, the allocation to the NCUSIF was 62.7% and 62.3% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled $205.0 million and $194.2 million for the years ended December 31, 2022 and 2021, respectively, is reflected as an expense in the Statements of Net Cost. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	**2022**	**2021**
Employee Salaries	$ 105,083	$ 103,432
Employee Benefits	45,159	43,302
Employee Travel	3,592	685
Rent, Communications, and Utilities	2,830	3,684
Contracted Services	39,720	33,676
Depreciation and Amortization	5,985	5,962
Administrative Costs	2,581	3,494
Total Services Provided by the NCUA Operating Fund	$ 204,950	$ 194,235

As of December 31, 2022 and 2021, amounts due to the NCUA Operating Fund for allocated expenses were $19.0 thousand and $4.9 million, respectively.

As of December 31, 2022 and 2021, advances and prepayments with the NCUA Operating Fund for overhead were $12.3 million and $7.8 million, respectively.

7. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2022 and 2021, was $6.0 billion and $6.0 billion, respectively.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority, which was $17.2 billion and $35.7 billion as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $25.0 billion and $30.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2023. The NCUSIF did not exercise its borrowing authority in 2022 or 2021.

8. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2022 and 2021. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2022 and 2021, the NCUSIF's resources in budgetary accounts were $22.7 billion and $21.6 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF had $40.0 million and $31.4 million in unpaid undelivered orders, and $13.5 million and $9.0 million in paid undelivered orders, as of December 31, 2022 and 2021, respectively. Refer to Note 6 for more information on transactions with the NCUA Operating Fund. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2022 and 2021 are as follows (in thousands):

	2022		2021	
Undelivered Orders	Paid	Unpaid	Paid	Unpaid
Federal	$ 12,259	$ 38,034	$ 7,760	$ 29,803
Non-federal	1,218	1,922	1,279	1,548
Total Undelivered Orders	$ 13,477	$ 39,956	$ 9,039	$ 31,351

Budgetary resources listed on the NCUSIF's financial statements and the budgetary resources found in the budget of the federal government differ because the NCUSIF's annual financial statements are prepared as of December 31, on a calendar year, rather than as of September 30, the federal government's fiscal year end.

9. CONTRIBUTED CAPITAL

As of December 31, 2022 and 2021, contributed capital owed to the NCUSIF totaled $0.0. Contributed capital due to insured credit unions was $0.0 as of December 31, 2022 and 2021.

On December 15, 2022, the Board set the NOL at 1.33%, which is equal to the previous NOL of 1.33% set on December 16, 2021.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio was 1.30% as of December 31, 2022. This equity ratio was based on insured shares of $1.7 trillion as of December 31, 2022, and is below the normal operating level of 1.33%.

As of December 31, 2021, the NCUSIF equity ratio of 1.26% was below the normal operating level of 1.33%. Therefore, the NCUSIF did not estimate or record a distribution in 2022.

Total contributed capital as of December 31, 2022 and 2021 was $16.9 billion and $15.8 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2022 and 2021 was 1.19% and 1.24%, based on total insured shares as of December 31, 2022 and 2021 of $1.7 trillion and $1.6 trillion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities, for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

10. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	2022	2021
Fiduciary Net Liabilities, beginning of year	$ (1,408,324)	$ (1,415,663)
Net Realized Losses upon Liquidation	(9,586)	(4,781)
Revenues		
Interest on Loans	214	209
Other Fiduciary Revenues	615	2,425
Expenses		
Professional & Outside Services Expenses	(1,117)	(2,069)
Compensation and Benefits	(460)	(345)
Other Expenses	(1,698)	(626)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain / (Loss) on Loans	(2,197)	391
Net Gain / (Loss) on Real Estate Owned	-	(13)
Other, Net Gain / (Loss)	19,604	12,148
(Increase) / Decrease in Fiduciary Net Liabilities	5,375	7,339
Fiduciary Net Liabilities, end of year	**$ (1,402,949)**	**$ (1,408,324)**

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	2022	2021
Fiduciary Assets		
Loans	$ 8,813	$ 6,015
Other Fiduciary Assets	1,446	1,907
Total Fiduciary Assets	10,259	7,922
Fiduciary Liabilities		
Insured Shares	2,690	1,732
Accrued Liquidation Expenses	8,640	9,887
Unsecured Claims	1,426	3,188
Uninsured Shares	1,603	493
Due to the NCUSIF (Note 4)	1,398,849	1,400,946
Total Fiduciary Liabilities	1,413,208	1,416,246
Total Fiduciary Net Assets / (Liabilities)	**$ (1,402,949)**	**$ (1,408,324)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2022 and 2021, gross receivables related to criminal restitution orders were $218.8 million and $251.4 million, of which we determined $101.2 thousand and $17.6 thousand were collectible, respectively.

(b) Corporate AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	For the Year Ended December 31, 2022			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514
Revenues				
Income from AMEs on Re-Securitized Assets	-	-	-	-
Income from Investment Securities	(10,224)	-	-	(10,224)
Settlements and Legal Claims	(48,323)	-	-	(48,323)
Other Fiduciary Revenues	(3,350)	-	-	(3,350)
Expenses				
Professional and Outside Services Expenses	12,359	-	-	12,359
Interest Expense on Borrowings and NGNs	-	-	-	-
Payments to NGN Trusts	-	-	-	-
Guarantee Fees	-	-	-	-
Other Expenses	292,370	-	-	292,370
Net Change in Recovery Value of Assets and Liabilities	617,336	- -	-	617,336
Increase / (Decrease) in Fiduciary Net Liabilities	860,168	-	-	860,168
Fiduciary Net Liabilities, December 31, 2022	$ 2,083,682	$ -	$ -	$ 2,083,682

Schedule of Fiduciary Activity	For the Year Ended December 31, 2021			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2020	$ 247,934	$ -	$ -	$ 247,934
Revenues				
Income from AMEs on Re-Securitized Assets	-	(6,511)	6,511	-
Income from Investment Securities	(22,655)	-	-	(22,655)
Settlements and Legal Claims	(80,707)	-	-	(80,707)
Other Fiduciary Revenues	(6,414)	-	-	(6,414)
Expenses				
Professional and Outside Services Expenses	18,573	-	-	18,573
Interest Expense on Borrowings and NGNs	3,037	5,886	-	8,923
Payments to NGN Trusts	6,511	-	(6,511)	-
Guarantee Fees	-	625	-	625
Other Expenses	550	-	-	550
Net Change in Recovery Value of Assets and Liabilities	1,056,685	-	-	1,056,685
Increase / (Decrease) in Fiduciary Net Liabilities	975,580	-	-	975,580
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514

For the year ended December 31, 2022, the Corporate AMEs' Fiduciary Net Liabilities increased by $860.2 million mainly due to interim capital distributions to capital account holders, partially offset by gains on sales of legacy assets and legal settlements. The increase represents a loss to the AME claimants.

For the year ended December 31, 2021, the Corporate AMEs' Fiduciary Net Liabilities increased by $975.6 million mainly due to interim capital distributions to capital account holders, partially offset by gains on security sales and legal settlements. The increase represents a loss to the AME claimants.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs.

Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

	AMEs	
Schedule of Fiduciary Net Assets / Liabilities	**2022**	**2021**
Fiduciary Assets		
Cash and Cash Equivalents	$ 209,243	$ 608,416
Legacy Assets	196,215	861,823
Other Fiduciary Assets	-	19
Total Fiduciary Assets	405,458	1,470,258
Fiduciary Liabilities		
Accrued Expenses	37,002	33,812
Unsecured Claims and Payables	43	43
Due to the NCUSIF (Note 4)	2,452,095	2,659,917
Total Fiduciary Liabilities	2,489,140	2,693,772
Total Fiduciary Net Assets / (Liabilities)	$ (2,083,682)	$ (1,223,514)

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the Corporate AMEs outstanding at December 31, 2022 and 2021. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein. During 2021, the remaining two NGN Trusts matured.

11. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays for 2022 and 2021 is shown below (in thousands):

	2022		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 204,950	$ (36,809)	$ 168,141
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(33,568)	(33,568)
AME Receivable Bad Debt Expense (Reduction)	-	73,086	73,086
Depreciation Expense	-	-	-
Increase / (decrease) in assets:			
Accounts Receivable	1,338	-	1,338
Other Assets	4,499	(61)	4,438
(Increase) / decrease in liabilities:			
Accounts Payable	4,899	1,015	5,914
Other Liabilities	-	639	639
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	10,736	41,111	51,847
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	(209,919)	(209,919)
Interest Revenue - Investments	(281,240)	-	(281,240)
Change in Contributed Capital	-	(1,132,779)	(1,132,779)
Other Adjustments that do not affect Net Cost of Operations	(155,587)	641	(154,946)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(436,827)	(1,342,057)	(1,778,884)
Net Outlays	$ (221,141)	$ (1,337,755)	$ (1,558,896)

Reconciliation of Net Cost of Operations to Net Outlays	2021 Intra-governmental	2021 With the public	2021 Total
Net Cost of / (Income from) Operations	$ 194,235	$ (141,983)	$ 52,252
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(2,422)	(2,422)
AME Receivable Bad Debt Expense (Reduction)	-	145,436	145,436
Depreciation Expense	-	(54)	(54)
Increase / (decrease) in assets:			
Accounts Receivable	-	(79)	(79)
Other Assets	7,760	261	8,021
(Increase) / decrease in liabilities:			
Accounts Payable	(1,656)	952	(704)
Other Liabilities	-	(27)	(27)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	6,104	144,067	150,171
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	(668,078)	(668,078)
Interest Revenue - Investments	(218,875)	-	(218,875)
Change in Contributed Capital	-	(1,972,983)	(1,972,983)
Other Adjustments that do not affect Net Cost of Operations	287,645	1,546	289,191
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	68,770	(2,639,515)	(2,570,745)
Net Outlays	$ 269,109	$ (2,637,431)	$ (2,368,322)

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

OIG-23-02
National Credit Union Administration Operating Fund

Financial Statements as of and for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

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KPMG

KPMG LLP
Suite 12000
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Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Operating Fund (the Fund), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2022 and 2021, and its revenues, expenses, and changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

		2022		2021
ASSETS				
Cash and cash equivalents (Note 3)	$	127,011	$	129,615
Due from National Credit Union Share Insurance Fund (Note 7)		19		4,918
Employee advances		-		5
Other accounts receivable, Net		353		299
Prepaid expenses and other assets (Note 4)		4,670		3,891
Operating lease right-of-use assets		308		-
Fixed assets — Net of accumulated depreciation of $40,451 and $40,154 as of December 31, 2022 and 2021, respectively (Note 5)		33,872		29,767
Intangible assets — Net of accumulated amortization of $30,395 and $29,782 as of December 31, 2022 and 2021, respectively (Note 6)		26,467		31,160
TOTAL ASSETS	$	192,700	$	199,655
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued other liabilities	$	20,601	$	17,300
Operating lease liabilities (Note 8)		325		-
Finance lease liabilities (Note 8)		160	$	26
Accrued wages and benefits		11,646		12,344
Accrued FECA and unemployment benefits		184		175
Accrued actuarial FECA benefits		3,283		3,999
Accrued annual leave		23,112		22,149
Accrued employee travel		250		93
TOTAL LIABILITIES	$	59,561	$	56,086
COMMITMENTS AND CONTINGENCIES (Notes 8, 11, 12, and 13)				
FUND BALANCE		133,139		143,569
TOTAL LIABILITIES AND FUND BALANCE	$	192,700	$	199,655

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUES		
Operating fees	$ 109,582	$ 124,252
Interest	2,375	57
Other	442	480
Total Revenues	112,399	124,789
EXPENSES, NET (Notes 7 and 8)		
Employee wages and benefits	89,993	88,578
Travel	2,149	421
Rent, communications, and utilities	1,692	2,249
Contracted services	23,842	20,643
Depreciation and amortization	3,658	3,641
Administrative	1,495	1,982
Total Expenses, Net	122,829	117,514
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	(10,430)	7,275
FUND BALANCE—Beginning of year	143,569	136,294
FUND BALANCE—End of year	$ 133,139	$ 143,569

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over / (under) expenses	$ (10,430)	$ 7,275
Adjustments to reconcile excess of revenues over / (under) expenses to net cash provided by operating activities before allocation to the NCUSIF:		
Depreciation and amortization	9,643	9,602
Noncash operating lease expense	407	-
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	4,899	(1,656)
Employee advances	5	11
Other accounts receivable, net	(54)	16
Prepaid expenses and other assets	(779)	143
(Decrease) increase in liabilities:		
Accounts payable	3,065	7,240
Operating lease liabilities	(420)	-
Accrued wages and benefits	(698)	1,755
Accrued FECA and unemployment benefits	9	21
Accrued actuarial FECA benefits	(716)	(382)
Accrued annual leave	963	(189)
Accrued employee travel	157	11
Net Cash Provided by Operating Activities	6,051	23,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed and intangible assets	(8,621)	(5,556)
Net Cash Used in Investing Activities	(8,621)	(5,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under finance lease liabilities	(34)	(63)
Net Cash Used in Financing Activities	(34)	(63)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,604)	18,228
CASH AND CASH EQUIVALENTS—Beginning of year	129,615	111,387
CASH AND CASH EQUIVALENTS—End of year	$ 127,011	$ 129,615
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Purchase of fixed and intangible assets in accounts payable	$ (266)	$ (1,971)
Recognition of operating lease right-of-use assets	$ 715	$ -
Acquisition of equipment under finance lease	$ (168)	$ -

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the “Fund”) was created by the Federal Credit Union Act of 1934 (Public Law 73-467, as amended). The Fund is a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board providing administration and service to the federal credit union system.

A significant majority of the Fund’s revenue is comprised of operating fees paid by federal credit unions. Each federal credit union is required to pay this fee based on the Operating Fee Schedule approved by the NCUA Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Fund prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The Fund maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the Fund records investment transactions when they are executed and recognizes interest on investments when it is earned.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- disclosure of contingent liabilities at the date of the financial statements; and
- the reported amounts of revenues and expenses incurred during the reporting period.

Significant items subject to those estimates and assumptions include: (i) the determination of the FECA actuarial liability; (ii) certain intangible asset values; (iii) determination of the accounts payable accrual; and (iv) if there is any determination of a long-lived asset impairment, the related measurement of the impairment charges.

Related Party Transactions – The Fund exists within the NCUA and is one of four funds managed by the NCUA Board during 2022 and 2021. The other funds managed by the Board, deemed related parties, are:

a) The National Credit Union Share Insurance Fund (NCUSIF),
b) The National Credit Union Administration Central Liquidity Facility (CLF), and
c) The National Credit Union Administration Community Development Revolving Loan Fund (CDRLF).

The Fund supports these related parties by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the NCUSIF and the CLF while support of the CDRLF is not reimbursed. Expenses included on the Statement of Revenues, Expenses, and Changes in Fund Balance are shown net of reimbursements from related parties.

Additional related parties are described in Note 7.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits the Fund to invest in United States Treasury securities. All investments in 2022 and 2021 are cash equivalents and are stated at cost, which approximates fair value.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include advanced payments for goods and services to be received in the future and prepaid implementation costs incurred in service contracts. A service contract is a hosting arrangement that does not include a software license. Implementation costs incurred in the service contract during application development are recorded as prepaid expenses and amortized on a straight-line basis over the term of the hosting arrangement.

Additional information for prepaid expenses and other assets can be found in Note 4.

Fixed and Intangible Assets – Buildings, furniture, equipment, software, and leasehold improvements are recorded at cost. Software includes the cost of labor incurred by both external and internal software developers and other personnel involved in the development of the software. Finance leases are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset and are included in Fixed assets. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of buildings, furniture, equipment, and software, and the shorter of either the estimated useful life or lease term for leasehold improvements and finance leases. The schedule below shows a summary of the capitalization thresholds and useful lives used by the NCUA.

Type of Asset	**Capitalization Threshold**	**Useful Life**
Buildings	$100,000	40 years
Building Improvements	$25,000	2-40 years
Furniture and Fixtures	$15,000	7 years
Equipment (IT and Telecommunication)	$15,000	3 years
Commercial Software	$15,000	3 years
Internal-Use Software (IUS)	$100,000 or 1,000 hours	3 years
Additions/Improvements to IUS	$50,000	≤ 3 years
Bulk Purchases	$100,000	2-3 years
Leasehold Improvements	$15,000	Life of the lease
Hosting Arrangement with Software License	$15,000	3 years

Additional information on fixed and intangible assets can be found in Note 5 and Note 6, respectively.

Long-lived Assets/Impairments – Fixed and intangible assets, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset or asset group is not recoverable, an impairment loss is recognized, and the asset is reported at the lower of carrying amount or fair value less the cost to sell. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party independent appraisals, as needed.

Service contracts are measured for impairment when events or changes in circumstances occur and there are indications that the carrying amount of the related implementation costs may not be recoverable. If the implementation costs are not recoverable, a write-off of prepaid expenses is recorded.

Receivables – Receivables include amounts due from the NCUSIF, employee advances, and other accounts receivable, net.

Accounts Payable and Accrued Other Liabilities – The Fund incurs administrative expenses and liabilities for programs pertaining to related parties that are controlled by the NCUA Board. Accruals are made as expenses are incurred. Accrued other liabilities include contingent liabilities, as described in Note 11.

Accrued Benefits – The Fund incurs expenses for retirement plans, employment taxes, transportation subsidies, and other benefits mandated by law. Corresponding liabilities recorded contain both short-term and long-term liabilities. Additional information for retirement plans is described in Note 9.

Federal Employees' Compensation Act (FECA) – FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the NCUA for these paid claims. The NCUA accrues a liability to recognize those payments and the NCUA subsequently reimburses DOL annually. The Fund records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the agency for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

Operating Fees – Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The fee is designed to cover the costs of providing administration and service to the federal credit union system. The Fund recognizes this operating fee revenue ratably over the calendar year.

Revenue Recognition – Interest revenue and other revenue relating to sales of publications, parking income, and rental income is recognized when earned.

Leases – At lease inception, the NCUA determines if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use (ROU) assets represent the NCUA's right to use leased assets over the term of the lease. Lease liabilities represent the NCUA's contractual obligation to make lease payments over the lease term.

As the lessee, the NCUA classifies all leases with original lease terms less than one year as short-term leases. The NCUA classifies all other leases which transfer substantially all the risks and rewards of ownership to the NCUA as finance leases. The NCUA classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The NCUA considers a lease term to include all noncancelable periods and renewal periods when the NCUA is reasonably certain that it will exercise the related renewal option. For short-term leases, the NCUA records lease expenses in rent, communication, and utilities in the statement of revenues, expenses, and changes in fund balance.

For both operating and finance leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured by using the present value of future unpaid minimum lease payments discounted using the discount rate for the lease. The NCUA uses its incremental borrowing rate as the discount rate when the rate implicit in the lease is not determinable.

ROU assets are calculated using the measurement of lease liability, plus lease payments made at or before the commencement date and any initial direct costs incurred and minus any lease incentives. For finance leases, ROU assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, ROU assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Fair Value Measurements – Cash and cash equivalents; due from NCUSIF; employee advances; and other accounts receivable, net, are recorded at book value, which approximates estimated fair value.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

Recently Adopted Accounting Standards – On January 1, 2022, the NCUA adopted the requirements of Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter lease agreements. The ASU, and its related amendments, requires lessees to report substantially all leases on the balance sheet through the recognition of a ROU asset and a corresponding lease liability.

For transition purposes, the NCUA elected the option not to restate comparative financial statements under the modified retrospective transition approach. This option allows the application of the standard to all leases in effect as of January 1, 2022, or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, Leases (“ASC 840”), with related ASC 840 disclosures provided in Note 8.

As part of the transition to the new standard, the NCUA was required to measure and recognize leases that existed on January 1, 2022, using the modified retrospective approach. For leases existing at the effective date, the NCUA elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. The NCUA also elected the practical expedient to not separate lease and nonlease components for all of our leases and not to recognize a ROU asset and obligation for short-term leases with an initial term of twelve months or less.

As of January 1, 2022, the adoption of Topic 842 resulted in the recognition of operating ROU assets and operating lease liabilities of $714.8 thousand and $744.4 thousand, respectively, and finance lease assets and finance lease liabilities of $23.4 thousand and $26.0 thousand, respectively. The accounting for finance leases remained substantially unchanged with the adoption of Topic 842. In connection with the adoption of the standard, the NCUA made necessary changes to relevant policies and processes. Refer to Note 8 for disclosures associated with the adoption.

3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Deposits with U.S. Treasury	$ 18,484	$ 19,137
U.S. Treasury Overnight Investments	108,527	110,478
Total	$ 127,011	$ 129,615

4. PREPAID EXPENSES AND OTHER ASSETS

As of December 31, 2022, Prepaid expenses and other assets of $4.7 million included $3.2 million of advanced payments for goods and services and $1.5 million of prepaid implementation costs incurred in service contracts.

As of December 31, 2021, Prepaid expenses and other assets of $3.9 million included $3.2 million of advanced payments for goods and services and $695.6 thousand of prepaid implementation costs incurred in service contracts.

Prepaid implementation costs are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Prepaid implementation costs	$ 2,531	$ 1,298
Less accumulated amortization	(1,010)	(602)
Net Total	$ 1,521	$ 696

The majority of these service contracts are part of the NCUA's IT modernization efforts. These prepaid implementation costs are project costs for migration and configuration of the software application to be compatible with the NCUA's technical platform and security requirements. Amortization begins when the software is ready for its intended use. Amortization expenses for the years ended December 31, 2022 and 2021 totaled $408.0 thousand and $602.3 thousand, respectively.

5. FIXED ASSETS

Fixed assets are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Office building and land	$ 64,870	$ 59,100
Furniture and equipment	7,806	6,589
Leasehold improvements	107	107
Equipment under finance leases	229	319
Total assets in-use	73,012	66,115
Less accumulated depreciation	(40,451)	(40,154)
Assets in-use, Net	32,561	25,961
Construction in progress	1,311	3,806
Fixed assets, Net	$ 33,872	$ 29,767

Depreciation expense for the years ended December 31, 2022 and 2021 totaled $3.8 million and $3.9 million, respectively, before allocation to the NCUSIF as described in Note 7. Construction in progress includes costs associated with equipment not currently placed in service and costs for improvements to the NCUA headquarters that increase the future service potential of the building beyond the existing level of service. In 2022, improvements to the NCUA headquarters associated with the restructuring plan were completed as described in Note 13.

6. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Internal-use software	$ 56,666	$ 60,072
Less accumulated amortization	(30,395)	(29,782)
Total Internal-use software, Net	26,271	30,290
Internal-use software under development	196	870
Intangible assets, Net	$ 26,467	$ 31,160

Internal-use software represents costs incurred from the customization of software purchased from external vendors for internal use as well as the cost of software that is developed in-house. To ensure compliance with new technical and security requirements, approximately $1.8 million and $3.6 million in new capitalized internal-use software were implemented in 2022 and 2021, respectively. Amortization begins on the date the software is placed in service. Amortization expense for the years ended December 31, 2022 and 2021 totaled $5.8 million and $5.7 million, respectively, before allocation to the NCUSIF as described in Note 7. Internal-use software under development represents software not ready for its intended use.

7. RELATED PARTY TRANSACTIONS

(a) Transactions with the NCUSIF

Certain administrative services are provided by the Fund to the NCUSIF. These services include paying personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. The Fund charges the NCUSIF for these services based upon an annual Board approved allocation factor derived from a study of actual usage. In 2022 and 2021, the allocation to the NCUSIF was 62.7% and 62.3% of all expenses, respectively. The cost of the services allocated to the NCUSIF totaled $205.0 million and $194.2 million for 2022 and 2021, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2022 and 2021, amounts due from the NCUSIF totaled $19.0 thousand and $4.9 million, respectively. As of December 31, 2022 and 2021, the liability for advances and prepayments from the NCUSIF for overhead was $12.3 million and $7.8 million, respectively.

(b) Transactions with the CLF

Administrative services are provided by the Fund to the CLF. The Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees with settlement and payment occurring quarterly. The CLF's remaining reimbursement expenses are paid annually. The costs of the services provided to the CLF were $1.1 million and $918.9 thousand for the years ended December 31, 2022 and 2021, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2022 and 2021, amounts due from the CLF totaled $262.9 thousand and $243.4 thousand, respectively.

(c) Support of the CDRLF

The Fund supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. For the years ended December 31, 2022 and 2021, unreimbursed administrative support to the CDRLF is $1.0 million and $899.4 thousand, respectively.

(d) Federal Financial Institutions Examination Council (FFIEC)

The FFIEC was established on March 10, 1979, as a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the constituent agencies, and to make recommendations to promote uniformity in the supervision of financial institutions. By statute, the Chairman of the NCUA is one of six voting Council Members.

The NCUA is one of the five federal agencies that fund the FFIEC's operations. The FFIEC provides training to staff employed by Member agencies; the Member agencies are charged for these trainings based on use. A portion of the NCUA's contributions to the FFIEC cover costs associated with cross-agency data collection applications, including applications related to the Home Mortgage Disclosure Act. For the years ended December 31, 2022 and 2021, FFIEC assessments totaled $1.4 million and $1.2 million, respectively. In addition, the NCUA received refunds of $33.0 thousand and $20.1 thousand in 2022 and 2021, respectively, due to lower than anticipated costs related to prior year payments. The NCUA's 2023 budgeted assessments from FFIEC total $2.1 million.

8. LEASES

Description of Leasing Agreements – The Fund has entered into lease agreements with vendors for the rental of office space and office equipment, which includes copiers and mail equipment.

Operating Leases – The Fund leases a portion of the NCUA's regional office space under lease agreements that will continue through 2023. Office rental charges amounted to approximately $426.4 thousand and $414.9 thousand for 2022 and 2021, respectively. Operating leases are included in Operating lease ROU assets and Operating lease liabilities in the financial statements.

Finance Leases – The Fund leases copiers and mail equipment under lease agreements that run through 2026. Finance leases are included in Fixed assets and Finance lease liabilities in the financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the year ended December 31, 2022 (in thousands):

	Year Ended December 31, 2022
Finance lease cost:	
Amortization of right-of-use assets	$ 41
Interest on lease liabilities	19
Total finance lease cost	60
Operating lease cost	420
Total lease cost	$ 480

The weighted-average discount rate associated with operating leases as of December 31, 2022, was 1.21%, while the weighted-average discount rate associated with finance leases was 1.36%. The weighted-average remaining lease term associated with operating leases as of December 31, 2022, was 0.75 years while the weighted-average remaining lease term associated with finance leases was 3.62 years.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying Balance Sheet as of December 31, 2022 (in thousands):

Lease Liability Maturities:	**Finance Leases**	**Operating Leases**	**Total Leases**
2023	61	326	387
2024	56	-	56
2025	52	-	52
2026	41	-	41
2027	-	-	-
Thereafter	-	-	-
Total Undiscounted Lease Payments	210	326	536
Less: Present Value Adjustment	(50)	(1)	(51)
Net Lease Liabilities	$ 160	$ 325	$ 485

There were no material operating or finance leases that the NCUA had entered into and that were yet to commence as of December 31, 2022.

9. RETIREMENT PLANS

Eligible employees of the Fund are covered by federal government retirement plans—either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both plans include components that are defined benefit plans. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and the Thrift Savings Plan. Contributions to the plans are based on a percentage of an employee's gross pay. Under the Thrift Savings Plan, employees may also elect additional contributions, the total of which were not to exceed $20,500 ($27,000 for age 50 and above) in 2022, an increase of $1,000 from 2021. In addition, the Fund matches up to 5.0% of the employee's gross pay.

As of December 31, 2022 and 2021, the Fund's contributions to retirement plans were $37.1 million and $35.2 million, respectively.

These defined benefit plans are administered by the U.S. Office of Personnel Management (OPM), which determines the required employer contribution level. The Fund does not account for the assets pertaining to the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by OPM and are not allocated to individual employers.

The Fund maintains a voluntary 401(k) Plan (NCUA Savings Plan) and contributes, with no employee matching contribution, 3.0% of the employee's compensation and matches an employee's voluntary contribution up to a maximum of 2.0% of the employee's total pay as defined in the Compensation and Benefits Agreement.

As of December 31, 2022 and 2021, the Fund's contributions to the NCUA Savings Plan were $7.7 million and $7.6 million, respectively. The gross operating expenses associated with the NCUA Savings Plan in 2022 and 2021 were $96.8 thousand and $68.4 thousand, respectively.

10. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund has no financial instruments that are subject to fair value measurement on a recurring basis.

The following table presents the carrying values and established fair values of the Fund's financial instruments as of December 31, 2022 and 2021 (in thousands):

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 127,011	$ 127,011	$ 129,615	$ 129,615
Due from NCUSIF	19	19	4,918	4,918
Employee advances	-	-	5	5
Other accounts receivable, Net	353	353	299	299

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amount for cash and cash equivalents approximates fair value as the short-term nature of these instruments do not lead to significant fluctuations in value. Cash equivalents are U.S. Treasury overnight investments.

Due from NCUSIF – The carrying amount for due from NCUSIF approximates fair value as the amount is scheduled to be paid within the first quarter of 2023.

Employee advances – The carrying amount for receivables from employees approximates fair value as the amount is scheduled to be paid in 2023.

Other accounts receivable, Net – The carrying amount for other accounts receivable approximates fair value as the original gross amounts together with a valuation allowance reflect the net amount that is deemed collectible. As of December 31, 2022 and 2021, the Fund's Other accounts receivable, Net includes an allowance in the amount of $2.5 thousand and $8.9 thousand, respectively.

11. CONTINGENCIES

The NCUA recognizes contingent liabilities when a past event or transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is estimable. The NCUA is party to various routine administrative proceedings, legal actions, and claims brought against it, which have or may ultimately result in settlements or decisions against the agency.

As of December 31, 2022, the NCUA had seven asserted and pending legal claims with a reasonably possible likelihood of loss and estimated range of loss from $140.0 thousand to $390.0 thousand. In 2022, the NCUA paid $46.5 thousand related to the contingent liability as of December 31, 2021. As of December 31, 2022, the NCUA did not have any probable losses from asserted and pending legal claims.

As of December 31, 2021, the NCUA had one asserted and pending legal claim with a reasonably possible likelihood of loss and estimated range of loss from $100.0 thousand to $250.0 thousand. Additionally, there was one pending legal claim that had not yet specified an amount of monetary damages, but had a reasonably possible likelihood of loss. In 2021, the NCUA finalized the settlement of one legal claim. As of December 31, 2021, the NCUA had an estimated contingent liability of $46.5 thousand related to that claim.

12. COLLECTIVE BARGAINING AGREEMENT

The NCUA has a Collective Bargaining Agreement (CBA) with the National Treasury Employees Union (NTEU) that became effective on December 12, 2022. NTEU is the exclusive representative of approximately 73% of the NCUA employees.

13. RESTRUCTURING PLAN

In 2017, the NCUA Board approved a restructuring plan with the goals of greater efficiency, responsiveness, and cost-effectiveness. The restructuring plan was completed in 2022 with the completion of improvements to the NCUA headquarters.

In accordance with FASB ASC 420, Exit or Disposal Cost Obligations, the NCUA estimates total restructuring costs to be $13.9 million. This estimate includes employee termination benefits of $855.0 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million. To date, $14.0 million in costs have been incurred for this plan including employee termination benefits of $882.5 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million.

In 2022, the NCUA did not incur any costs associated with relocation. In 2021, the NCUA did not incur any costs associated with relocation and paid $20.6 thousand of the 2020 liability. As of December 31, 2022 and 2021, the NCUA had a $0.0 and $0.1 thousand liability associated with relocation costs, respectively.

In 2022, the NCUA incurred $2.5 million in other administrative costs and in 2021, the NCUA did not incur any costs associated with other administrative costs. As of December 31, 2022 and 2021, the NCUA had a $33.8 thousand and $0.0 liability associated with other administrative costs, respectively.

Incurred costs are included in the Statement of Revenues, Expenses, and Changes in Fund Balance on the following line items: Employee wages and benefits; Contracted services; and Administrative. Incurred costs associated with facilities improvements are included in the Balance Sheet as a part of Fixed assets.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

OIG-23-03
National Credit Union Administration
Central Liquidity Facility

Financial Statements as of and for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

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KPMG LLP
Suite 12000
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Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2022 and 2021, and the results of its operations, members' equity, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the CLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands, except share data)

		2022		2021
ASSETS				
Cash and Cash Equivalents (Notes 3 and 5)	$	92,099	$	424,423
Investments Held to Maturity (Net of $147 and $337 unamortized premium and unamortized discount as of 2022 and 2021, respectively, fair value of $646,245 and $726,338 as of 2022 and 2021, respectively) (Notes 4 and 5)		658,747		723,876
Accrued Interest Receivable (Note 5)		4,731		781
TOTAL ASSETS	$	755,577	$	1,149,080
LIABILITIES AND MEMBERS' EQUITY				
LIABILITIES				
Accounts Payable (Notes 5 and 9)	$	390	$	361
Dividends and Interest Payable (Note 5)		10,456		419
Stock Redemption Payable (Note 5)		-		10,087
Member Deposits (Notes 5 and 7)		6,826		2,518
Total Liabilities		17,672		13,385
MEMBERS' EQUITY				
Capital Stock – Required ($50 per share par value authorized: 27,918,512 and 43,852,246 shares; issued and outstanding: 13,959,256 and 21,926,123 shares as of 2022 and 2021, respectively) (Note 6)		697,963		1,096,306
Retained Earnings		39,942		39,389
Total Members' Equity		737,905		1,135,695
TOTAL LIABILITIES AND MEMBERS' EQUITY	$	755,577	$	1,149,080

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUE		
Investment Income	$ 21,924	$ 4,542
Total Revenue	21,924	4,542
EXPENSES (Note 9)		
Personnel Services	659	533
Personnel Benefits	267	248
Other General and Administrative Expenses	255	159
Total Operating Expenses	1,181	940
Interest – Member Deposits (Note 7)	89	4
Total Expenses	$ 1,270	944
NET INCOME	$ 20,654	$ 3,598

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands, except share data)

	Capital Stock			
	Shares	**Amount**	**Retained Earnings**	**Total**
BALANCE – December 31, 2020	20,254,170	$1,012,708	$ 37,414	$1,050,122
Issuance of Required Capital Stock	2,348,715	117,436		117,436
Redemption of Required Capital Stock	(676,762)	(33,838)		(33,838)
Dividends Declared (Notes 6 and 7)			(1,623)	(1,623)
Net Income			3,598	3,598
BALANCE – December 31, 2021	21,926,123	$1,096,306	$ 39,389	$1,135,695
Issuance of Required Capital Stock	2,684,432	134,222		134,222
Redemption of Required Capital Stock	(10,651,299)	(532,565)		(532,565)
Dividends Declared (Notes 6 and 7)			(20,101)	(20,101)
Net Income			20,654	20,654
BALANCE – December 31, 2022	13,959,256	$ 697,963	$ 39,942	$ 737,905

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 20,654	$ 3,598
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Amortization of Investments	(1,373)	(387)
Interest - Member Deposits	89	4
Changes in Assets and Liabilities:		
(Increase)/Decrease in Accrued Interest Receivable	(3,950)	234
Increase in Accounts Payable	29	15
Net Cash Provided by Operating Activities	15,449	3,464
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(680,111)	(236,960)
Proceeds from Maturing Investments	746,613	129,177
Net Cash Provided by/(Used in) Investing Activities	66,502	(107,783)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Required Capital Stock	132,104	111,679
Redemption of Capital Stock	(545,757)	(20,927)
Withdrawal of Member Deposits	(622)	(148)
Net Cash Provided by/(Used in) Financing Activities	(414,275)	90,604
NET DECREASE IN CASH AND CASH EQUIVALENTS	(332,324)	(13,715)
CASH AND CASH EQUIVALENTS–Beginning of Year	424,423	438,138
CASH AND CASH EQUIVALENTS–End of Year	$ 92,099	$ 424,423

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration (NCUA) Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (Act). The CLF is designated as a mixed-ownership Government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF became operational on October 1, 1979.

The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds, subject to certain statutory limitations, when a liquidity need arises.

The CLF is subject to various federal laws and regulations. The CLF's investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions.

In response to the Coronavirus Disease of 2019 (COVID-19 pandemic), several temporary changes to the FCU Act and NCUA's Rules and Regulations §725 (the "CLF rule") were made by Congress and the NCUA Board, respectively, in 2020. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 and the Consolidated Appropriations Act extended the key provisions of the CARES Act through December 31, 2022.

The CARES Act granted the NCUA Board the authority for a corporate credit union to become an agent member of the CLF for a subset of their members. It also allowed temporary increases in borrowing authority from 12 to 16 times the subscribed capital stock and surplus. This provision expired on December 31, 2021 and thus the multiplier reverted back to 12 in 2022. See Notes 2, 6 and 8 for further information about the loans, capital stock and the CLF's borrowing authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The CLF has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards-setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for those federal entities, such as the CLF, that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The CLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. As such, the CLF recognizes interest income on loans and investments when earned, and recognizes interest expense on borrowings when incurred. In addition, the CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less.

Investments – By statute, the CLF investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions. All investments are classified as held-to-maturity under FASB Accounting Standards Codification (ASC) topic 320-10-25-1, *Classification of Debt Securities*, as the CLF has the intent and ability to hold these investments until maturity. Accordingly, the CLF reports investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

The CLF evaluates investment securities that are in an unrealized loss position for other-than-temporary impairment (OTTI). An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is other-than-temporary, the CLF takes into consideration whether it has the intent to sell the security.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity investment as an adjustment to yield using the effective interest method. Such amortization and accretion are included in the Investment Income line item in the Statements of Operations.

The CLF records investment transactions when they are made.

Loans and Allowance for Loan Losses – Loans, when made to members, are on a short-term or long-term basis. Loans are recorded at the amount disbursed and bear interest at the higher of the Federal Financing Bank Advance Rate or the Federal Reserve Bank Discount Window Primary Credit Rate. By regulation, Member Liquidity Needs Loans are secured by a perfected first priority interest in a borrower’s collateral.

The CARES Act temporarily amended the loan provision with less restrictive language and modified the definition of “liquidity needs” to include Corporates. The Consolidated Appropriations Act was signed on December 27, 2020 and it extended these provisions of the CARES Act through December 31, 2022. In addition, the Board has permanently changed the Regulation §725 allowing CLF to use the collateral table to calculate a security interest in the assets of the member and eliminated the six-month waiting period for a new member to obtain Facility advances.

The CLF does not currently charge additional fees for its lending activities. There was no lending activity in 2022 or 2021. As of December 31, 2022 and 2021, there were no allowances and no write-offs.

Borrowings – The CLF's borrowings are recorded when they are received, do not hold premiums or discounts, and are carried at cost. Repayments are recorded when they are made.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for the CLF.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Commitments and Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Related Parties – The CLF exists within the NCUA and is managed by the NCUA Board. The NCUA Operating Fund (OF) provides the CLF with information technology, support services, and supplies; in addition, the NCUA OF pays the CLF's employees' salaries and benefits, as well as the CLF's portion of monthly building operating costs. The allocation formula to calculate these expenses is based on the number of full-time employees of the respective entities and the estimated amount of time the CLF employees spend performing the CLF functions.

3. CASH AND CASH EQUIVALENTS

The CLF's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
U.S. Treasury Overnight Investments	$ 91,100	$ 413,270
Deposits with U.S. Treasury	999	11,153
Total	$ 92,099	$ 424,423

U.S. Treasury securities had an initial term of less than three months when purchased.

4. INVESTMENTS

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, and the fair value of held-to-maturity debt securities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Carrying Amount as of December 31	$ 658,747	$ 723,876
Gross Unrealized Holding Gains	55	3,307
Gross Unrealized Holding Losses	(12,557)	(845)
Fair Value	$ 646,245	$ 726,338

Maturities of debt securities classified as held-to-maturity were as follows:

	2022		2021	
(Dollars in thousands)	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Due in one year or less	$ 350,791	$ 350,531	$ 416,392	$ 417,197
Due after one year through five years	258,083	253,171	258,910	259,916
Due after five years through ten years	49,873	42,543	48,574	49,225
Total	$ 658,747	$ 646,245	$ 723,876	$ 726,338

The following table includes gross unrealized losses on investment securities, for which OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2022 and 2021.

	Losses Less than 12 Months		Losses More than 12 Months		Total	
(Dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2022						
U.S. Treasury Securities	$ (8,650)	$ 405,170	$ (3,907)	$ 16,019	$ (12,557)	$ 421,189
As of December 31, 2021						
U.S. Treasury Securities	$ (152)	$ 7,795	$ (693)	$ 11,276	$ (845)	$ 19,071

5. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants by the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents – The carrying amounts for cash and cash equivalents approximate fair value.

Investments Held to Maturity – The CLF's investments held-to-maturity are all comprised of U.S. Treasury Securities, for which market prices can be readily obtained. The related fair value is determined using the quoted market prices at the reporting date.

Member Deposits – Funds maintained with the CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand; therefore, carrying amounts approximate the fair value.

Other – Accrued interest receivable, accounts payable, stock redemption payable, and dividends payable are recorded at book values, which approximate the respective fair values because of the short maturity of these instruments.

The following table presents the carrying amounts and established fair values of the CLF's financial instruments as of December 31, 2022 and 2021. The carrying values and approximate fair values of financial instruments are as follows:

(Dollars in thousands)	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and Cash Equivalents	$ 92,099	$ 92,099	$ 424,423	$ 424,423
Investments Held to Maturity	658,747	646,245	723,876	726,338
Accrued Interest Receivable	4,731	4,731	781	781
Accounts Payable	390	390	361	361
Dividends and Interest Payable	10,456	10,456	419	419
Stock Redemption Payable	-	-	10,087	10,087
Member Deposits	6,826	6,826	2,518	2,518

6. CAPITAL STOCK

Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CLF capital stock is non-voting and shares have a par value of $50. Prior to 2020, CLF membership was made up of regular members which are natural person credit unions. During 2020 and 2021, the CARES Act provided temporary authority for a corporate credit union to become an agent member of the CLF to enhance CLF membership and lending. The Consolidated Appropriations Act extended the key provisions of the CARES Act through December 31, 2022. The NCUA Board temporarily amended the nature of the requirement for a corporate credit union to subscribe to the capital stock of the Facility by allowing an agent's application to cover only a subset of their respective members; and amended the waiting periods (or "notice" periods) for a credit union to terminate its membership by shortening the required timeframes. These changes were designed to enhance the ability of credit unions to join the CLF in order to obtain greater amounts of liquidity-need loans if and when the need arises.

The capital stock account represents subscriptions remitted to the CLF by regular and agent member credit unions. Members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to the CLF. Member credit unions are required to hold the remaining one-half in assets subject to call by the NCUA Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are non-cumulative, and are declared and paid on the required portion of capital stock.

The required capital stock is redeemable upon demand by the members, subject to certain conditions as set out in the Act and NCUA regulations; however, the stock is not deemed "mandatorily redeemable" as defined in FASB ASC 480-10-25-7, *Mandatorily Redeemable Financial Instruments*; therefore, capital stock is classified in permanent equity.

The CLF's capital stock accounts were comprised of the following as of December 31, 2022 and 2021 (amounts in thousands, except share data):

	2022		**2021**	
	Shares	Amounts	Shares	Amounts
Regular members	13,959,256	$ 697,963	13,831,763	$ 691,588
Agent members	-	-	8,094,360	404,718
Total	13,959,256	$ 697,963	21,926,123	$ 1,096,306

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. Dividends are accrued monthly based on prior quarter-end balances and paid on the first business day after the quarter-end. The dividend rates paid on capital stock for regular and agent members change quarterly. For 2022, the dividend rate was $0.10 per share for the first quarter, $0.41 per share for the second quarter, $1.12 per share for the third quarter, and $1.86 per share for the fourth quarter. For 2021, the dividend rate was $0.075 per share for all four quarters.

7. MEMBER DEPOSITS

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

8. BORROWING AUTHORITY

The CARES Act temporarily increased borrowing authority from 12 times to 16 times the subscribed capital stock and surplus. The increase only applied during the period when the CARES Act was in effect, from March 27, 2020 through December 31, 2021, after which time the limit reverted to 12 times subscribed capital stock and surplus. As of December 31, 2022 and 2021, the CLF's statutory borrowing authority was $17.2 billion and $35.7 billion, respectively.

As described above, the borrowing authority amounts are referenced to subscribed capital stock and surplus of the CLF. The CLF borrowing arrangement is exclusively with the Federal Financing Bank (FFB). The NCUA maintains a note purchase agreement with FFB on behalf of the CLF with a current maximum principal amount of $25.0 billion. Under the terms of its agreement, the CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, the CLF executes promissory notes in amounts as necessary, the aggregate amount of which may not exceed its statutory borrowing authority, and renews them annually. Advances made under the current promissory notes can be made no later than March 31, 2023. The CLF borrowed $0.0 in both 2021 and 2022.

9. RELATED PARTY TRANSACTIONS

The NCUA OF pays the salaries and related benefits of the CLF's employees, as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total, with settlement and payment occurring quarterly. All other CLF reimbursement expenses are paid annually. The total amount charged by the NCUA was approximately $1.1 million and $918.9 thousand, respectively, for December 31, 2022 and 2021. Accounts payable includes approximately $262.9 thousand and $243.4 thousand, respectively, for December 31, 2022 and 2021, due to the NCUA OF for services provided.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

OIG-23-04
National Credit Union Administration Community Development Revolving Loan Fund

Financial Statements as of and for the Years Ended
December 31, 2022 and 2021 and
Independent Auditors' Report

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

TABLE OF CONTENTS

KPMG LLP
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Independent Auditors' Report

Inspector General, National Credit Union Administration and
the National Credit Union Administration Board:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (the CDRLF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2022 and 2021, and the results of its operations, changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDRLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the CDRLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDRLF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and Cash Equivalents (Notes 3 and 7)	$ 13,730	$ 13,125
Loans Receivable, Net (Notes 4 and 7)	4,500	4,750
Interest Receivable (Note 7)	5	7
TOTAL ASSETS	$ 18,235	$ 17,882
LIABILITIES AND FUND BALANCE		
Accrued Technical Assistance Grants (Note 7)	$ 2,484	$ 2,549
Fund Balance		
Fund Capital	14,429	14,183
Accumulated Earnings	1,322	1,150
Total Fund Balance	15,751	15,333
TOTAL LIABILITIES AND FUND BALANCE	$ 18,235	$ 17,882

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUES		
Interest on Cash Equivalents	$ 148	$ 4
Interest on Loans	23	25
Appropriations Used (Note 5)	1,567	1,636
Canceled Technical Assistance Grants (Note 5)	(379)	(247)
TOTAL REVENUES	1,359	1,418
EXPENSES		
Technical Assistance Grants (Note 5)	1,596	1,710
Canceled Technical Assistance Grants (Note 5)	(409)	(274)
TOTAL EXPENSES	1,187	1,436
NET INCOME / (LOSS)	$ 172	$ (18)

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	Fund Capital				
	For Loans	For Technical Assistance	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2020	$ 13,388	$ 792	$ 14,180	$ 1,168	$ 15,348
Appropriations Received (Note 5)	-	1,500	1,500	-	1,500
Appropriations Used (Note 5)	-	(1,636)	(1,636)	-	(1,636)
Canceled Appropriations Returned to Treasury (Note 5)	-	(108)	(108)	-	(108)
Canceled Technical Assistance Grants (Note 5)	-	247	247	-	247
Net Income / (Loss)	-	-	-	(18)	(18)
December 31, 2021	$ 13,388	$ 795	$ 14,183	$ 1,150	$ 15,333
Appropriations Received (Note 5)	-	1,545	1,545	-	1,545
Appropriations Used (Note 5)	-	(1,567)	(1,567)	-	(1,567)
Canceled Appropriations Returned to Treasury (Note 5)	-	(111)	(111)	-	(111)
Canceled Technical Assistance Grants (Note 5)	-	379	379	-	379
Net Income / (Loss)	-	-	-	172	172
December 31, 2022	$ 13,388	$ 1,041	$ 14,429	$ 1,322	$ 15,751

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	$ 172	$ (18)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Appropriations Used	(1,567)	(1,636)
Canceled Technical Assistance Grants	379	247
Changes in Assets and Liabilities		
(Increase) / Decrease in Interest Receivable	2	-
Increase / (Decrease) in Accrued Technical Assistance Grants	(65)	31
Net Cash Used in Operating Activities	(1,079)	(1,376)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Principal Repayments	750	1,775
Loan Disbursements	(500)	(500)
Net Cash Provided by Investing Activities	250	1,275
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received 2022/2023	1,545	-
Canceled Appropriations Returned to Treasury 2016/2017	(111)	-
Appropriations Received 2021/2022	-	1,500
Canceled Appropriations Returned to Treasury 2015/2016	-	(108)
Net Cash Provided by Financing Activities	1,434	1,392
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	605	1,291
CASH AND CASH EQUIVALENTS — Beginning of year	13,125	11,834
CASH AND CASH EQUIVALENTS — End of year	$ 13,730	$ 13,125

See accompanying notes to the financial statements.

1. ORGANIZATION AND PURPOSE

The Community Development Revolving Loan Fund (CDRLF) for credit unions was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration (NCUA) and the Community Services Administration (CSA) jointly adopted Part 705 of the NCUA Rules and Regulations, governing administration of the CDRLF, on February 28, 1980.

Upon the dissolution of CSA in 1983, administration of the CDRLF was transferred to the Department of Health and Human Services (HHS). From 1983 through 1990, the CDRLF was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-609, November 6, 1986) transferred the CDRLF administration back to the NCUA. The NCUA Board adopted amendments to Part 705 of the NCUA Rules and Regulations on September 16, 1987 and began making loans/deposits to participating credit unions in 1990.

The CDRLF stimulates economic activities in the communities served by low-income designated federally-chartered and state-chartered credit unions through its loan and technical assistance grant program. These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members, and respond to emergencies. The policy of the NCUA is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The CDRLF prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of federal entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The CDRLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. In addition, the CDRLF records investment transactions when they are executed and recognizes interest on investments when it is earned.

Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;
- the disclosure of contingent assets and liabilities, if any, at the date of the financial statements; and
- the reported amounts of revenues and expenses during the reporting period.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act (Public Law 73-467, as amended) permits the CDRLF to make investments in United States Treasury securities. All investments in 2022 and 2021 are cash equivalents and are stated at cost, which approximates fair value.

Loans Receivable and Allowance for Loan Losses – Since inception, Congress has appropriated a total of $13.4 million for the CDRLF revolving loan program. The CDRLF awards loan amounts of up to $500,000 to participating credit unions based on financial condition. These loans have a maximum term of five years and are subject to the interest rate provided by the CDRLF Loan Interest Rate policy, which is reviewed annually. Effective March 29, 2019, the CDRLF set the interest rate to 1.50%, an increase from the previous rate of 0.60% set on May 1, 2014. Interest is to be paid on a semiannual basis beginning six months after the initial distribution of the loan and every six months thereafter until maturity. Principal is to be repaid on the maturity date of the loan.

Loans are initially recognized at their disbursed amount, and subsequently at amortized cost, net of the allowance for loan losses, if any. A provision for loans considered to be uncollectible is charged to the Statement of Operations when such losses are probable and reasonably estimable. Provisions for significant uncollectible amounts are credited to an allowance for loan losses, while de minimis amounts are directly charged-off. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectability risk of the total loan portfolio as well as historical loss experience. Accrual of interest is discontinued on nonperforming loans when management believes collectability is doubtful.

Technical Assistance Grants – The CDRLF issues technical assistance grants to low-income credit unions using multiyear appropriated funds and income generated from the revolving fund. Grant income and expense are recognized when the CDRLF makes a formal commitment to the recipient credit union for technical assistance grants.

Multiyear Funds
The CDRLF grant program is primarily funded through an annual appropriation from Congress. During the two-year period of availability, multiyear funds can be obligated to participating credit unions. At the end of the period of availability, the appropriation expires and the expired appropriation remains available for five more years and can be used for recording, adjusting, and making disbursements to liquidate obligations. At the end of the five-year period, the

appropriation account closes and any remaining obligated and unobligated balances are canceled. Canceled appropriations are returned to the U.S. Treasury and credited back to the original appropriated fund from which they were awarded. Canceled technical assistance grants are deobligations of multiyear funds awarded in current or prior years.

Revolving Fund
The CDRLF can also award technical assistance grants from the revolving fund. These grants are recognized as Technical Assistance Grants expense when the funds are obligated to participating credit unions. If a grant awarded from the revolving fund is canceled, the funds are recognized as Canceled Technical Assistance Grants.

Fair Value Measurements – Cash and cash equivalents; loans receivable, net; interest receivable; and accrued technical assistance grants are recorded at book value, which approximates estimated fair value.

Related Party Transactions – The NCUA, through the Operating Fund (OF), provides certain general and administrative support to the CDRLF, including personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage. The value of these contributed services is not charged to the CDRLF.

Revenue Recognition – Appropriation revenue is recognized as the related technical assistance grant expense is recognized. Total appropriation revenues will differ from total technical assistance grant expenses because technical assistance grants are funded by both appropriations and income generated from the revolving fund. Interest on cash equivalents and interest on loans is recognized when earned.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

3. CASH AND CASH EQUIVALENTS

The CDRLF's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Deposits with U.S. Treasury	$ 4,500	$ 4,261
U.S. Treasury Overnight Investments	9,230	8,864
Total	$ 13,730	$ 13,125

4. LOANS RECEIVABLE, NET

Loans receivable, net as of December 31, 2022 and 2021 consisted of the following (in thousands):

	2022		2021	
Beginning Balance	$	4,750	$	6,025
Loan Disbursements		500		500
Loan Repayments		(750)		(1,775)
Loans Receivable		4,500		4,750
Allowance for Loan Losses		-		-
Loans Receivable, Net	$	4,500	$	4,750

Loans outstanding as of December 31, 2022, are scheduled to be repaid as follows (in thousands):

Year	Amount
2023	3,250
2024	750
2025	-
2026	-
2027	500
Loans Outstanding	4,500
Allowance for Loan Losses	-
Total Loans Receivable, Net	$ 4,500

In 2020, the CDRLF disbursed $2.3 million in emergency loans through the COVID-19 Emergency Fund Initiative. These loans are three-year interest-free notes made to credit unions to alleviate the impact of COVID-19. As of December 31, 2022 and 2021, $1.5 million and $1.8 million of the emergency loans remained outstanding, respectively. The CDRLF has the intent and ability to hold its loans to maturity and expects to realize the carrying amount in full.

5. TECHNICAL ASSISTANCE GRANTS

The CDRLF administers a technical grant assistance program to fulfill its mission to stimulate economic growth in low-income communities. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used.

Multiyear Funds
In 2022, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation is available for obligation through September 30, 2023. As of December 31, 2022, the CDRLF obligated $1.6 million and canceled $379.1 thousand of technical assistance grants awarded from multiyear funds.

In 2021, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation was available for obligation through September 30, 2022. As of December 31, 2021, the CDRLF obligated $1.6 million and canceled $246.6 thousand of technical assistance grants awarded from multiyear funds.

Canceled appropriations returned to Treasury were $111.2 thousand from the FY 2016 appropriation and $107.8 thousand from the FY 2015 appropriation in 2022 and 2021, respectively.

Revolving Fund
As of December 31, 2022, the CDRLF awarded $28.8 thousand and canceled $30.3 thousand of technical assistance grants awarded from the revolving fund. As of December 31, 2021, the CDRLF awarded $75.0 thousand and canceled $27.9 thousand of technical assistance grants awarded from the revolving fund.

6. CONCENTRATION OF CREDIT RISK

The CDRLF has the authority to provide loans to low-income designated credit unions. At the discretion of the NCUA, participating credit unions can record an awarded loan as a nonmember deposit, which qualifies up to $250,000 of the loan proceeds to be insured by the National Credit Union Share Insurance Fund. Loan balances that exceed $250,000 are uninsured and pose a potential credit risk to the CDRLF. The aggregate total of uninsured loans was $1.0 million as of December 31, 2022 and 2021.

7. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents the carrying values and established fair values of the CDRLF's financial instruments as of December 31, 2022 and 2021 (in thousands):

	2022		2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and Cash Equivalents	$ 13,730	$ 13,730	$ 13,125	$ 13,125
Loans Receivable, Net	4,500	4,554	4,750	4,789
Interest Receivable	5	5	7	7
Liabilities				
Accrued Technical Assistance Grants	2,484	2,484	2,549	2,549

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Loans Receivable, Net – Fair value is estimated using an income approach by separately discounting each individual loan’s projected future cash flow. The discount rate reflects the pricing and is commensurate with the risk of the loans to the CDRLF. Loans are valued annually on December 31.

Other – The carrying amounts for cash and cash equivalents, interest receivable, and accrued technical assistance grants approximate fair value.

8. RELATED PARTY TRANSACTIONS

The NCUA, through the OF, supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits as well as other costs, which include but are not limited to telecommunications, supplies, printing, and postage.

For the years ended December 31, 2022 and 2021, the NCUA, through the OF, provided the following unreimbursed administrative support to the CDRLF (in thousands):

	2022	2021
Personnel	$ 929	$ 826
Other	79	73
Total	$ 1,008	$ 899

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined there were no significant items to be disclosed as of December 31, 2022.