

Liquidity and Availability Disclosure Examples include in slides

Note 5 – Information About Liquidity (Slide 6)

The Organization has an operating reserve that had a balance of \$2.7 million and \$2.8 million at June 30, 2015 and 2014, respectively. This is a governing board-designated reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Organization's target for this reserve is a total of \$3.0 million, which was determined based on management's judgment about the appropriate amount of funds to have set aside in addition to working capital. The operating reserve funds are held in lower-risk cash and fixed-income securities. The operating reserve balance is included in the cash and cash equivalents and investments lines on the statement of financial position (2015 - \$1.21M in cash and cash equivalents and \$1.74M in investments; 2014 - \$1.26M in cash and cash equivalents and \$1.70M in investments).

In the event of an unanticipated liquidity need, the Organization also could draw upon \$2,500,000 of an available line of credit (as discussed further in Note 8).

Note 6 – Availability of Financial Assets (Slide 8)

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amount not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating and capital reserves that could be drawn upon if the governing board approves that action.

	<u>12/31/X1</u>	<u>12/31/X2</u>
Cash	\$ 9,210	\$ 8,750
Investments	185,100	190,100
Receivables	<u>4,100</u>	<u>3,509</u>
Total financial assets	198,410	202,359
Receivables scheduled to be collected in more than one year	(2,200)	(2,050)
Contractual of donor-imposed restrictions:		
Endowment funds	(180,600)	(185,610)
Other donor restrictions	(1,940)	(1,010)
Investments held in charitable trusts	(4,500)	(4,490)
Funds restricted by lender	(150)	(150)
Board designations:		
Capital reserves	(2,500)	(2,500)
Operating reserves	<u>(1,300)</u>	<u>(1,300)</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$ 5,220</u>	<u>\$ 5,249</u>

Note X – Liquidity and Availability of Financial Assets (Slide 9)

The Theater's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for subscriptions and a concentration of contributions received near calendar year end. To manage liquidity the Theater maintains a line of credit of \$3 million with a bank that is drawn upon as needed during the year to manage cash flow and is then repaid in full by the end of the fiscal year. See Note Y for further description of this line.

The following reflects the Theater's financial assets as of the balance sheet date, reduced by amounts not available for general use with one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action.

	<u>2016</u>	<u>2015</u>
Current assets, excluding non-financial assets	\$ 3,183,318	\$ 2,710,890
Add: Endowment fund appropriations for following year	547,700	591,554
Subtract: cash restricted by lessor to specific uses	(942,941)	(823,430)
Subtract: donor restrictions for specific purposes	(250,000)	-
Subtract: board-designated operating reserves and other	<u>(225,129)</u>	<u>(299,011)</u>
Financial assets available to meet cash needs for general expenditures within 1 year	<u>\$ 2,312,948</u>	<u>\$ 2,180,003</u>

Telling Your Story Through the New Liquidity Disclosures

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* requires organizations to disclose both qualitative and quantitative information about how the entity manages its liquid resources. While the disclosure requirements may seem a bit daunting, NFPs should consider this an opportunity to share with their donors, board members, creditors and other stakeholders their strategy for managing financial resources.

The ASU provides a few example disclosures but, as with everything in the NFP sector, one size does not fit all. As a result, the examples in the ASU may resonate with some NFPs, but not with others. With that in mind, we have created a number of example disclosures for a variety of NFP types. These disclosures take many forms depending on the type of NFP, the relative liquidity of the organization's resources, donor-imposed restrictions on those resources, internal board designations on resources, and so on. These examples will help organizations consider how they want to craft their liquidity disclosures to enhance transparency and best tell their story.

College and University Example 1

Note X - Available Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, lines of credit, and commercial paper facilities. See note C for information about the University's lines of credit and commercial paper facilities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the university considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the university operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the university's cash and shows positive cash generated by operations for fiscal years 20X1 and 20X0.

As of June 30, 20X1, the following tables show the total financial assets held by the university and the amounts of those financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Financial assets at year-end	
Cash and cash equivalents	\$ 33,145
Accounts receivable, net	9,450
Contributions receivable, net	23,700
Student loan receivables, net	22,825
Investments convertible to cash in the next 12 months	149,861
Other long-term investments	107,369
Total financial assets at year-end	<u>\$ 346,350</u>

Financial assets available to meet general expenditures over the next 12 months	
Cash and equivalents	\$ 33,145
Accounts receivable, net	9,450
Contributions for general expenditures due in one year or less (note XX)	8,500
Payout on donor-restricted endowments for use over next 12 months	7,468
Payout on quasi-endowments for use over next 12 months	1,400
Investments not encumbered by donor or board restrictions	50,678
	<u>\$ 110,641</u>

College and University Example 2

Note X - Liquidity and Availability

The university regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the university considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures.

At June 30, 20X1, the university's financial resources were earmarked as follows:

Unencumbered financial assets	\$ 93,273
Payout on donor-restricted endowments for use over next 12 months	7,468
Payout on quasi-endowments for use over next 12 months	1,400
Contributions for general expenditures due in one year or less (note XX)	8,500
Financial assets available for general expenditures over next 12 months	<u>110,641</u>
Student loan funds	22,825
Future expendable board-designated endowment	26,600



Future expendable board-designated reserves for bond repayment and capital assets	12,500
Restricted by donors for future capital projects	26,050
Restricted by donors for use in future periods	5,000
Future expendable donor-restricted endowment	45,022
Portion of donor-restricted endowment to be retained in perpetuity	96,875
Trusts held by others	837
Total financial assets	<u>\$ 346,350</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the university operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the university's cash and shows positive cash generated by operations for fiscal years 20X1 and 20X0.

The university's governing board has designated a portion of its unrestricted resources for endowment and other purposes. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

The university also has lines of credit and commercial paper facilities available to meet short-term needs. See note XX for information about these arrangements.

College and University Example 3

Note X - Available Resources and Liquidity

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, lines of credit, and commercial paper facilities. See note C for information about the University's lines of credit and commercial paper facilities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the university considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the university operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the university's cash and shows positive cash generated by operations for fiscal years 20X1 and 20X0.

As of June 30, 20X1, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 33,145
Accounts receivable, net	9,450
Contributions for general expenditures due in one year or less (note A)	8,500
Payout on donor-restricted endowments for use over next 12 months	7,468
Payout on quasi-endowments for use over next 12 months	1,400
Investments not encumbered by donor or board restrictions	50,678
	<u>\$ 110,641</u>

Additional information on liquidity that may be appropriate to add to the qualitative disclosures

At June 30, 20X1 the \$96,875 of the university's endowment that must be retained in perpetuity does not exceed the \$107,369 of investments that are considered illiquid. Although not expected to be needed, the spendable yet restricted portion of the university's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use. See notes D, E and I for further information about the university's investment portfolio, net assets and endowment funds, respectively.

The University's governing board has designated a portion of its unrestricted resources for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. At June 30, 20X1, the following amounts were designated for specific purposes by the Board:

Quasi-endowment funds (note B)	\$ 26,600
Bond sinking fund (note C)	7,500
Designated for capital assets	5,000
Total board-designated funds	<u>\$ 39,100</u>

Liquidity of Investments

Approximately 22 percent of the university's investment portfolio consists of highly liquid investments; 36 percent of the portfolio's investments may be redeemed either at future specified redemption dates or currently by incurring a penalty. Finally, certain investments (approximately

42 percent) in real estate, private equities, and private investments are subject to constraints that limit the University's ability to withdraw capital after such investments are made or may limit the amount available for withdrawal at a given redemption date. These constraints may limit the university's ability to respond quickly to changes in market conditions.

Association Example 1

Note X - Information Regarding Liquidity and Availability

The Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Association's financial assets as of December 31, 2017 and 2016, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include certain alternative investments with redemption limitations as more fully described in note XX and a board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,740,000	\$ 2,690,000
Investments	11,100,000	12,250,000
Accounts receivable	325,000	650,000
Total financial assets	<u>14,165,000</u>	<u>15,590,000</u>
Investments with liquidity horizons greater than one year	(1,250,000)	(1,450,000)
Cash collateral related to letter of credit	(275,000)	(325,000)
Board-designated special projects fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,640,000	\$ 12,815,000

Association Example 2

Note X - Liquidity and Reserves

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 4,454,636	\$ 4,784,929
Donor-imposed restrictions:		
Funds subject to time restrictions	(191,567)	(132,536)
Endowments	<u>(115,500)</u>	<u>(115,500)</u>
Net financial assets after donor-imposed Restrictions	<u>4,147,569</u>	<u>4,536,893</u>
Less:		
Board-designated funds	(359,114)	(484,636)
Agency allocations payable	<u>(4,034,689)</u>	<u>(4,214,789)</u>
Financial assets needed to meet cash needs for general expenditures within one year	\$ <u>(246,234)</u>	\$ <u>(162,532)</u>

As a federated fundraising organization, Entity A receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period. During that same 12-month period, additional contributions are received from donors. Entity A has a policy to designate all net assets without donor restrictions, which results in a shortfall of financial assets to meet cash needs as shown above. All board-designated funds can be made available to meet operating needs if necessary. During the years ended June 30, 20X1 and 20X0, the organization was able to meet its cash needs utilizing designated reserves.

Foundation Example 1

The following example illustrates how a foundation that receives gifts to be invested in perpetuity (endowments), gifts that are purpose restricted and gifts without donor restrictions might comply with the liquidity and availability disclosure requirements.

Note X – Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 65% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general

expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets semi-annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 20X1 (in thousands):

Financial assets at year end:

Cash and cash equivalents	\$ 70,000
Collateral under security lending agreements	20,000
Contributions receivable	210,000
Other receivables	10,000
Due from broker	8,000
Investments	2,200,000
Total financial assets	<u>2,509,000</u>

Less amounts not available to be used within one year:

Investments in non-liquid securities	(1,023,000)
Investments held in custodial and non-custodial trusts	(65,000)
Collateral under security lending agreements	(20,000)
Contribution receivable - for restricted gifts, net	(82,000)
Contribution receivable - due after one year, net	(106,000)
Investments held for quasi-endowments	<u>(250,000)</u>
Financial assets not available to be used within one year	<u>(1,546,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 963,000</u>

The following example illustrates expanded disclosures for the same foundation in the previous example:

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 65% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets semi-annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 20X1 (in thousands):

Financial assets at year end:

Cash and cash equivalents	\$ 70,000
Collateral under security lending agreements	20,000
Contributions receivable	210,000
Other receivables	10,000
Due from broker	8,000
Investments	2,200,000
	<hr/>
Total financial assets	2,509,000

Less amounts not available to be used within one year:

Investments in non-liquid securities	(1,023,000)
Investments held in custodial and non-custodial trusts	(65,000)
Collateral under security lending agreements	(20,000)
Contributions receivable for restricted gifts, net	(82,000)
Contributions receivable due after one year, net	(106,000)
Investments held for quasi-endowments	(250,000)
Financial assets not available to be used within one year	<u>(1,546,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 963,000</u>

In evaluating the adequacy of financial assets available to sustain commitments under endowments with donor restrictions and quasi-endowments, the Foundation follows the policy of requiring that financial assets attributable to such commitments, defined as financial assets not available to be used within one year, be equal to or greater than the related net assets, measured annually as follows (in thousands):

Net assets with donor restrictions in total at December 31, 20X1	\$ 2,030,000
Less net assets with purpose restrictions to be met in less than a year	(803,000)
Plus quasi-endowments	<u>250,000</u>
Net assets representing endowments with donor restrictions and quasi-endowments	<u>\$ 1,477,000</u>
Financial assets not available to be used within one year, defined above	<u>\$ 1,546,000</u>

Humanitarian Aid Charity Example 1

Note X – Liquidity and Availability

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 78,600	\$ 94,801
Donor-imposed restrictions:		
Restricted Funds	(1,613)	(1,584)
Endowments	<u>(8,288)</u>	<u>(8,616)</u>
Net financial assets after donor-imposed restrictions	<u>68,699</u>	<u>84,601</u>
Internal designations:		
Board Advised Funds	(25,071)	(27,709)
Gift Annuities	(7,693)	(7,793)
Quasi-endowments	<u>(329)</u>	<u>(309)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,606</u>	<u>\$ 48,790</u>

The organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 20X1 and 20X0, the level of liquidity and reserves was managed within the policy requirements.

Humanitarian Aid Charity Example 2

Note X – Liquidity and Availability

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 78,600	\$ 94,801
Donor-imposed restrictions:		
Designated Funds	(1,613)	(1,584)
Endowments	<u>(8,288)</u>	<u>(8,616)</u>
Net financial assets after donor-imposed restrictions	<u>68,699</u>	<u>84,601</u>
Internal designations:		
Donor Advised Funds	(25,071)	(27,709)
Gift Annuities	(7,693)	(7,793)
Split interest agreements	(25)	(5)
Quasi-endowments	<u>(304)</u>	<u>(304)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>35,606</u>	\$ <u>48,790</u>

The organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 20X1 and 20X0, restricted contributions of \$14,886 and \$31,543, respectively, were included in financial assets available to meet cash needs for general expenditures within one year. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. NFP A has a

policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 20X1 and 20X0, the level of liquidity and reserves was managed within the policy requirements.

BIG NATIONAL CHARITY, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – Big National Charity, Inc. is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Big National Charity, Inc. has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Big National Charity, Inc. has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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

New Accounting Pronouncement – On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Big National Charity, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note 3 – Availability and Liquidity

The following represents Big National Charity's financial assets at December 31, 20XX and 20XX:

Financial assets at year end:	20XX	20XX
Cash and cash equivalents	\$ 1,740,000	\$ 920,000
Contributions receivable	244,000	409,000
Investments	1,158,000	677,000
Total financial assets	3,142,000	2,006,000
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,045,000	1,192,000
Less net assets with purpose restrictions to be met in less than a year	-	(7,000)
Quasi endowment established by the board	205,000	130,000
	1,250,000	1,315,000
Financial assets available to meet general expenditures over the next twelve months	\$ 1,892,000	\$ 691,000

Big National Charity's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1.4 million). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Big National Charity has a \$250,000 line of credit available to meet cash flow needs.

DALLAS THEOLOGICAL SEMINARY

Notes to Consolidated Financial Statements

June 30, 2017 and 2016

10. LIQUIDITY AND FUNDS AVAILABLE:

The following table reflects the Seminary's financial assets as of June 30, 2017, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	June 30,	
	2017	2016
Financial assets:		
Cash and cash equivalents	\$ 8,458,156	\$ 7,592,473
Accounts and contributions receivable	4,163,630	4,256,405
Investments	93,608,836	86,604,473
Perpetual trusts held by others	511,721	519,218
Financial assets, at year-end	<u>106,742,343</u>	<u>98,972,569</u>
Less those unavailable for general expenditure within one year, due to:		
Investments and perpetual trusts held by others not convertible to cash within next 12 months	(2,998,357)	(2,954,525)
Contribution and accounts receivable collectible beyond one year	(1,559,603)	(1,593,323)
Investments and other financial assets held for others	(28,404,703)	(18,671,223)
Perpetual and term endowments and accumulated earnings subject to appropriation beyond one year	(35,191,761)	(35,479,448)
Investments held in trusts and various state required annuity reserves	(9,976,066)	(9,714,640)
Investments in board designated endowments	(632,584)	(604,086)
Board designated reserves for future contingencies	(326,000)	(326,000)
Board designated reserves for debt retirement	<u>(1,000,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,653,269</u>	<u>\$ 29,629,324</u>

The Seminary has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Seminary also has an unsecured \$5,000,000 line of credit, which it could draw upon in the event of an anticipated liquidity need. The line of credit matures on December 31, 2017. The interest rate is PRIME (4.25% as of June 30, 2017), with interest due monthly and principal due upon maturity. No funds were borrowed under this agreement during the fiscal year ended June 30, 2017.

Patient-Centered Outcomes Research Institute

Notes to Financial Statements

Note 3. Liquidity

PCORI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to preserve the principal and return on investment of its funds. PCORI's financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures at September 30, 2017, are as follows:

Cash	\$ 30,541,023
Short-term investments	957,831,980
Accounts receivable, net	65,784
Amounts held by PCOR Trust Fund	32,979,233
	<u>\$ 1,021,418,020</u>

PCORI has various sources of liquidity at its disposal including cash and cash equivalents, U.S. treasury bills and amounts held by PCOR Trust Fund. See Notes 2 and 4 for information about amounts held by PCORI in U.S. treasury bills and amounts held by PCOR Trust Fund available to PCORI, respectively.

Note 4. Amounts Held by PCOR Trust Fund

Amounts held by PCORTF available to PCORI at September 30, 2017 and 2016, and activity in the Trust Fund for the years then ended, are as follows:

	2017	2016
Beginning balance	\$ 916,536,536	\$ 797,867,495
Federal appropriations:		
Government fiscal year appropriation	120,000,000	120,000,000
Transfers from FSMI and FHI	104,954,400	98,698,400
Patient-Centered Outcomes Research Fee	235,388,993	252,310,690
Interest earned	1,123,648	1,709,951
Deposits by PCORI - True-up of PCOR fee	14,851,007	-
Draws by PCORI	(1,359,875,351)	(354,050,000)
	<u>\$ 32,979,233</u>	<u>\$ 916,536,536</u>

Amounts held by PCORTF are placed in market-based overnight Treasury securities. These are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities. This type of security is bought and redeemed at par, and pays interest on maturity. The fair market value of this type of security is par.

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(In thousands of dollars)

(4) Financial Assets and Liquidity Resources

As of June 30, 2017, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2017			
	University	Medical Center	MBL	Consolidated
Financial assets:				
Cash and cash equivalents	\$ 11,060	37,446	1,878	50,384
Notes and accounts receivable, net	133,759	432,100	4,119	569,978
Pledge payments available for operations	115,972	1,256	625	117,853
Working capital investments	202,408	—	—	202,408
Board designations:				
Funds functioning as endowment available for operations	288,123	—	—	288,123
Fiscal 2018 endowment payout	382,841	50,933	4,414	438,188
Total financial assets available within one year	1,134,163	521,735	11,036	1,666,934
Liquidity resources:				
Taxable commercial paper	200,000	—	—	200,000
Bank lines of credit	500,000	50,000	3,000	553,000
Total financial assets and liquidity resources available within one year	\$ 1,834,163	571,735	14,036	2,419,934

The University's cash flows have seasonal variations during the year attributable to tuition billing, patient service reimbursement from the State of Illinois, and a concentration of contributions received at calendar and fiscal year-end. To manage liquidity, the University maintains lines of credit with several banks and a taxable commercial paper program that are drawn upon as needed during the year to manage cash flows. As of June 30, 2017, amounts outstanding under these lines of credit facilities amounted to \$476,765.

In addition, as of June 30, 2017 the University, Medical Center, and MBL had an additional \$1,621,175, \$813,993, and \$9,594 in funds functioning as endowment, respectively, which is available for general expenditure with Board approval.

United Way Worldwide and Subsidiary

Notes to Consolidated Financial Statements

15. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditure are as follows:

<i>December 31,</i>	<i>2016</i>
Cash and cash equivalents	\$ 11,287,979
Short-term investments	4,651,052
Member United Way receivables, net	2,057,509
Contributions receivable, net	3,977,044
Accounts receivable, net	579,016
Total financial assets available within one year	22,552,600
Less:	
Amounts unavailable for general expenditures within one year, due to:	
SERP plan assets included in cash equivalents	(1,348,385)
Restricted by donors with purpose restrictions	(3,216,688)
Total amounts unavailable for general expenditures within one year	(4,565,073)
Amounts unavailable to management without Board's approval:	
Board Designated for Quasi-Endowment	(948,438)
Board Designated for Center on Aging	(393,784)
Board Designated for Donor Advised Funds	(7,446,745)
Total amounts unavailable to management without Board's approval	(8,788,967)
Total financial assets available within one year after board designations	\$ 9,198,560

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of weekly requirements in short-term investments. To help manage unanticipated liquidity needs, the Organization has a committed line of credit of \$2,000,000, which it could draw upon. Additionally, the Organization has Board Designated net assets without donor restrictions that, while the Organization does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

Notes to Consolidated Financial Statements

Note 2.

Liquidity and Availability:

USC's financial assets available within one year of the balance sheet date for general expenditure are as follows (in thousands):

	Year Ended June 30, 2017	Year Ended June 30, 2016
Total assets at year end	\$11,961,209	\$10,634,745
<i>Less:</i>		
Notes receivable due in more than one year	(14,501)	(15,580)
Pledges receivable due in more than one year	(509,162)	(501,285)
Donor-restricted endowment funds	(3,725,821)	(3,301,292)
Board-designated endowment funds	(1,404,699)	(1,307,422)
Annuities and living trusts	(149,323)	(128,595)
Inventories, prepaid expenses and other assets	(218,417)	(199,661)
Property, plant, and equipment	(4,009,596)	(3,582,465)
Financial assets available at year end for current use	\$1,929,690	\$1,598,445

The university's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 7, for fiscal year 2017 and 2016 the Board of Trustees approved current distribution of 104% of the prior year's payout, within a minimum of 4% and a maximum of 6% of the average market value for the previous 12 calendar quarters. Under the provision of the spending rule, for fiscal year 2017 and 2016 the Board of Trustees approved an endowment pool payout of \$28.87 a share and \$27.76 a share, for a total spending rule allocation of \$225 million and \$206 million. As described in Note 6, the university also has unfunded commitments on alternative investments totaling \$522 million and \$471 million for fiscal year 2017 and 2016.

As part of the university's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the university invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the university has committed lines of credit in the amount of \$500 million, which it could draw upon. Additionally, the university has a board-designated endowment of \$1.4 billion as of June 30, 2017. Although the university does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary. However, both the board-designated endowment fund and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 6 for disclosures about investments).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 3—Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

	2017	2016
Cash and cash equivalents	\$ 1,564,519	\$ 4,427,463
Accounts receivable and other assets	109,780,174	5,317,606
Short-term investments	44,906,050	2,020,523
	<u>\$ 156,250,743</u>	<u>\$ 11,765,592</u>

The assets above include \$152,259,796 and \$7,739,497 in donor-advised funds as of December 31, 2017 and 2016, respectively. The Foundation generally uses these assets for grantmaking based on donor recommendations.

Endowment funds consist of donor-restricted endowments and board-designated endowments. Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 12, the Foundation's board-designated endowments are subject to an annual spending rate. For the year ended December 31, 2018, this rate is 4.75% and \$4,247,211 of appropriation from the board-designated endowments will be available within the next 12 months. For the year ended December 31, 2016, the rate was 5.00% and \$4,285,450 of appropriation from the board-designated endowments were available for expenditure during the year ended December 31, 2017. Although the Foundation does not intend to spend from this board-designated endowment (other than amounts appropriated per the board's annual spending rate approval), these amounts could be made available if necessary.

As part the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds. Occasionally, the board will designate a portion of any operating surplus to its operating reserve, which was \$3,583,358 and \$3,008,237 as of December 31, 2017 and 2016, respectively.

Note 4—Pledges receivable, net

Pledges receivable as of December 31 are summarized as follows:

	2017	2016
Receivable in less than one year	\$ 33,345,913	\$ 19,256,938
Receivable in one to five years	30,919,150	36,916,436
Receivable thereafter	943,307	2,604,307
	<u>65,208,370</u>	<u>58,777,681</u>
Less allowance for doubtful accounts	(1,956,251)	(1,750,193)
Less discount for present value	(1,775,335)	(3,009,550)
Pledges receivable, net	<u>\$ 61,476,784</u>	<u>\$ 54,017,938</u>

Future pledge receipts are discounted using an average risk-adjusted discount rate of 2.65% and 2.91% at December 31, 2017 and 2016, respectively.