

COMMUNITY SERVICES LEAGUE
INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

COMMUNITY SERVICES LEAGUE

December 31, 2015 and 2014

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS, AUDITING & TAX PROFESSIONALS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Services League
Independence, Missouri

We have audited the accompanying financial statements of Community Services League, (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Services League as of December 31, 2015 and 2014, 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.

Emerick & Company, P.C.

Kansas City, Missouri
August 25, 2016

**COMMUNITY SERVICES LEAGUE
STATEMENTS OF FINANCIAL POSITION**

	December 31,	
	2015	2014
Assets:		
Cash and cash equivalents	\$ 384,264	\$ 383,148
Cash and cash equivalents, restricted for Capital Campaign	107,744	127,975
Cash and cash equivalents, restricted for Centennial Campaign	24,400	-
Total Cash	516,408	511,123
Investments, unrestricted	10,856	10,700
Investments, restricted	13,421	14,270
Inventory	40,584	38,635
Pledges receivable, unconditional, Capital Campaign	25,705	80,757
Contracts and accounts receivable	195,357	148,557
Prepaid expenses	36,545	19,243
Total Current Assets	838,877	823,285
Land	475,177	417,407
Buildings and improvements	2,774,773	2,496,866
Computers and software	87,889	87,889
Vehicles	50,002	50,002
Office furniture and equipment	133,646	132,382
Total Fixed Assets	3,521,487	3,184,546
Less accumulated depreciation	(581,325)	(469,670)
Net Fixed Assets	2,940,163	2,714,876
Total Noncurrent Assets	2,940,163	2,714,876
Total Assets	\$ 3,779,040	\$ 3,538,161
Liabilities:		
Accounts payable	\$ 64,678	\$ 34,584
Accrued expenses	27,286	21,361
Unearned income	43,794	9,484
Mortgage loan payable - current maturities	53,820	63,323
Total Current Liabilities	189,578	128,752
Mortgage loan payable	1,530,216	1,300,560
Total Long-Term Liabilities	1,530,216	1,300,560
Total Liabilities	1,719,794	1,429,312
Net Assets:		
Unrestricted	1,725,558	1,550,810
Temporarily restricted	333,688	558,039
Total Net Assets	2,059,246	2,108,849
Total Liabilities and Net Assets	\$ 3,779,040	\$ 3,538,161

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

	Unrestricted	Temporarily Restricted	Total
Support:			
Contributions:			
Direct assistance programs	\$ 768,442	\$ -	\$ 768,442
Centennial Campaign contributions	65,000	-	65,000
Other contributions	327,634	-	327,634
In-kind, including donated space of \$12,600	890,781	-	890,781
Grants	201,804	85,994	287,798
United way	68,060	108,000	176,060
Government contracts	85,608	24,517	110,125
Total Support	2,407,329	218,511	2,625,840
Revenue:			
Special events	245,703	-	245,703
Rental income	4,760	-	4,760
Recycling	33,685	-	33,685
Other income	2,603	-	2,603
Interest and dividend income	1,603	-	1,603
Total Revenue	288,354	-	288,354
Total Support and Revenue	2,695,683	218,511	2,914,194
Net Assets Released From Restrictions			
Program expenditures	368,355	(368,355)	-
	368,355	(368,355)	-
Total Support, Revenue, and Net Assets Released From Restrictions	3,064,038	(149,844)	2,914,194
Operating Expenses:			
Program services:			
Emergency assistance	1,328,983	-	1,328,983
Housing services	691,399	-	691,399
Work express	407,690	-	407,690
FOC	21,697	-	21,697
Total Program Services	2,449,769	-	2,449,769
Supporting services:			
Management and general	162,552	-	162,552
Fundraising	348,741	-	348,741
Total Supporting Services	511,293	-	511,293
Total Operating Expenses	2,961,061	-	2,961,061
Change in Net Assets from Operations	102,977	(149,844)	(46,868)
Other Changes in Net Assets:			
Investment loss, net	(2,735)	-	(2,735)
Net Assets Released From Restrictions			
Capital campaign	74,507	(74,507)	-
Change in Net Assets for Year	174,748	(224,351)	(49,603)
Net Assets, Beginning of Year	1,550,810	558,039	2,108,849
Net Assets, End of Year	\$ 1,725,558	\$ 333,688	\$ 2,059,246

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support:			
Contributions:			
Direct assistance programs	\$ 710,638	\$ -	\$ 710,638
Other contributions	253,010	-	253,010
In-kind, including donated space of \$12,600	916,395	-	916,395
Grants	166,769	202,216	368,985
United way	67,173	108,000	175,173
Government contracts	69,906	39,178	109,084
Total Support	<u>2,183,890</u>	<u>349,394</u>	<u>2,533,284</u>
Revenue:			
Special events	220,149	-	220,149
Recycling	25,171	-	25,171
Other income	254	-	254
Interest and dividend income	1,462	-	1,462
Total Revenue	<u>247,036</u>	<u>-</u>	<u>247,036</u>
Total Support and Revenue	<u>2,430,926</u>	<u>349,394</u>	<u>2,780,320</u>
Net Assets Released From Restrictions			
Program expenditures	188,861	(188,861)	-
	<u>188,861</u>	<u>(188,861)</u>	<u>-</u>
Total Support, Revenue, and Net Assets Released From Restrictions	<u>2,619,787</u>	<u>160,533</u>	<u>2,780,320</u>
Operating Expenses:			
Program services:			
Emergency assistance	1,610,118	-	1,610,118
Housing services	274,491	-	274,491
Work express	357,257	-	357,257
Total Program Services	<u>2,241,866</u>	<u>-</u>	<u>2,241,866</u>
Supporting services:			
Management and general	212,833	-	212,833
Fundraising	228,271	-	228,271
Total Supporting Services	<u>441,104</u>	<u>-</u>	<u>441,104</u>
Total Operating Expenses	<u>2,682,970</u>	<u>-</u>	<u>2,682,970</u>
Change in Net Assets from Operations	(63,183)	160,533	97,350
Other Changes in Net Assets:			
Investment gains, net	592	-	592
Net Assets Released From Restrictions			
Capital campaign	112,120	(112,120)	-
Change in Net Assets for Year	49,529	48,413	97,942
Net Assets, Beginning of Year	<u>1,501,281</u>	<u>509,626</u>	<u>2,010,907</u>
Net Assets, End of Year	<u>\$ 1,550,810</u>	<u>\$ 558,039</u>	<u>\$ 2,108,849</u>

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program Services					Supporting Services			Total Expenses
	Emergency Assistance	Housing Services	Work Express	FOC	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 89,938	\$ 119,917	\$ 221,845	\$ 11,992	\$ 443,692	\$ 71,950	\$ 83,942	\$ 155,892	\$ 599,584
Payroll taxes	8,023	\$ 10,698	19,791	1,070	39,582	6,419	7,488	13,907	53,489
Employee benefits and expense	7,553	10,070	18,630	1,007	37,260	6,042	7,049	13,091	50,351
Total Personnel Costs	105,514	140,685	260,266	14,069	520,534	84,411	98,479	182,890	703,424
Direct assistance	287,707	474,432	6,302	-	768,441	-	-	-	768,441
In-kind assistance	878,181	-	-	-	878,181	-	-	-	878,181
Special events expense	-	-	-	-	-	-	60,693	60,693	60,693
Development expense	-	-	-	-	-	-	29,673	29,673	29,673
Occupancy	14,365	19,154	35,435	1,915	70,869	11,492	13,408	24,900	95,769
Technology support	10,148	13,531	25,033	1,353	50,064	8,119	9,472	17,591	67,655
Mortgage interest	9,455	12,606	23,322	1,261	46,644	7,564	8,825	16,389	63,033
Office expense	6,495	8,660	16,020	866	32,041	5,196	6,062	11,258	43,299
Bad debt expense	-	-	-	-	-	21,820	-	21,820	21,820
Professional fees	370	-	-	-	370	10,551	106,497	117,048	117,418
Total before depreciation	1,312,235	669,068	366,378	19,464	2,367,145	149,153	333,109	482,262	2,849,407
Depreciation	16,748	22,331	41,312	2,233	82,624	13,399	15,632	29,031	111,654
Total Expenses	\$ 1,328,983	\$ 691,399	\$ 407,690	\$ 21,697	\$ 2,449,769	\$ 162,552	\$ 348,741	\$ 511,293	\$ 2,961,061

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014**

	Program Services				Supporting Services			Total Expenses
	Emergency Assistance	Housing Services	Work Express	Total	Management and General	Fundraising	Total	
Salaries and wages	\$ 81,800	\$ 92,025	\$ 204,499	\$ 378,324	\$ 61,350	\$ 71,574	\$ 132,924	\$ 511,248
Payroll taxes	7,482	8,418	18,706	34,606	5,612	6,547	12,159	46,765
Employee benefits and expense	3,725	3,725	8,735	16,185	23,785	3,069	26,854	43,039
Total Personnel Costs	93,007	104,168	231,940	429,115	90,747	81,190	171,937	601,052
Direct assistance	571,442	122,084	17,112	710,638	-	-	-	710,638
In-kind assistance	902,789	-	1,005	903,794	-	-	-	903,794
Special events expense	-	-	-	-	-	74,878	74,878	74,878
Development expense	-	-	-	-	-	22,225	22,225	22,225
Occupancy	12,054	13,561	30,136	55,751	21,641	10,564	32,205	87,956
Technology support	9,365	10,535	23,412	43,312	7,024	8,194	15,218	58,530
Mortgage interest	-	-	-	-	65,475	-	65,475	65,475
Office expense	3,261	3,668	8,152	15,081	2,446	2,853	5,299	20,380
Professional fees	-	-	-	-	11,850	12,442	24,292	24,292
Total before depreciation	1,591,918	254,016	311,757	2,157,691	199,183	212,346	411,529	2,569,220
Depreciation	18,200	20,475	45,500	84,175	13,650	15,925	29,575	113,750
Total Expenses	\$ 1,610,118	\$ 274,491	\$ 357,257	\$ 2,241,866	\$ 212,833	\$ 228,271	\$ 441,104	\$ 2,682,970

See Notes to Financial Statements

**COMMUNITY SERVICES LEAGUE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (49,603)	\$ 97,942
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	111,654	113,750
Provision for write off of uncollectible pledges	21,820	1,050
Increase (decrease) in unearned income	34,310	815
(Increase) decrease in contracts and accounts receivable	(49,603)	(24,756)
Increase (decrease) in accounts payables	30,094	(5,478)
(Increase) decrease inventory and prepaid expense	(19,252)	13,614
Increase (decrease) in accrued expenses	5,925	(1,688)
Net cash provided by operating activities	85,345	195,249
Cash flows from investing activities:		
Net sales (purchases) of investments	-	11,218
Net (purchases) dispositions of land, property, and equipment	(332,905)	(20,047)
Net cash used by investing activities	(332,905)	(8,829)
Cash flows from financing activities:		
Collections on Capital Campaign	33,232	82,937
Net (payments) borrowings on mortgage payable	219,613	(111,065)
Net cash provided (used) by financing activities	252,845	(28,128)
Increase in Cash	5,285	158,292
Cash and Cash Equivalents, Beginning of Year	511,123	352,831
Cash and Cash Equivalents, End of Year	\$ 516,408	\$ 511,123
Supplemental disclosure:		
Interest paid during the year	\$ 63,033	\$ 65,941

See Notes to Financial Statements

COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Community Services League is a non-profit organization established in 1916 by former First Lady Bess Wallace Truman and other women, and provides basic human needs (food, clothing, and shelter), comprehensive employment counseling and training, and housing services to clients in Eastern Jackson County. Community Services League's mission is to assist communities in reaching their potential by providing immediate relief to people in need, assessing their situations, and providing solutions that lead to economic stability.

Basis of Accounting

The Organization maintains an accrual basis accounting system in which revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization, under generally accepted accounting principles, is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are those that are not subject to any donor-imposed stipulations. Temporarily restricted net assets are those subject to donor-imposed restrictions as to their use or to future periods. Temporarily restricted contributions that are received and expended in the same period are classified as unrestricted. Permanently restricted net assets are subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the organization. Generally, the donors permit the organization to use all or part of the income earned for either general or donor-specified purposes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ.

Fixed Assets

Equipment and furniture are recorded at cost and depreciated over the estimated useful life of the assets. The Organization has a \$500 capitalization policy. Depreciation is computed using straight-line method over the estimated useful life ranging from 5 to 40 years. Donations of property and equipment are recorded as contributions at their estimated fair value.

COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status and Positions

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has qualified for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). Management has reviewed all sources of revenue and believes that none of the Organization's activities is subject to tax on unrelated income.

As a tax-exempt organization the Organization is required to file a Form 990, *Return for Organization Exempt from Income Tax*, each year with the Internal Revenue Service which assesses its continuing status as a tax-exempt organization. Management believes the Organization's operations have been conducted in accordance with its tax-exempt status, that the Organization has adequately addressed all tax positions and that there are no unrecorded tax liabilities. Three years are open to audit by the IRS. No interest or penalties for tax are recorded in the financial statements.

Contracts and Accounts Receivable

Receivables are carried at their estimated collectible amounts. These amounts are all considered collectible since the majority of the balance is from governmental contracts and are contractually due within one year. Accordingly, no allowance for doubtful accounts has been recorded in the statements.

The Organization is the recipient of a multiyear grant from United Way. The amount of the grant for the succeeding year is recorded as a receivable and shown as temporarily restricted income.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promised are expected to be received. No discount has been recorded for 2015 or 2014 because it was not considered material. Pledges receivable are reviewed by management each year and uncollectible accounts are written off.

Functional Allocation of Expenses

The costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the services benefited.

COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventories are valued at estimated average cost, not in excess of market, and consist of food items for distribution.

Subsequent Events

Subsequent events have been evaluated through August 25, 2016, which is the date the financial statements were available to be issued.

Fundraising

In 2015 and 2014, Community Services League spent \$348,741 and \$228,271 on fundraising related expenses, respectively. With these amounts the Organization was able to raise \$2,914,194 in 2015 and \$2,780,320 in 2014. A total of 12% and 8% of revenues were spent on fundraising activities in 2015 and 2014, respectively. The increase from the prior year reflects the costs associated with the start of the capital campaign described below

NOTE 2: DONATED SPACE

The Organization operates in seven locations donated by outside organizations. In-kind donated rent is included as in-kind contributions and direct assistance expenses each year. The leases are on a month to month basis.

NOTE 3: CAPITAL CAMPAIGNS

The Organization began a capital campaign in 2007 with a goal of \$2.75 million for new facilities and establishment of an endowment/maintenance fund. At December 31, 2014, \$2,644,293 had been raised towards this goal.

In 2014, Community Services League had a pre-campaign assessment conducted by a third party to determine its capacity to raise significant funds as part of the Organization's 100th anniversary in 2016. This assessment stated that the Organization could likely raise \$10,000,000 over a multi-year campaign for programmatic support, capital and equipment needs, debt retirement and endowment. In 2015, Community Services League launched a five year Centennial Campaign to raise these funds. A small amount of money was raised in 2015, with the bulk of the donations expected in 2016 to 2020.

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all checking and savings accounts, including those for the Capital Campaign, at area commercial banks. The balances, on occasion, exceed the FDIC insurance limits. Management's estimate is the possibility of loss is remote.

COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 5: CONTRIBUTED SERVICES

The Organization receives a substantial amount of services donated by individual volunteers performing a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. During the years ended December 31, 2015 and 2014, 27,120 and 27,043 hours were contributed by volunteers and are valued at the rate established by the Independent Sector of \$20.25 per hour for a value of \$549,180 and \$547,621, respectively. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under generally accepted accounting principles.

NOTE 6: IN-KIND CONTRIBUTIONS

In-kind contributions are recorded as revenues at the time of distribution to the clients of the Organization. The items distributed consist principally of food, clothing and household items. The amount recorded as revenue is based on amounts established by the Mid American Assistance Coalition. An equal amount is recorded as expense at the time revenue is recorded so there is no effect on net assets. For the years ended 2015 and 2014, in-kind revenue and expense as shown in the Statement of Activities was \$890,781 and \$916,395.

NOTE 7: MORTGAGE LOAN PAYABLE

In June 2015, the Organization obtained a loan for \$1,624,550, with a fixed initial rate of 3.95% and maturity date of June 2018, to refinance the previous renovation of the central office and purchase another building in 2015. This is secured by a Deeds of Trust for the property.

The mortgage note for the Organization's facility has a balance of \$1,584,036. Monthly payments of principal and interest of \$9,860 are to be made through June 2018, at which time the remaining balance is due. The outstanding balance with maturities is summarized as follows:

2016	\$ 53,820
2017	63,481
2018	<u>1,466,735</u>
Total	<u>\$1,584,036</u>

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Capital Campaign	\$ 121,172	\$ 195,678
Specific Programs	<u>212,516</u>	<u>362,361</u>
	<u>\$ 333,688</u>	<u>\$ 558,039</u>

COMMUNITY SERVICES LEAGUE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 and 2014

NOTE 9: INVESTMENTS

The Organization has transferred assets to the Truman Heartland Community Foundation and Eastland Community Foundation which, in turn, maintains various funds on behalf of the Organization and has agreed to make future distributions to the Organization consistent with its mission. These funds are shown at fair value and are considered available-for-sale.

	<u>2015</u>	<u>2014</u>
Unrestricted:		
Emergency Assistance Funds	\$ 2,400	\$ 1,819
Non-Endowment Funds	2,816	2,994
Eastland Community Foundation	<u>5,640</u>	<u>5,887</u>
	<u>\$10,856</u>	<u>\$10,700</u>
Board Restricted:		
Endowment Fund	<u>\$13,421</u>	<u>\$14,270</u>

NOTE 10: FAIR VALUE MEASUREMENTS

The Organization has adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, pertaining to the valuation of certain assets and liabilities for the years ended December 31, 2015 and 2014. These provisions define fair value, establish a consistent framework for measuring fair value and expand the related disclosure requirements. They establish a fair value hierarchy that prioritizes the inputs used to measure fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to fair value measurement. The hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The values shown in Note 9 are those reported by the Community Foundations. These are considered Level 2, based on the criteria above, since the values reported are determined by the underlying investments of the funds which are publicly traded securities or short-term interest bearing cash accounts.