



Report of Independent Auditors and
Financial Statements

Ann Arbor Area Community Foundation

December 31, 2022 and 2021

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Report of Independent Auditors

To the Board of Trustees
Ann Arbor Area Community Foundation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ann Arbor Area Community Foundation, which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, statement of functional expenses 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 Ann Arbor Area Community Foundation as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ann Arbor Area Community Foundation to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 accounting principles generally accepted in the United States of America, 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 Ann Arbor Area Community Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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, 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 Ann Arbor Area Community Foundation'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 Ann Arbor Area Community Foundation'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.

The image shows a handwritten signature in cursive script that reads "Moss Adams LLP". The signature is written in dark ink and is positioned above the printed name and date.

San Francisco, California
May 23, 2023

Financial Statements

Ann Arbor Area Community Foundation
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 2,408,443	\$ 3,483,390
Investments	179,470,220	209,872,196
Accounts receivable	-	14,940
Community impact notes receivable	1,441,000	1,137,945
Bequests and other deferred gifts receivable	610,393	2,351,969
Pledges receivable, net	125,559	183,920
Charitable remainder unitrust	1,067,988	1,349,972
Property, plant, and equipment, net	<u>977,900</u>	<u>1,034,317</u>
Total assets	<u>\$ 186,101,503</u>	<u>\$ 219,428,649</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 48,761	\$ 46,607
Grants payable	161,071	364,321
Liability to life beneficiaries of planned gifts	471,996	607,754
Annuity payable	113,648	116,994
Other liabilities	32,395	22,327
Assets held for others:		
Endowed	4,405,870	4,876,624
Nonendowed	<u>1,226</u>	<u>1,123</u>
Total liabilities	<u>5,234,967</u>	<u>6,035,750</u>
NET ASSETS		
Without donor restrictions	179,534,594	210,114,793
With donor restrictions	<u>1,331,942</u>	<u>3,278,106</u>
Total net assets	<u>180,866,536</u>	<u>213,392,899</u>
Total liabilities and net assets	<u>\$ 186,101,503</u>	<u>\$ 219,428,649</u>

See accompanying notes.

Ann Arbor Area Community Foundation
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, (LOSSES) GAINS, AND OTHER SUPPORT						
Gifts, grants, and pledges	\$ 3,720,327	\$ 540,000	\$ 4,260,327	\$ 15,153,242	\$ 2,445,469	\$ 17,598,711
In-kind donations	21,032	-	21,032	54,226	-	54,226
Net realized and unrealized (losses) gains on investments	(28,556,025)	-	(28,556,025)	31,680,566	-	31,680,566
Interest and dividends	3,322,084	-	3,322,084	3,105,271	-	3,105,271
Change in value of charitable remainder trust and deferred gifts receivable	205,331	(146,226)	59,105	(170,543)	77,392	(93,151)
Loss on disposal of assets	(1,472)	-	(1,472)	-	-	-
Net assets released from restrictions	2,339,938	(2,339,938)	-	162,025	(162,025)	-
Total revenue, (losses) gains, and other support	(18,948,785)	(1,946,164)	(20,894,949)	49,984,787	2,360,836	52,345,623
EXPENSES						
Program services:						
Grants	9,174,529	-	9,174,529	9,211,795	-	9,211,795
Programs and grants administration	834,178	-	834,178	536,371	-	536,371
Total program services	10,008,707	-	10,008,707	9,748,166	-	9,748,166
Support services:						
Management and general	1,136,146	-	1,136,146	997,892	-	997,892
Development	486,561	-	486,561	667,157	-	667,157
Total support services	1,622,707	-	1,622,707	1,665,049	-	1,665,049
Total expenses	11,631,414	-	11,631,414	11,413,215	-	11,413,215
NET CHANGE IN NET ASSETS	(30,580,199)	(1,946,164)	(32,526,363)	38,571,572	2,360,836	40,932,408
NET ASSETS, beginning of year	210,114,793	3,278,106	213,392,899	171,543,221	917,270	172,460,491
NET ASSETS, end of year	\$ 179,534,594	\$ 1,331,942	\$ 180,866,536	\$ 210,114,793	\$ 3,278,106	\$ 213,392,899

See accompanying notes.

Ann Arbor Area Community Foundation
Statement of Functional Expenses
December 31, 2022

	Program Services and Community Services	Support Services		
		Management and General	Development	Total
Salaries and wages	\$ 382,487	\$ 623,720	\$ 232,698	\$ 1,238,905
Payroll taxes and fringe benefits	77,330	119,929	42,519	239,778
Total salaries and related expenses	459,817	743,649	275,217	1,478,683
Advertising	1,000	1,032	23,111	25,143
Conferences and meetings	18,971	29,253	3,980	52,204
Depreciation	16,648	29,080	8,216	53,944
Donor services	7,843	14,718	49,123	71,684
Dues and subscriptions	4,496	9,043	2,020	15,559
Events	5,000	-	40,310	45,310
Grants	9,174,529	-	-	9,174,529
In-kind expense	-	21,032	-	21,032
Insurance	-	16,032	-	16,032
Impact investing	29,677	-	-	29,677
Miscellaneous	-	5,645	6,709	12,354
Occupancy	10,787	18,842	5,324	34,953
Postage	95	1,383	1,533	3,011
Professional fees	222,998	150,741	25,135	398,874
Supplies	10,859	17,617	5,119	33,595
Tech licenses and fees	45,379	74,898	21,621	141,898
Telephone	608	1,062	300	1,970
Website	-	2,119	18,843	20,962
Total functional expenses	\$ 10,008,707	\$ 1,136,146	\$ 486,561	\$ 11,631,414

See accompanying notes.

Ann Arbor Area Community Foundation
Statement of Functional Expenses (Continued)
December 31, 2021

	Program Services and Community Services	Support Services		Total
		Management and General	Development	
Salaries and wages	\$ 315,205	\$ 546,098	\$ 331,239	\$ 1,192,542
Payroll taxes and fringe benefits	55,447	105,577	60,128	221,152
Total salaries and related expenses	370,652	651,675	391,367	1,413,694
Advertising	195	3,106	18,234	21,535
Bad debt expense	-	-	504	504
Conferences and meetings	6,695	9,955	4,889	21,539
Depreciation	14,812	28,056	14,049	56,917
Donor services	5,151	4,075	112,057	121,283
Dues and subscriptions	-	4,322	3,110	7,432
Events	4,457	-	-	4,457
Grants	9,211,795	-	-	9,211,795
In-kind expense	-	48,056	6,170	54,226
Insurance	-	16,831	-	16,831
Impact investing	9,825	-	-	9,825
Miscellaneous	-	1,674	8,440	10,114
Occupancy	9,096	17,230	8,628	34,954
Postage	-	1,795	2,013	3,808
Professional fees	57,703	116,895	43,615	218,213
Strategic planning	-	4,625	1,550	6,175
Supplies	5,518	9,061	6,038	20,617
Tech licenses and fees	50,956	77,358	39,697	168,011
Telephone	1,311	2,483	1,244	5,038
Website	-	695	5,552	6,247
Total functional expenses	<u>\$ 9,748,166</u>	<u>\$ 997,892</u>	<u>\$ 667,157</u>	<u>\$ 11,413,215</u>

See accompanying notes.

Ann Arbor Area Community Foundation
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease)/Increase in net assets	\$ (32,526,363)	\$ 40,932,408
Adjustments to reconcile decrease/increase in net assets to net cash (used)/provided by operating activities:		
Depreciation	53,944	56,917
Amortization of discount on pledges receivable	(4,161)	1,448
Noncash charitable remainder unitrust	281,984	(99,424)
Net unrealized loss/(gain) on investment	42,193,938	(22,996,180)
Net realized gain on investments	(15,547,138)	(11,109,634)
Changes in operating assets and liabilities:		
Accounts receivable	14,940	419
Pledges and trusts receivable	62,522	67,077
Bequests and other deferred gifts receivable	1,741,576	(2,351,969)
Loss on disposal of fixed asset	1,472	-
Accounts payable and other liabilities	12,222	(9,233)
Grants payable	(203,250)	184,421
Annuity payable	(3,346)	(3,907)
Assets held for others, endowed	(470,754)	801,525
Assets held for others, nonendowed	103	152
Liability to life beneficiaries of planned gifts	(135,758)	22,031
Net cash (used)/provided by operating activities	<u>(4,528,069)</u>	<u>5,496,051</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(15,272)
Proceeds from sale of fixed asset	1,001	-
Purchases of investments	(65,961,194)	(45,566,309)
Proceeds from sales and maturities of investment	69,716,370	39,432,961
Community impact notes issued	(375,000)	(941,000)
Repayments of notes issued	71,945	123,055
Net cash provided/(used) in investing activities	<u>3,453,122</u>	<u>(6,966,565)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,074,947)	(1,470,514)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,483,390</u>	<u>4,953,904</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,408,443</u></u>	<u><u>\$ 3,483,390</u></u>

See accompanying notes.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Note 1 – Nature of Activities

The Ann Arbor Area Community Foundation (the “Community Foundation”) enriches the quality of life in its region through its knowledgeable leadership, engaged grantmaking, and creative partnerships with donors to make philanthropic investments and build endowment.

Note 2 – Significant Accounting Policies

Basis of accounting – The financial statements of the Community Foundation have been prepared under accounting principles generally accepted in the United States of America for not-for-profit organizations (“GAAP”). References to fiscal years 2022 and 2021 refer to the years ended December 31, 2022 and 2021, respectively.

Use of estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Financial statement presentation – The Community Foundation has determined that the use of fund accounting to segregate assets, liabilities, net assets, income, and expenses, although not required by accounting standards, is a meaningful practice to continue. While not presented in these financial statements, internally the Community Foundation utilizes eight fund types to segregate activities as follows:

- Community impact – Also known as “unrestricted” funds, these are net assets that are not subject to donor- or board-imposed restrictions.
- Field of impact – Resources used to support specific areas, such as community development, the performing arts, health care, environmental preservation, education, services for the elderly, or programs for youth.
- Scholarship – Resources used to help area students complete their education.
- Donor advised – Resources for which the donors are active participants in the giving process, sharing their insights and preferences with the Community Foundation’s trustees as fund distributions are made.
- Non-Profit endowments – Resources for which the donors specify certain charities as recipients of their gifts. Funds received directly from not-for-profit organizations for their own endowment fund are a subset of this category. Such funds are referred to as “agency” endowment funds and shown as a liability.
- Special – This fund category is used to account for nonendowed gifts and grants received by the Community Foundation. Such funds allow for distributions of both income and principal.
- Trust – This fund type includes a charitable remainder unitrust gift and a charitable gift annuity.

Ann Arbor Area Community Foundation

Notes to Financial Statements

- Administrative – Resources used to provide financial support for the Community Foundation's day-to-day programs and operations.

Description of net assets – Net assets are classified based on existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions are defined as that portion of net assets that has no use or time restrictions. The bylaws of the Community Foundation include a variance provision giving the Board of Trustees (the "Board") the power to modify any restriction or condition on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Board (without the necessity of the approval of any other party), such restriction or condition becomes, in effect, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. Based on that provision, the Community Foundation classifies contributions, except as noted below, as net assets without donor restrictions for financial statement presentation.

The Board has designated, from net assets without donor restrictions, net assets for Board-designated endowments. These Board-designated endowments distribute an annual payout based on the Board-approved spending policy which is used to provide funding for community impact, administrative, scholarship, non-profit endowment, and field of impact funds as described above.

Net assets with donor restrictions are defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Contributions unconditionally promised, including irrevocable planned gifts, which are scheduled to be received more than one year in the future, are recorded at fair value, classified as net assets with donor restrictions until the funds are received, and are discounted at a rate commensurate with the risk. The Community Foundation also receives grants from charitable foundations and local agencies for initiatives and special projects for which purpose restrictions apply. Such grants and contributions are recorded as net assets with donor restrictions until the purpose restrictions are met, at which time the assets are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Cash and cash equivalents – For financial statement purposes, the Community Foundation considers all cash accounts, except those being held for investment purposes, and all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

Investments – Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date. The Community Foundation determines fair value based on the fair value hierarchy established under applicable accounting guidance which requires an entity to prioritize the use of observable market-based inputs over the use of unobservable inputs when measuring fair value.

Investments are exposed to various risks, such as changes in interest rates or credit and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities and other investments, it is at least reasonably possible that changes in value in the near term could materially affect the Community Foundation's investments and total net assets balance.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Community impact notes receivable – Community impact notes receivable are investments that would not be made were it not for the relationship of the investment to the Community Foundation's programmatic mission. Although the underlying investments may or may not have a profit motive, that is not the primary focus of the investment by the Community Foundation. The notes may be secured or unsecured.

As part of its strategy of using a portion of its investment assets to create direct community impact in Washtenaw County, the Community Foundation makes investments in notes receivable with local nonprofit organizations. Notes receivable are comprised of loans ranging from \$20,000 to \$250,000 at annual interest rates ranging from 1.50% to 8.00% at December 31, 2022 and 2021, respectively. The notes mature at various dates through 2027.

Community impact notes receivable are summarized as follows for the period ending December 31:

	<u>2022</u>	<u>2021</u>
Short-term notes	\$ 250,000	\$ 71,945
Long-term notes	<u>1,191,000</u>	<u>1,066,000</u>
Total community impact notes receivable	<u><u>\$ 1,441,000</u></u>	<u><u>\$ 1,137,945</u></u>

Going forward, management expects that investments focused on long-term impact in our community will make up a growing share of the Community Foundation's total investment allocation.

The loans have various interest rates and maturity dates with additional commitments of \$120,000 yet to be deployed. Of the year ended December 31, 2022, balance, \$1,000,000 consisted of investments from the Community Foundation's investment portfolio, and \$441,000 consisted of investments made directly by donor-advised funds. Payments on the loans will consist of interest only, with the full principal balances due at maturity. Management determines the allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. Management determined that an allowance for uncollectible loans was not necessary as of December 31, 2022 and 2021.

Bequests receivable and other deferred gifts receivable – Bequests receivable consist of gifts made by means of wills and trusts for which the donor is deceased and are otherwise considered irrevocable. Other deferred gifts receivable consist of other gifts for which payment is expected in the future. Deferred gifts expected to be realized in greater than one year are recorded at the present value of the revenue to be received using discount rates appropriate for the time frame and risk level of the asset, when in the judgement of management such a calculation would result in a meaningful discount. No such discount was deemed necessary for the fiscal year ended December 31, 2022. Bequests and other deferred gifts receivable totaled \$610,393 and \$2,351,969 as of December 31, 2022 and 2021, respectively.

Split-interest gifts – The Community Foundation has an irrevocable remainder beneficiary interest in charitable remainder trusts and charitable gift annuities whose maturities are based on the life expectancies of the income beneficiaries.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Trusts and annuities in which the Community Foundation is both trustee and remainder beneficiary are recorded at the fair value of the assets in the trusts. The corresponding liability for certain future amounts due to beneficiaries is recorded at the fair value of the annuity payments. The present value discount rates used for all trusts and annuities were 5% at December 31, 2022 and 2021, respectively.

Pledges receivable – Pledges receivable are unconditional promises to give that are expected to be collected in future years. Management determines the allowance for doubtful accounts by evaluating individual balances and assessing the likelihood of collections. Pledges receivable expected to be realized in greater than one year are recorded at the present value of the revenue to be received using discount rates appropriate for the time frame and risk level of the asset, when in the judgement of management such a calculation would result in a meaningful discount. No such discount was deemed necessary for the fiscal year ended December 31, 2022. For the fiscal year ended December 31, 2021, pledges receivable were subject to discounting based on the relevant Treasury security rate plus two percentage points.

Property and equipment – Property and equipment are recorded at cost when purchased and at estimated fair value when donated. Depreciation on property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years.

Agency transactions – The Community Foundation has adopted established standards for transactions in which the Community Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on the investment of those assets, or both to another entity that is specified by the donor. The Community Foundation refers to these types of resources as nonprofit endowments, agency endowments, or special funds and has accounted for these three types of funds in the nonprofit endowments and/or special fund categories. The statements of financial position refers to agency endowment funds held within the nonprofit endowment category as endowed assets held for others. The statements of financial position also refer to nonendowed assets held for others. These assets represent temporary special funds that have an impact on the community and facilitate the individual donors' support of time-limited initiatives.

The agency fund agreements between the Community Foundation and the organizations allow for distributions per the spending policy of the Community Foundation. The special fund agreements between the Community Foundation and the organizations or individuals allow for distribution of both income and principal. The resources received under these agreements are not considered contributions to the Community Foundation and, therefore, have been classified as a liability.

In 2022 and 2021, funds of \$448,298 and \$62,012, respectively, were received under agency endowment fund agreements and were recorded directly to assets held for others in the statements of financial position liability account.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Accounting treatment for each type of fund

Nonprofit endowment funds – Nonprofit endowment funds are typically established with gifts from a donor with a request to distribute the transferred assets, the return on the investment of those assets, or both to a specified unaffiliated beneficiary. Additionally, the donor has granted the Community Foundation variance power, which allows the Community Foundation the flexibility to ensure that the donor's charitable interest will be served in perpetuity. When accounting for additions to nonprofit endowment funds that are not agency endowment funds (see below), the Community Foundation records the assets received or promised as contributed revenue.

Agency endowment funds – When a not-for-profit organization ("NPO") establishes, with its own funds, a nonprofit endowment fund at the Community Foundation for its own benefit, the transfer of assets to the Community Foundation is not contribution revenue and is accounted for as a liability. The Community Foundation refers to such funds as "agency" endowment funds. The Community Foundation continues to report the fund as an asset of the Community Foundation; however, a liability for the market value is also recorded, representing the present value of the future payments expected to be made to the NPO. Agency endowment funds totaled \$4,405,870 and \$4,876,624 at December 31, 2022 and 2021, respectively.

Contributions revenue – Contributions are recognized as revenue when received or unconditionally promised. Unconditional promises to give that are expected to be collected in future years are recognized at fair value based on discounted cash flows if, in the judgment of management, this adjustment would result in a meaningful change in value. If calculated, the discount on these amounts is computed using the rate applicable in the year the promises were received. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the original contributions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of public stock are recorded at the average of the high and low quoted market prices on the date of donation.

In-kind donations – Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill for which the Community Foundation would have paid for if not contributed, are recorded at their estimated fair value at the date the contributed services are received. In-kind donations consist of materials and services given without remuneration. In 2022 and 2021 professional services were donated by a consulting firm owned by the secretary of the Board of Trustees with a fair market value of \$20,360 and \$40,160, respectively. The remaining donations for 2022 and 2021 consisted of artwork, household goods, and other professional services.

Grants awarded – Grants are recognized when all significant conditions are met by grantees, all due diligence has been completed, and they are approved by staff or board committee. Grant refunds are recorded as a reduction of grant expense at the time the Community Foundation receives or is notified of the refund.

There were no conditional grants awarded as of December 31, 2022 and 2021.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Functional allocation of expenses – The Community Foundation allocates expenses on a functional basis to program and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Wages, payroll taxes, and benefits are allocated based on an estimate of the time each staff member spends related to each of the functional categories. Other expenses, such as certain administration and occupancy expenses, are allocated based on estimates of overall staff time allocated to each functional category. Although allocation methods used are considered reasonable, other methods could be used that would produce different results. Management and general and development costs are shown as administrative costs under support services on the statements of activities and changes in net assets.

Tax status – The Internal Revenue Service has ruled that the Community Foundation is a public charity, as described in Section 509(a)(1) of the Internal Revenue Code (“IRC”). Consequently, the Community Foundation is exempt from federal income tax and certain excise taxes imposed on private foundations under Section 501(c)(3) of the United States IRC.

Concentration of credit risk arising from deposit accounts – The Community Foundation maintains cash balances at two institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation in accordance with the program limit. In addition, the Community Foundation uses a cash management product through its primary depository institution to diversify its deposits with other banking institutions, keeping each additional deposit under the FDIC limit. At times, the balances held in the primary deposit account may exceed federally insured amounts.

Recently implemented accounting standards – In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard establishes a right-of-use (ROU) model that requires a lessee to recognize an ROU asset and a lease liability on the statement of financial position for all leases with lease terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Community Foundation adopted this new lease standard on January 1, 2022, using a modified retrospective transition, with the cumulative-effect adjustment to the opening balance of net assets as of the effective date (the “effective date method”). Under the effective date method, financial results reported in periods prior to 2022 are unchanged. The Community Foundation also elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Community Foundation to carry forward the historical lease classification. The Community Foundation did not have any leases within the scope of Topic 842 and therefore adoption of this standard did not have a material impact on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. ASU No. 2020-07 is effective for the Community Foundation for the year ended December 31, 2022. The adoption of this standard did not have a material impact on the financial statements.

Ann Arbor Area Community Foundation

Notes to Financial Statements

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. The Community Foundation recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Community Foundation's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before the financial statements are available to be issued.

The Community Foundation has evaluated subsequent events through May 23, 2023, which is the date the financial statements were available to be issued.

Note 3 – Investments and Fair Value Measurements

Investments were composed of the following fair values at December 31:

	2022	2021
Money market funds	\$ 312,149	\$ 849,706
Fixed income	15,921,620	21,378,708
Equity securities	87,267,066	112,424,120
Alternative investments	75,969,385	75,219,662
Total	<u>\$ 179,470,220</u>	<u>\$ 209,872,196</u>

Investment (loss) income and expenses were composed of the following for the years ended December 31:

	2022	2021
Interest and dividends	\$ 3,322,084	\$ 3,105,271
Net realized gains	15,547,138	11,109,634
Net unrealized (losses) gains	(42,193,938)	22,996,180
Investment fees	(1,909,225)	(2,425,248)
Total	<u>\$ (25,233,941)</u>	<u>\$ 34,785,837</u>

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Ann Arbor Area Community Foundation

Notes to Financial Statements

The following tables present information about the Community Foundation's assets and liabilities measured at fair value on a recurring basis at December 31, 2022 and 2021, and the valuation techniques used by the Community Foundation to determine those fair values.

Level 1 – Investments include marketable securities, exchange traded funds, and cash equivalents that are carried at fair value based on observable quoted market prices in active markets and mutual funds that are valued based on the net asset value per share computed by the fund manager and validated by a sufficient level of observable activity (i.e., purchases and sales).

Level 2 – Inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 – Unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability. Level 3 investments include charitable remainder unitrust and liabilities associated with life beneficiaries of planned gifts. Valuation techniques and inputs for each are described below.

Financial instruments such as commingled funds, hedge funds, and private equity funds are valued at net asset value ("NAV") when an investment's value is based on capital statements provided by entities that qualify to calculate fair value using NAV per share or its equivalent.

Beneficial interests – The Community Foundation uses a discounted cash flow methodology to determine fair value of the beneficial interests in charitable remainder trusts and to determine the liability associated with split interest agreements. Inputs used for valuation of remainder interests in charitable trusts include statements provided by the custodian, the life expectancy of the income beneficiaries, and an applicable discount rate determined by the Community Foundation. The fair value of beneficial interests is reviewed and updated annually by adjusting the current life expectancies of the income beneficiaries, applicable discount rate, and market value of each trust. A decrease in the discount rate and a longer life expectancy will decrease the fair value of the trust receivable.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Community Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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Notes to Financial Statements

The following tables present the balance of assets and liabilities carried at fair value on the statements of financial position as of December 31, 2022 and 2021:

December 31, 2022					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance, December 31, 2022
Assets:					
Investments:					
Money market funds:					
Short-term investment	\$ 312,149	\$ -	\$ -	\$ -	\$ 312,149
Mutual funds, fixed income	15,921,620	-	-	-	15,921,620
Mutual funds, domestic equity	47,837,373	-	-	-	47,837,373
Mutual funds, foreign equity	39,429,693	-	-	-	39,429,693
Alternative investments	-	-	-	75,969,385	75,969,385
Subtotal	103,500,835	-	-	75,969,385	179,470,220
Charitable remainder unitrust	-	-	1,067,988	-	1,067,988
Total assets	<u>\$ 103,500,835</u>	<u>\$ -</u>	<u>\$ 1,067,988</u>	<u>\$ 75,969,385</u>	<u>\$ 180,538,208</u>
Liabilities:					
Liability to life beneficiaries of planned gifts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471,996</u>	<u>\$ -</u>	<u>\$ 471,996</u>
December 31, 2021					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at Net Asset Value	Balance, December 31, 2021
Assets:					
Investments:					
Money market funds:					
Short-term investment	\$ 849,705	\$ -	\$ -	\$ -	\$ 849,705
Mutual funds, fixed income	21,378,708	-	-	-	21,378,708
Mutual funds, domestic equity	66,527,995	-	-	-	66,527,995
Mutual funds, foreign equity	45,896,126	-	-	-	45,896,126
Alternative investments	-	-	-	75,219,662	75,219,662
Subtotal	134,652,534	-	-	75,219,662	209,872,196
Charitable remainder unitrust	-	-	1,349,972	-	1,349,972
Total assets	<u>\$ 134,652,534</u>	<u>\$ -</u>	<u>\$ 1,349,972</u>	<u>\$ 75,219,662</u>	<u>\$ 211,222,168</u>
Liabilities:					
Liability to life beneficiaries of planned gifts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 607,754</u>	<u>\$ -</u>	<u>\$ 607,754</u>

Alternative investments include redeemable interests in domestic equity, global equity, real estate, real asset, private equity, and hedge funds. Alternative investments may be structured as limited partnerships, limited liability companies, commingled trusts, and offshore investment funds. These investments are based on their net asset value.

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Notes to Financial Statements

Investments in entities that calculate net asset value per share – The Community Foundation holds shares or interests in investment companies at year end for which the fair value of the investment held is estimated based on net asset value per share (or its equivalent) of the investment company. For assets totaling \$26,956,782 and \$33,353,091 at December 31, 2022 and 2021, respectively, the underlying assets held by these investment managers are primarily publicly traded equities and bonds for which net asset value is readily determined on a daily basis. For the remaining investments in this category, the underlying assets are primarily investments in privately owned assets for which current net asset value is based on the best estimates of the management of those funds; realizable values for these assets may vary from these estimates.

The following table presents the unfunded commitments, redemption frequency, and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

	December 31, 2022				
	Fair Value, December 31, 2022	Unfunded Commitments, December 31, 2022	Redemption Frequency, if Eligible	Redemption Notice Period	Redemption Restrictions and Lock-up Period
Domestic equity fund	\$ 19,914,550	\$ -	Quarterly	60 days	N/A
Foreign/global equity funds	2,953,853	-	Various	Various	Various
Real estate securities fund	4,088,378	-	Monthly	15 days	N/A
Hedge funds	70,634	-	Various	Various	Various
Private natural resources and real estate funds	11,307,300	9,494,724	Illiquid	N/A	N/A
Private equity funds	37,634,670	20,142,240	Illiquid	N/A	N/A
Total	<u>\$ 75,969,385</u>	<u>\$ 29,636,964</u>			

Equity funds are actively managed funds that invest in stocks and other securities issued by companies in domestic and foreign markets. Funds in the domestic equity fund category provide participants with an opportunity to invest in companies primarily located in the United States. Funds in the foreign/global equity fund category invest primarily in diversified portfolios of either foreign or global equity securities. Investments are held within a commingled trust or limited partnership structure.

Hedge funds include investments in funds that focus on two broad categories:

1. *Long/short hedge funds* – This category consists of funds that take long and short positions in U.S. and global common stocks. Management of the underlying hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position.
2. *Multi-strategy hedge funds* – This category includes investments in funds that invest through a wide variety of hedge fund managers employing many different strategies, with a bias toward credit spreads and arbitrage-type styles.

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Notes to Financial Statements

Private natural resources and real estate funds include investments in funds that focus on two broad categories:

1. *Private natural resources funds* are actively managed funds that invest primarily in private companies involved in mining, energy and infrastructure, timber, agribusiness, natural resources, and other hard assets. These investments are generally not redeemable from the fund manager.
2. *Real estate funds* are actively managed funds that invest in commercial properties in the U.S. and abroad including, but not limited to, residential, multi-family, office, retail, hotel, industrial, and other specialties. These investments are generally not redeemable from the fund manager.

Private equity funds are actively managed funds and fund-of-funds that invest in private and public companies through a variety of strategies including, but not limited to, early and late-stage venture capital, leveraged buyouts, distressed assets, special situations, and credit strategies. These investments are generally not redeemable from the fund manager.

The Community Foundation also monitors the liquidity of its investment portfolio to be certain that cash needs for any particular period of time can be met. At December 31, 2022 and 2021, the entire portfolio was invested as follows: 60 percent and 64 percent in assets with daily redemption terms, 2 percent and 5 percent monthly redemption, 11 percent and 12 percent quarterly redemption, and 27 percent and 19 percent illiquid, respectively. These figures are measured and monitored on a quarterly basis.

The table below presents information about significant unobservable inputs related to the categories of Level 3 financial assets and liabilities at December 31, 2022:

	Fair Value, December 31, 2022	Valuation Technique	Unobservable Inputs	Range Weighted Average
Assets - Charitable remainder unitrust	\$ 1,067,988	Fair value of trust investments	Underlying investments in trust	N/A
Liabilities - Liability to life beneficiaries of planned gifts	\$ 471,996	Present value of future cash outflows	Life expectancy of the beneficiary Discount rate Growth rate	10.7 5 percent 5 percent

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Notes to Financial Statements

Note 4 – Pledges Receivable

The Community Foundation receives contributions from related parties, such as the board members. For the years ended December 31, 2022 and 2021, such contributions were \$117,526 and \$70,498, respectively.

Pledges outstanding at December 31, 2022 and 2021, are expected to be collected as follows:

	2022	2021
Pledges receivable in less than one year	\$ 718,952	\$ 2,410,670
Pledges receivable in one to five years	16,000	127,380
Pledge receivable in more than five years	1,000	2,000
	<u>735,952</u>	<u>2,540,050</u>
Gross unconditional promises to give	735,952	2,540,050
Less: unamortized discount on pledges due in greater than one year	<u>-</u>	<u>(4,161)</u>
Unconditional promises to give	<u><u>\$ 735,952</u></u>	<u><u>\$ 2,535,889</u></u>

Note 5 – Property and Equipment

The cost of property and equipment is summarized as follows:

	2022	2021
Buildings	\$ 1,401,778	\$ 1,401,778
Furniture and fixtures	147,968	147,968
Computer equipment and software	121,690	126,475
	<u>1,671,436</u>	<u>1,676,221</u>
Total cost	1,671,436	1,676,221
Less: accumulated depreciation	<u>(693,536)</u>	<u>(641,904)</u>
Property and equipment, net	<u><u>\$ 977,900</u></u>	<u><u>\$ 1,034,317</u></u>

Depreciation expense for 2022 and 2021 was \$53,944 and \$56,917, respectively.

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Notes to Financial Statements

Note 6 – Grants/Grants Payable

The following summarizes grants approved, paid, and those committed for future payments for 2022 and 2021:

	2022	2021
Grants payable, beginning of year	\$ 364,321	\$ 179,900
Unconditional grants expensed	9,300,818	9,288,678
Payments made	<u>(9,504,068)</u>	<u>(9,104,257)</u>
Grants payable, end of year	<u>\$ 161,071</u>	<u>\$ 364,321</u>

Note 7 – Charitable Remainder Unitrust

During the year ended December 31, 1999, the Community Foundation began to administer a planned gift under a charitable remainder unitrust. A charitable remainder unitrust provides for the payment of a fixed percentage of the net fair value of the trust's assets, as determined each year. Upon termination of the income beneficiary's interest, the assets of the trust are to be transferred in the following amounts: (1) \$50,000 to an unrelated charity, and (2) the balance of the trust to the Community Foundation for donor-designated purposes.

The portion of the planned gift attributable to the present value of the future benefits to be received by the Community Foundation, \$422,107, was recorded in the statements of activities and changes in net assets as a contribution in the period in which the planned gift was established. The balance of the charitable remainder unitrust assets was \$1,067,988 and \$1,349,972 at December 31, 2022 and 2021, respectively.

The present value of the estimated future payments to the beneficiary was redetermined in 2022 and 2021, using a discount rate of 5.0 percent and the applicable mortality tables, adjusting the liability and recognizing (gain) loss by (\$59,105) and \$93,151, respectively. The liability to life beneficiaries of planned gifts was \$471,996 and \$607,754 for 2022 and 2021, respectively.

Note 8 – Annuity Payable

Annuity payable is composed of a charitable gift annuity, which is a contract between the Community Foundation and a donor in which the Community Foundation agrees to pay the donor (or other person named by the donor) a lifetime annuity in return for a gift of cash or marketable securities. A liability is recorded for the amount due to an income beneficiary of a charitable gift annuity based on the present value of the estimated future payments to be distributed during the income beneficiary's expected life. Each year, the liability is remeasured by changes in actuarial assumptions, and changes in the liability due to factors other than cash payments, such as changing life expectancies, are recorded as an increase or decrease to revenue, gains, and other support.

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Notes to Financial Statements

Note 9 – Board-Designated Endowments

The Community Foundation's net assets without donor restrictions include board-designated endowments that would be classified as donor-restricted endowments, except that the Community Foundation has variance power over those assets. Therefore, the Board treats these funds as board-designated endowments, and they are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of the Community Foundation follows the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which is designed to help ensure the long-term preservation of the corpus of endowed funds. As a result of this law and variance power provision rights, the Community Foundation classifies within unrestricted net assets (a) the original value of gifts donated to the designated endowment, (b) the original value of subsequent gifts to the designated endowment, and (c) accumulations to the designated endowment. In accordance with UPMIFA, the Community Foundation considers the following factors in making a determination to appropriate or accumulate board-designated endowment funds:

- The duration and preservation of the fund
- The purpose of the Community Foundation and the board-designated endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Community Foundation
- The investment policies of the Community Foundation

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Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>
Net assets without donor restrictions, beginning of year	\$ 210,114,793
Investment return:	
Investment income	3,322,084
Net decrease (realized and unrealized)	<u>(28,556,025)</u>
Total investment return	(25,233,941)
Contributions, other support and net assets released from restriction	6,285,156
Appropriation for distributions and administrative fees	<u>(11,631,414)</u>
Net assets without donor restrictions, end of year	<u><u>\$ 179,534,594</u></u>
Nonendowed net assets, end of year	
Nonendowed donor advised funds	\$ 23,443,081
Other nonendowed assets	<u>3,935,896</u>
Total nonendowed net assets	<u>27,378,977</u>
Board-designated endowment net assets	<u><u>\$ 152,155,617</u></u>

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Notes to Financial Statements

Changes in endowment net assets for the year ended December 31, 2021:

	Without Donor Restrictions
Net assets without donor restrictions, beginning of year	\$ 171,543,221
Investment return:	
Investment income	3,105,271
Net appreciation (realized and unrealized)	<u>31,622,756</u>
Total investment return	34,728,027
Contributions, other support and net assets released from restriction	15,198,950
Appropriation for distributions and administrative fees	<u>(11,355,405)</u>
Net assets without donor restrictions, end of year	<u><u>\$ 210,114,793</u></u>
Nonendowed net assets, end of year	
Nonendowed donor advised funds	\$ 29,199,044
Other nonendowed assets	<u>4,510,295</u>
Total nonendowed net assets	<u><u>33,709,339</u></u>
Board-designated endowment net assets	<u><u>\$ 176,405,454</u></u>

Return objective and risk parameters – The Community Foundation has adopted investment and spending policies for its net assets that attempt to provide a predictable stream of funding to programs supported by its net assets while seeking to maintain its purchasing power. Under this policy, as approved by the Board, the Community Foundation has four objectives: (1) preserve and grow the assets of the Community Foundation, (2) balance long-term growth with appropriate risk and liquidity, (3) achieve market returns, and (4) comply with applicable laws, rules, and regulations.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the Community Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Community Foundation targets a broadly diversified asset allocation model with performance benchmarks based on each asset class.

Spending policy and how the investment objectives relate to spending policy – The Community Foundation has a policy of appropriating for distributions and administrative fees each year up to 5 percent of its endowed investment pool's average fair value over the prior 16 quarters through September 30 of the preceding fiscal year in which the distribution is planned. In establishing this policy, the Community Foundation considered the long-term expected return on its investment portfolio. By limiting its spending policy, over the long term, the Community Foundation expects the current spending policy to allow its net assets to grow annually. This is consistent with the Community Foundation's objective to maintain the purchasing power of the investment portfolio and net assets, as well as to provide real growth through new gifts and investment returns.

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Notes to Financial Statements

The annual spending amount, as defined above, is used for both amounts available to grant from each fund, as well as administrative fees charged to each fund. The administrative fee is calculated based on the fund fee schedule approved by the Board and in effect at the time the calculation is made. Amounts available to grant are calculated by subtracting the administrative fee from the total calculated spending amount. Endowed funds that have met minimum contribution levels can make grants six months after they are funded. Pass-through and donor-advised funds do not have the two-quarter restriction. Administrative fees will be charged to funds from the date that the fund is established, as prescribed by the fund fee schedule in effect at the time. The annual spending amount is determined and recommended by the finance committee and approved by the Board. In 2022 and 2021, the Community Foundation used 5 percent of the 16-quarter rolling average for the spending amount per the spending policy in effect at those times.

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets resulting from contributions whose use by the Community Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Community Foundation pursuant to those stipulations.

Net assets with donor restrictions consist of the following:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 125,559	\$ 183,920
Bequests and other deferred gifts receivable	610,393	2,351,969
Charitable remainder unitrust, net	<u>595,990</u>	<u>742,217</u>
Total net assets with donor restrictions	<u><u>\$ 1,331,942</u></u>	<u><u>\$ 3,278,106</u></u>

Note 11 – Defined Contribution Plan

The Community Foundation has a tax-sheltered retirement plan under IRC Section 403(b). Under this plan, the Community Foundation made a discretionary profit-sharing contribution (2 percent of eligible wages for the years ended December 31, 2022 and 2021) in addition to a match of 100 percent of each participant's contribution, up to a maximum of 3 percent of eligible wages for the years ended December 31, 2022 and 2021, respectively. The Community Foundation incurred retirement plan expenses of \$68,978 and \$69,203 during 2022 and 2021, respectively.

Note 12 – Line of Credit

On March 12, 2021, the Community Foundation entered into a secured, revolving line of credit with its custodial bank for \$10,000,000 with an interest rate equal to the bank's prime rate minus two percentage points. It is collateralized by the funds held in the custodial bank account, which had a balance of \$103,500,835 as of December 31, 2022. The note requires monthly payments of interest only, with the entire principal and unpaid interest due on demand. At December 31, 2022 and 2021, there was no outstanding balance on this line of credit.

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Notes to Financial Statements

Note 13 – Liquidity and Availability of Financial Resources

At December 31, 2022 and 2021, the Community Foundation has \$5,591,860 and \$8,064,821, respectively, of financial assets available within one year to meet cash needs for general expenditures. At December 31, 2022, the \$5,591,860 consists of cash and cash equivalents of \$2,408,443 and contributions and notes receivable of \$968,952, along with an approved endowment spend of \$2,214,465 for 2023 general expenditures. At December 31, 2021, the \$8,064,821 consists of cash and cash equivalents of \$3,483,390 and contributions and notes receivable of \$2,482,615, along with an approved endowment spend of \$2,098,816 for 2022 general expenditures. General expenditures include administrative expenses, fundraising expenses and some program expenses expected to be paid in the subsequent year. None of the financial assets included above are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contributions receivable included above are subject to implied time restrictions but are expected to be collected within one year.

The Community Foundation has a goal of maintaining sufficient liquid financial assets, composed of cash and short-term investments, on hand to meet six months of general expenditures, which are approximately \$1,133,600 and \$1,049,100 for the years ended December 31, 2022 and 2021, respectively. The Community Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Community Foundation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury investments.

