Certain of our equity investments do not have readily determinable fair values and are excluded from the tables above. Such investments are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer and are included in Investments in unconsolidated businesses in our consolidated balance sheets. As of December 31, 2021 and December 31, 2020, the carrying amount of our investments without readily determinable fair values were $808 million and $402 million, respectively. During 2021, there were approximately $66 million of adjustments due to observable price changes and insignificant impairment charges. Cumulative adjustments due to observable price changes and impairment charges were approximately $143 million and $63 million, respectively.

Verizon has a liability for contingent consideration related to its acquisition of Tracfone, completed in November 2021. The fair value is calculated using a probability-weighted discounted cash flow model and represents a Level 3 measurement. Level 3 instruments include valuation based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. Subsequent to the acquisition date, at each reporting date, the contingent consideration liability is remeasured to fair value with changes recorded within Selling, general and administrative expense in our consolidated statements of income.

Fixed income securities consist primarily of investments in municipal bonds. The valuation of the fixed income securities are based on the quoted prices for similar assets in active markets or identical assets in inactive markets or models that apply inputs from observable market data. The valuation determines that these securities are classified as Level 2.

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2. We use mid-market pricing for fair value measurements of our derivative instruments. Our derivative instruments are recorded on a gross basis.

We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period.

Fair Value of Short-term and Long-term Debt

The fair value of our debt is determined using various methods, including quoted prices for identical debt instruments, which is a Level 1 measurement, as well as quoted prices for similar debt instruments with comparable terms and maturities, which is a Level 2 measurement.

The fair value of our short-term and long-term debt, excluding finance leases, was as follows:

		Fair Value			
(dollars in millions)	Carrying Amount	Level 1	Level 2	Level 3	Total
At December 31, 2020	$ 127,778	$ 103,967	$ 52,785	$ —	$ 156,752
At December 31, 2021	**149,543**	**106,599**	**62,606**	**—**	**169,205**

Derivative Instruments

We enter into derivative transactions primarily to manage our exposure to fluctuations in foreign currency exchange rates and interest rates. We employ risk management strategies, which may include the use of a variety of derivatives including interest rate swaps, cross currency swaps, forward starting interest rate swaps, treasury rate locks, interest rate caps, swaptions and foreign exchange forwards. We do not hold derivatives for trading purposes.

The following table sets forth the notional amounts of our outstanding derivative instruments:

		(dollars in millions)
At December 31,	**2021**	2020
Interest rate swaps	**$ 19,779**	$ 17,768
Cross currency swaps	**32,502**	26,288
Forward starting interest rate swaps	**1,000**	2,000
Foreign exchange forwards	**932**	1,405