

OIG-22-02

National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended
December 31, 2021 and 2020, and
Independent Auditors' Report

NATIONAL CREDIT UNION SHARE INSURANCE FUND

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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, 2021, the NCUSIF insures \$1.6 trillion in member shares in 4,953 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 2021 and 2020, the following additional measures should be considered:

¹ The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2021. 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.

2021 and 2020 Performance Measures		
	December 31, 2021	December 31, 2020
Equity Ratio	1.26%	1.26%
Insured Shares	\$1.6 trillion	\$1.5 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	7	1
Assets in CAMEL ² 3, 4 and 5 rated Credit Unions	\$51.8 billion	\$50.3 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 16, 2021, the Board set the NOL at 1.33%, which is five basis points lower than the previous level of 1.38%.

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, 2021, the equity ratio was 1.26%, which is below the NOL. Previously, the equity ratio was 1.26% as of December 31, 2020, which was below the established NOL of 1.38%.

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 2021, there were seven credit union failures compared to one failure in 2020. The cost of these failures, or the estimated cost of resolution at the time of liquidation, for the current year is \$5.6 million compared to \$1.6 million for failures that occurred in 2020.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2021, there were five 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 2021. The aggregate net worth ratio decreased slightly during the year ending at 10.26% versus 10.32% at December 31, 2020. Assets in CAMEL 3, 4 and 5 rated credit unions increased to \$51.8 billion at the end of 2021 versus \$50.3 billion at the end of 2020.

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

III. Financial Statement Analysis

The NCUSIF ended 2021 with an increase in Total Assets and Net Position. Net Cost of Operations decreased to \$52.3 million, primarily as a result of a decrease in the Reserve Expense and the AME Receivable Bad Debt Expense within the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	2021	2020	Increase / (Decrease)	
			\$	%
Net Position				
Assets:				
Investments, Net	20,313,910	18,276,711	2,037,199	11.1%
Receivables from Asset Management Estates (AMEs), Net	222,954	761,816	(538,862)	-70.7%
Other	198,484	90,417	108,067	119.5%
Total Assets	\$20,735,348	\$19,128,944	\$1,606,404	8.4%
Total Liabilities	\$171,491	\$186,103	(\$14,612)	-7.9%
Net Position (Assets minus Liabilities)	\$20,563,857	\$18,942,841	\$1,621,016	8.6%
Net Cost				
Gross Costs:				
Operating Expenses	199,199	181,037	18,162	10.0%
Provision for Insurance Losses	(143,014)	68,688	(211,702)	-308.2%
Other Losses	32	63	(31)	-49.2%
Total Gross Costs	\$56,217	\$249,788	(\$193,571)	-77.5%
Exchange Revenue	\$3,965	\$10,648	(\$6,683)	-62.8%
Total Net Cost of Operations	\$52,252	\$239,140	(\$186,888)	-78.2%
Cumulative Results of Operations				
Beginning Balances	\$5,132,167	\$4,632,574	\$499,593	10.8%
Financing Sources:				
Interest Revenue - Investments	236,781	272,005	(35,224)	-12.9%
Net Unrealized Gain / (Loss) - Investments	(536,496)	466,728	(1,003,224)	-214.9%
Net Cost of Operations	\$52,252	\$239,140	(186,888)	-78.2%
Cumulative Results of Operations	\$4,780,200	\$5,132,167	(\$351,967)	-6.9%
Contributed Capital	\$15,783,657	\$13,810,674	\$1,972,983	14.3%
Net Position	\$20,563,857	\$18,942,841	\$1,621,016	8.6%

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.

As of December 31, 2021 and 2020, the outstanding principal balance of the NGNs was \$0.0 and \$431.3 million, respectively. The NCUA's estimate of the expected recovery from the Corporate AMEs is derived using a model and reflects the NCUA's expectations and assumptions about the estimated cash flows of the Corporate AMEs' assets.

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.

2021 and 2020 Fund Balance with Treasury and Investments		
	December 31, 2021	December 31, 2020
Fund Balance with Treasury	\$ 87.1 million	\$ 4.8 million
U.S. Treasury Securities		
Held to Maturity (Overnights)	316.8 million	1,336.0 million
Available-for-Sale	19,997.1 million	16,940.7 million

During 2021, the NCUSIF's Investments increased primarily due to capital contributions of \$2.0 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.



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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 Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2021 and 2020, 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, 2021 and 2020, 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. 21-04, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards 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 basic 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 21-04 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 21-04, 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 section 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, 2021, 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, 2021 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. 21-04.

Purpose of the Other 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 15, 2022

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS

As of December 31, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	\$ 87,055	\$ 4,782
Investments, Net - U.S. Treasury Securities (Note 3)	20,313,910	18,276,711
Accrued Interest Receivable - Investments (Note 3)	102,390	84,484
Advances and Prepayments (Note 9)	7,760	-
Total Intragovernmental Assets	<u>20,511,115</u>	<u>18,365,977</u>
WITH THE PUBLIC		
Accounts Receivable - Guarantee Fee on NGNs, Net (Note 4)	-	79
General Property, Plant and Equipment, Net (Note 5)	-	54
Advances and Prepayments	1,279	1,018
Receivables from Asset Management Estates (AMEs), Net (Note 6)	222,954	761,816
Total with the Public Assets	<u>224,233</u>	<u>762,967</u>
TOTAL ASSETS	<u>\$ 20,735,348</u>	<u>\$ 19,128,944</u>
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 9)	4,918	3,262
Total Intragovernmental Liabilities	<u>4,918</u>	<u>3,262</u>
WITH THE PUBLIC		
Accounts Payable	3,400	4,353
Insurance and Guarantee Program Liabilities (Note 7)	161,958	177,300
Other Liabilities (Note 8)	1,215	1,188
Total with the Public Liabilities	<u>166,573</u>	<u>182,841</u>
TOTAL LIABILITIES	<u>171,491</u>	<u>186,103</u>
Commitments and Contingencies (Note 7)		
NET POSITION		
Cumulative Result of Operations	4,780,200	5,132,167
Contributed Capital (Note 12)	15,783,657	13,810,674
Total Net Position	<u>20,563,857</u>	<u>18,942,841</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 20,735,348</u>	<u>\$ 19,128,944</u>

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, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
GROSS COSTS		
Operating Expenses	\$ 199,199	\$ 181,037
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 7)	2,422	50,097
AME Receivable Bad Debt Expense (Reduction) (Note 6)	<u>(145,436)</u>	<u>18,591</u>
Total Provision for Insurance Losses	(143,014)	68,688
Other Losses	<u>32</u>	<u>63</u>
Total Gross Costs	<u>56,217</u>	<u>249,788</u>
LESS EXCHANGE REVENUES		
Interest Revenue on Note Receivable from the NCUA Operating Fund (Note 9)	-	(71)
Guarantee Fee Revenue - NGNs	(625)	(7,917)
Other Revenue	<u>(3,340)</u>	<u>(2,660)</u>
Total Exchange Revenues	<u>(3,965)</u>	<u>(10,648)</u>
TOTAL NET COST OF OPERATIONS	<u>\$ 52,252</u>	<u>\$ 239,140</u>

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, 2021 and 2020****(Dollars in thousands)**

	<u>2021</u>	<u>2020</u>
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$ 5,132,167	\$ 4,632,574
Non-Exchange Revenue		
Interest Revenue - Investments	236,781	272,005
Net Unrealized Gain / (Loss) - Investments (Note 3)	(536,496)	466,728
Net Cost of Operations	<u>(52,252)</u>	<u>(239,140)</u>
Change in Cumulative Results of Operations	<u>(351,967)</u>	<u>499,593</u>
CUMULATIVE RESULTS OF OPERATIONS	<u>4,780,200</u>	<u>5,132,167</u>
CONTRIBUTED CAPITAL (Note 12)		
Beginning Balances	13,810,674	11,967,387
Change in Contributed Capital	<u>1,972,983</u>	<u>1,843,287</u>
CONTRIBUTED CAPITAL	<u>15,783,657</u>	<u>13,810,674</u>
NET POSITION	<u>\$ 20,563,857</u>	<u>\$ 18,942,841</u>

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, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
BUDGETARY RESOURCES (Notes 10, 11 and 14)		
Unobligated balance from prior year budget authority, net (mandatory)	\$ 17,305,571	\$ 15,874,237
Spending authority from offsetting collections (mandatory)	<u>4,303,939</u>	<u>3,412,495</u>
TOTAL BUDGETARY RESOURCES	<u>\$ 21,609,510</u>	<u>\$ 19,286,732</u>
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	\$ 1,932,446	\$ 1,981,161
Unobligated balance, end of year:		
Exempt from apportionment	<u>19,677,064</u>	<u>17,305,571</u>
Unobligated balance, end of year (total)	<u>19,677,064</u>	<u>17,305,571</u>
TOTAL BUDGETARY RESOURCES	<u>\$ 21,609,510</u>	<u>\$ 19,286,732</u>
OUTLAYS, NET		
Outlays, net (total) (mandatory)	<u>\$ (2,368,322)</u>	<u>\$ (1,443,704)</u>
AGENCY OUTLAYS, NET (MANDATORY)	<u>\$ (2,368,322)</u>	<u>\$ (1,443,704)</u>

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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. Under the CSRP, the NCUA created a re-securitization program (the NGN Program) to provide long-term funding for the Legacy Assets through the issuance of the NGNs by trusts established for this purpose (NGN Trusts). The NGN Trusts are guaranteed by the NCUA, and backed by the full faith and credit of the United States.

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 August 10, 2021.

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 14. 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.

Guarantee Fee on NCUA Guaranteed Notes

Guarantee fee accounts receivable represents outstanding balances of guarantee fees associated with the NGN Trusts.

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 2021 and 2020.

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 assets under capital lease, 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; (the shorter of either the estimated useful life or lease term is applied for leasehold improvements and capital leases). Assets under capital lease are depreciable over three years, which corresponds with the life of the underlying capital lease. Internal use software has a useful life of three years per the NCUA capitalization

policy.

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

In 2019, the NCUA implemented SFFAS No. 51, *Insurance Programs*. The purpose of this statement is to establish consistent accounting and financial reporting standards for insurance programs across the federal government. SFFAS No. 51 requires that the financial statements and accompanying footnote disclosures provide concise, meaningful and transparent information regarding the operating performance of the NCUA's two insurance activities – Insured Credit Unions and NCUA Guaranteed Notes (NGN), which are classified as exchange transaction insurance programs.

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 our insurance programs as well as our premium pricing policies, the nature and magnitude of our 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 10. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 12. The remaining information required to be disclosed is discussed further in Note 7.

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 7.

The NCUSIF records a liability for probable losses relating to insured credit unions and the NGNs. 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.

Liabilities for loss contingencies on the NGNs arise from claims, assessments, litigation, fines and penalties, and other sources. These loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Other Liabilities - Capital Lease Liability

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and SFFAS No. 6, the NCUSIF records a depreciable asset and liability for all capital leases at the present value of the rental and other minimum lease payments during the lease term.

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, guarantee fee income, and interest revenue, 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 13.

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, 2021, the NCUA has placed five credit unions under conservatorship. The NCUA lists credit unions currently under conservatorship on its website.

Reclassification

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

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2021 and 2020 consisted of the following (in thousands):

	<u>2021</u>	<u>2020</u>
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	\$ 19,677,064	\$ 17,305,571
Obligated Balance Not Yet Disbursed	40,748	26,012
Non-Budgetary Investment Accounts	(19,528,367)	(17,242,317)
Non-Budgetary FBWT Accounts	(102,390)	(84,484)
Total	<u>\$ 87,055</u>	<u>\$ 4,782</u>

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, 2021 and 2020, 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, 2021 and 2020, 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, 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	<u>316,777</u>	<u>-</u>	<u>-</u>	<u>316,777</u>	<u>-</u>	<u>316,777</u>
Total	<u>\$ 20,539,752</u>	<u>\$ (200,424)</u>	<u>\$ 102,390</u>	<u>\$ 19,566,461</u>	<u>\$ (25,418)</u>	<u>\$ 20,313,910</u>
As of December 31, 2020:						
U.S. Treasury Securities						
Available-for-Sale	\$ 16,545,061	\$ (115,467)	\$ 84,484	\$ 15,949,684	\$ 511,077	\$ 16,940,671
Held to Maturity	<u>1,336,040</u>	<u>-</u>	<u>-</u>	<u>1,336,040</u>	<u>-</u>	<u>1,336,040</u>
Total	<u>\$ 17,881,101</u>	<u>\$ (115,467)</u>	<u>\$ 84,484</u>	<u>\$ 17,285,724</u>	<u>\$ 511,077</u>	<u>\$ 18,276,711</u>

Maturities of U.S. Treasury securities as of December 31, 2021 and 2020 were as follows (in thousands):

	2021 Fair Value	2020 Fair Value
Held to Maturity (Overnights)	\$ 316,777	\$ 1,336,040
Available-for-Sale:		
Due in one year or less	2,466,653	1,870,156
Due after one year through five years	11,524,479	9,952,398
Due after five years through ten years	<u>6,006,001</u>	<u>5,118,117</u>
Total	<u>\$ 20,313,910</u>	<u>\$ 18,276,711</u>

For the years ended December 31, 2021 and 2020, 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, 2021 and 2020 (in thousands):

	Losses		Losses		Total	
	Less than 12 months		12 months or more			
	Unrealized Losses	Fair Value	Unrealized losses	Fair value	Unrealized losses	Fair value
As of December 31, 2021:						
Available-for-Sale:						
U.S. Treasury Securities	<u>\$ (128,886)</u>	<u>\$ 8,323,726</u>	<u>\$ (68,418)</u>	<u>\$ 1,616,110</u>	<u>\$ (197,304)</u>	<u>\$ 9,939,836</u>
As of December 31, 2020:						
Available-for-Sale:						
U.S. Treasury Securities	<u>\$ (7,555)</u>	<u>\$ 1,804,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,555)</u>	<u>\$ 1,804,837</u>

4. ACCOUNTS RECEIVABLE, NET

Accounts Receivable with the Public

Guarantee Fee on NGNs, Net

For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs. Guarantee fees on each NGN Trust are 35 basis points per year, payable monthly, on the outstanding balance of the NGNs. As of December 31, 2021 and 2020, accounts receivable from guarantee fee on NGNs, net was \$0.0 and \$78.8 thousand, respectively.

The allowance for doubtful accounts on accounts receivable with the public as of December 31, 2021 and 2020 was \$0.0.

5. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of General Property, Plant and Equipment, Net as of December 31, 2021 and 2020 were as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
As of December 31, 2021:			
Assets under Capital Lease	\$ -	\$ -	\$ -
Internal-Use Software	<u>2,017</u>	<u>(2,017)</u>	<u>-</u>
Total General Property, Plant and Equipment, Net	<u>\$ 2,017</u>	<u>\$ (2,017)</u>	<u>\$ -</u>
As of December 31, 2020:			
Assets under Capital Lease	\$ 176	\$ (122)	\$ 54
Internal-Use Software	<u>2,017</u>	<u>(2,017)</u>	<u>-</u>
Total General Property, Plant and Equipment, Net	<u>\$ 2,193</u>	<u>\$ (2,139)</u>	<u>\$ 54</u>

6. 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, 2021 and 2020 were as follows (in thousands):

	2021			2020		
	NPCU AMEs	Corporate	Total	NPCU AMEs	Corporate	Total
		AMEs			AMEs	
Gross Receivables from AMEs	\$ 1,400,946	\$ 2,659,917	\$ 4,060,863	\$ 1,399,721	\$ 3,329,220	\$ 4,728,941
Allowance for Loss, beginning balance	1,393,663	2,573,462	3,967,125	1,457,205	2,536,706	3,993,911
AME Receivable Bad Debt						
Expense (Reduction)	(10,326)	(135,110)	(145,436)	(18,165)	36,756	18,591
Increase / (Decrease) in Allowance	16,220	-	16,220	(10,225)	-	(10,225)
Write-off of Canceled Charters	-	-	-	(35,152)	-	(35,152)
Allowance for Loss, ending balance	<u>1,399,557</u>	<u>2,438,352</u>	<u>3,837,909</u>	<u>1,393,663</u>	<u>2,573,462</u>	<u>3,967,125</u>
Receivables from AMEs, Net	<u>\$ 1,389</u>	<u>\$ 221,565</u>	<u>\$ 222,954</u>	<u>\$ 6,058</u>	<u>\$ 755,758</u>	<u>\$ 761,816</u>

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. The amounts for Write-off of Canceled Charters total the final loss or recovery recognized upon closing AMEs.

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 13.

7. 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 CAMEL rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMEL system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of five critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, and Liquidity/Asset-Liability Management (CAMEL). 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 CAMEL 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, CAMEL 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 \$162.0 million and \$177.3 million as of December 31, 2021 and 2020, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 177,300	\$ 116,978
Reserve expense (reduction)	2,422	50,097
Payments to settle claims	(17,447)	(25,173)
Recoveries and other adjustments	(317)	35,398
Ending balance	<u>\$ 161,958</u>	<u>\$ 177,300</u>

The Insurance and Guarantee Program Liabilities at December 31, 2021 and 2020 were comprised of the following:

- Specific reserves were \$6.6 million and \$18.1 million, respectively.
- General reserves were \$155.4 million and \$159.2 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 2021 or as of December 31, 2021. There were no guarantees outstanding during 2020 or as of December 31, 2020.

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, 2021 and December 31, 2020 were approximately \$0.0 and \$4.2 million, respectively. There were no borrowings by insured credit unions from the

third-party lenders under these line-of-credit guarantees as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the NCUSIF reserved \$0.0 and \$77.6 thousand, 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, 2021 and 2020.

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.

NCUA Guaranteed Notes

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. As of December 31, 2021 and 2020, the outstanding principal balance of the NGNs was \$0.0 and \$431.3 million, respectively.

8. OTHER LIABILITIES

The NCUSIF leases laptops for state credit union examiners under a capital lease agreement with a non-federal vendor that ends in 2021. The capital lease liability as of December 31, 2021 and 2020 was \$0.0 and \$60.0 thousand, respectively.

The capital lease liability is covered by budgetary resources. The remaining balance in Other Liabilities includes payroll and other accrued liabilities, totaling \$1.2 million and \$1.1 million at December 31, 2021 and 2020, respectively.

9. 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 2021 and 2020, the allocation to the NCUSIF was 62.3% and 61.3% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled \$194.2 million and \$183.6 million for the years ended December 31, 2021 and 2020, 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	2021	2020
Employee Salaries	\$ 103,432	\$ 101,308
Employee Benefits	43,302	39,703
Employee Travel	685	2,968
Rent, Communications, and Utilities	3,684	3,336
Contracted Services	33,676	27,718
Depreciation and Amortization	5,962	5,229
Administrative Costs	<u>3,494</u>	<u>3,367</u>
 Total Services Provided by the NCUA Operating Fund	 <u>\$ 194,235</u>	 <u>\$ 183,629</u>

As of December 31, 2021 and 2020, amounts due to the NCUA Operating Fund for allocated expenses were \$4.9 million and \$3.3 million, respectively.

As of December 31, 2021 and 2020, advances and prepayments with the NCUA Operating Fund for overhead were \$7.8 million and \$0.0, respectively.

In 1992, the NCUSIF entered into a commitment to lend \$42.0 million to the NCUA Operating Fund, pursuant to a 30 year note secured by the NCUA's Central Office in Alexandria, Virginia. In December 2020, the Operating Fund paid off the remaining note balance of \$3.7 million. Interest income recognized was \$0.0 and \$71.3 thousand for the years ended December 31, 2021 and 2020, respectively.

10. 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, 2021 and 2020, 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. The CARES Act temporarily increased borrowing authority from 12 times to 16 times the subscribed capital stock and surplus and amended the CLF membership provision to provide greater flexibility to corporate credit unions and natural-person credit unions. These amendments only apply during the period when the CARES Act is in effect, from March 27, 2020 through December 31, 2021. Under the CARES Act, the CLF had statutory borrowing authority of \$35.7 billion and \$33.0 billion as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of \$30.0 billion and \$25.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2022. The NCUSIF did not exercise its borrowing authority in 2021 or 2020.

11. 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, 2021 and 2020. 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, 2021 and 2020, the NCUSIF's resources in budgetary accounts were \$21.6 billion and \$19.3 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 has \$31.4 million and \$17.3 million in unpaid undelivered orders, and \$9.0 million and \$1.0 million in paid undelivered orders, as of December 31, 2021 and 2020, respectively. Refer to Note 9 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, 2021 and 2020 are as follows (in thousands):

<u>Undelivered Orders</u>	2021		2020	
	Paid	Unpaid	Paid	Unpaid
Federal	\$ 7,760	\$ 29,803	\$ -	\$ 15,947
Nonfederal	1,279	1,548	1,018	1,395
Total Undelivered Orders	<u>\$ 9,039</u>	<u>\$ 31,351</u>	<u>\$ 1,018</u>	<u>\$ 17,342</u>

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.

12. CONTRIBUTED CAPITAL

As of December 31, 2021 and 2020, contributed capital owed to the NCUSIF totaled \$0.0. Contributed capital due to insured credit unions was \$0.0 as of December 31, 2021 and 2020.

On December 16, 2021, the Board set the NOL at 1.33%, which is five basis points lower than the previous NOL of 1.38% set on December 17, 2020.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio is 1.26% as of December 31, 2021. This equity ratio is based on insured shares of \$1.6 trillion as of December 31, 2021, and is below the normal operating level of 1.33%.

As of December 31, 2020, the NCUSIF equity ratio of 1.26% was below the normal operating level of 1.38%. Therefore, the NCUSIF did not estimate or record a distribution in 2021. Total contributed capital as of December 31, 2021 and 2020 was \$15.8 billion and \$13.8 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2021 and 2020 was 1.24% and 1.23%, based on total insured shares as of December 31, 2021 and 2020 of \$1.6 trillion and \$1.5 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.

13. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2021 and 2020 (in thousands):

<u>Schedule of Fiduciary Activity</u>	<u>2021</u>	<u>2020</u>
Fiduciary Net Liabilities, beginning of year	\$ (1,415,663)	\$ (1,463,387)
Net Realized Losses upon Liquidation	(4,781)	(1,614)
Revenues		
Interest on Loans	209	8,818
Other Fiduciary Revenues	2,425	91
Expenses		
Professional & Outside Services Expenses	(2,069)	(10,941)
Compensation and Benefits	(345)	(361)
Other Expenses	(626)	(303)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain on Loans	391	44,784
Net Gain / (Loss) on Real Estate Owned	(13)	1,445
Other, Net Gain / (Loss)	12,148	(29,347)
(Increase) / Decrease in Fiduciary Net Liabilities	<u>7,339</u>	<u>12,572</u>
Write-off of Fiduciary Liabilities for		
Canceled Charters	-	35,152
Fiduciary Net Liabilities, end of year	<u>\$ (1,408,324)</u>	<u>\$ (1,415,663)</u>

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, 2021 and 2020 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities

	2021	2020
Fiduciary Assets		
Loans	\$ 6,015	\$ 7,620
Real Estate Owned	-	897
Other Fiduciary Assets	1,907	(432)
Total Fiduciary Assets	7,922	8,085
Fiduciary Liabilities		
Insured Shares	1,732	223
Accrued Liquidation Expenses	9,887	14,807
Unsecured Claims	3,188	7,403
Uninsured Shares	493	1,594
Due to the NCUSIF (Note 6)	1,400,946	1,399,721
Total Fiduciary Liabilities	1,416,246	1,423,748
Total Fiduciary Net Assets / (Liabilities)	\$ (1,408,324)	\$ (1,415,663)

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2021 and 2020, gross receivables related to criminal restitution orders were \$251.4 million and \$251.9 million, of which we determined \$17.6 thousand and \$6.1 thousand were collectible, respectively.

(b) Corporate AMEs

Following are the Schedules of Fiduciary Activity for the periods ended December 31, 2021 and 2020 (in thousands):

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

Schedule of Fiduciary Activity	For the Year Ended December 31, 2020			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2019	\$ 67,621	\$ -	\$ -	\$ 67,621
Revenues				
Interest on Loans	-	-	-	-
Income from AMEs on Re-Securitized Assets	-	(43,715)	43,715	-
Income from Investment Securities	(79,515)	-	-	(79,515)
Settlements and Legal Claims	(12,811)	-	-	(12,811)
Other Fiduciary Revenues	(8,255)	-	-	(8,255)
Expenses				
Professional and Outside Services Expenses	12,087	-	-	12,087
Interest Expense on Borrowings and NGNs	2,205	35,799	-	38,004
Payments to NGN Trusts	43,715	-	(43,715)	-
Guarantee Fees	-	7,916	-	7,916
Other Expenses	647	-	-	647
Net Change in Recovery Value of Assets and Liabilities	222,240	-	-	222,240
(Decrease) in Fiduciary Net Liabilities	180,313	-	-	180,313
Fiduciary Net Liabilities, December 31, 2020	\$ 247,934	\$ -	\$ -	\$ 247,934

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. This 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, including interest expense on borrowings and the NGNs.

Following are the Schedules of Fiduciary Net Assets/Liabilities as of December 31, 2021 and 2020 (in thousands):

Schedule of Fiduciary Net Assets / Liabilities

As of December 31, 2021

	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	\$ 608,416	\$ -	\$ -	\$ 608,416
Legacy Assets	861,823	-	-	861,823
Legacy Assets/Investments Collateralizing the NGNs	-	-	-	-
Loans	-	-	-	-
Receivables from AMEs	-	-	-	-
Other Fiduciary Assets	19	-	-	19
Total Fiduciary Assets	<u>1,470,258</u>	<u>-</u>	<u>-</u>	<u>1,470,258</u>
Fiduciary Liabilities				
Accrued Expenses	33,812	-	-	33,812
NGNs	-	-	-	-
Due to NGN Trusts	-	-	-	-
Unsecured Claims and Payables	43	-	-	43
Due to the NCUSIF (Note 6)	2,659,917	-	-	2,659,917
Total Fiduciary Liabilities	<u>2,693,772</u>	<u>-</u>	<u>-</u>	<u>2,693,772</u>
Total Fiduciary Net Assets / (Liabilities)	<u>\$ (1,223,514)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,223,514)</u>

Schedule of Fiduciary Net Assets / Liabilities

As of December 31, 2020

	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Assets				
Cash and Cash Equivalents	\$ 362,918	\$ 25,501	\$ -	\$ 388,419
Legacy Assets	2,438,258	-	-	2,438,258
Legacy Assets/Investments Collateralizing the NGNs	422,915	292,288	-	715,203
Loans	-	-	-	-
Receivables from AMEs	4	114,236	(114,236)	4
Other Fiduciary Assets	-	-	-	-
Total Fiduciary Assets	<u>3,224,095</u>	<u>432,025</u>	<u>(114,236)</u>	<u>3,541,884</u>
Fiduciary Liabilities				
Accrued Expenses	28,468	751	-	29,219
NGNs	-	431,274	-	431,274
Due to NGN Trusts	114,236	-	(114,236)	-
Unsecured Claims and Payables	105	-	-	105
Due to the NCUSIF (Note 6)	3,329,220	-	-	3,329,220
Total Fiduciary Liabilities	<u>3,472,029</u>	<u>432,025</u>	<u>(114,236)</u>	<u>3,789,818</u>
Total Fiduciary Net Assets / (Liabilities)	<u>\$ (247,934)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (247,934)</u>

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, 2021 and 2020. 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. During 2020, seven NGN Trusts matured on their legal matured dates.

14. 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 2021 and 2020 is shown below (in thousands):

Reconciliation of Net Cost of Operations to Net Outlays	2021		
	Intra- governmental	With the public	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)

	2020		
Reconciliation of Net Cost of Operations to Net Outlays	Intra- governmental	With the public	Total
Net Cost of / (Income from) Operations	\$ 183,558	\$ 55,582	\$ 239,140
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(50,097)	(50,097)
AME Receivable Bad Debt Expense (Reduction)	-	(18,591)	(18,591)
Depreciation Expense	-	(59)	(59)
Increase / (decrease) in assets:			
Accounts Receivable	-	(696)	(696)
Other Assets	-	(2)	(2)
(Increase) / decrease in liabilities:			
Accounts Payable	(954)	(3,888)	(4,842)
Other Liabilities	-	659	659
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(954)	(72,674)	(73,628)
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	159,955	159,955
Interest Revenue - Investments	(264,153)	-	(264,153)
Change in Contributed Capital	-	(1,843,287)	(1,843,287)
Other Adjustments that do not affect Net Cost of Operations	338,269	-	338,269
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	74,116	(1,683,332)	(1,609,216)
Net Outlays	\$ 256,720	\$ (1,700,424)	\$ (1,443,704)

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 15, 2022, 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, 2021.