

ACCOUNTING AND AUDITING

“NIFCUS\$ - What Is It?”

NIFCUS\$ is an acronym for National Investment Fund for Credit Union\$. In 1975, the National Association of Federal Credit Unions (NAFCU) Services Corporation (NSC) teamed up with High Market Capital Management Inc. to provide a Common Trust investment vehicle for credit unions called The National Investment Fund for Credit Unions (NIFCUS\$). It is designed to serve the liquidity needs of credit unions. Common trust investments are a commingling of individual trust funds into a common pool.

**Common trust
investments are a
commingling of
individual trust funds
into a common pool.**

The original NIFCUS\$ fund had a longer average maturity and therefore its share value was subject to market fluctuations. In 1980, NIFCUS\$ was converted to a short term fund which strives to maintain a constant dollar per share price. Since then, over 1,000 credit unions nationwide have invested billions of dollars in NIFCUS\$ without a single loss of any principal. This fund helps credit unions diversify their investment portfolio, enhance yield,

and improve their access to overnight funds

NIFCUS\$ is not a mutual fund but instead a Common Trust Investment organized under Regulation 9 of the Comptroller of the Currency. The fund is offered exclusively to Federal and State chartered credit unions. NAFCU membership is not required to take advantage of this investment vehicle.

NIFCUS\$ may only invest in short term, highly liquid, money market instruments. All securities must be permissible under NCUA's *Rules and Regulations* for federal credit union investments. Under no circumstances may NIFCUS\$ invest in any type of mortgage-backed derivatives. The duration limits of the investments in the overall weighted average maturity may never exceed 90 days.

The fund is broadly diversified and no single issuer other than the US Government can comprise more than 20% of the fund. Securities other than US Government obligations must be top ranked by both S&P and Moody's.

NIFCUS\$ is Aaa rated by Moody's Investor Service, a leading statistical rating organization. NIFCUS\$ is managed by Highmark Capital Management, Inc. (formally Pacific Alliance), the asset management affiliate of Union Bank of California NA.

The accounting for this investment vehicle is very simple and the income is recorded as income

**...over 1,000 credit
unions nationwide have
invested billions of
dollars in NIFCUS\$
without a single loss of
any principal.**

from investments. Since NIFCUS\$ is a common trust investment, it should be classified on the credit union's balance sheet as available for sale. This is in accordance with Statement of Financial Accounting Standards (SFAS) 115.

Another service NIFCUS\$ offers is a certificate of deposit purchasing and management program. Credit unions can choose maturities from 30 days to 10 years. Income is swept into the credit union's NIFCUS\$ account so those funds earn interest also.

NIFCUS\$ funds are not insured but the fund does offer credit unions another choice of where to invest their funds. For information on the NIFCUS\$ fund go to their website at www.NIFCUS.com ■

*Ellen Grosskopf, NCCO
Senior Auditor*