



PROTECTED AREAS NETWORK FUND  
(A COMPONENT UNIT OF THE REPUBLIC OF PALAU)

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Protected Areas Network Fund:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Protected Areas Network Fund (PAN Fund), a component unit of the Republic of Palau, which comprise the statements of net position as of September 30, 2020 and 2019, and the related statements of revenues, expenses and changes in net position and of 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 the Protected Areas Network Fund as of September 30, 2020 and 2019, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis-of-Matter***

Economic uncertainties as a result of the COVID-19 coronavirus pandemic may negatively impact PAN Fund's financial results as described in note 7 to the financial statements.

Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise PAN Fund's basic financial statements. The Schedule of Investments as of September 30, 2020 (pages 23 through 27) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of PAN Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of PAN Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PAN Fund's internal control over financial reporting and compliance.

*Deloitte & Touche LLC*

September 20, 2021



## Protected Areas Network Fund

Tommy E. Remengesau Jr. Building

P.O. Box 6094, Koror, Palau 96940

Phone: (680) 488-FUND (3863) | Direct: (680) 488-1313

Fax: (680) 488-1314 | Website: [www.palaupanfund.org](http://www.palaupanfund.org)

### Management's Discussion and Analysis Year Ended September 30, 2020

This report presents a Management's Discussion and Analysis of the Protected Areas Network (PAN) Fund's (PAN Fund) financial performance during the fiscal year ended September 30, 2020 with selected comparative information for the fiscal years ended September 30, 2019 and 2018.

#### ORGANIZATION AND PURPOSE

The mission of PAN Fund is to “efficiently and equitably provide funding to the PAN, and its associated activities, through strategic actions and medium to long-term financial support that will advance effective management and conservation of Palau’s natural and cultural resources”. The types of funds administered, managed and invested by PAN Fund as the financial trustee corporation to the PAN include the environmental protection fee, donations, grants and income and other property derived from investment. The allocation of funds is prioritized based on work plans developed annually which outlines key activities undertaken each fiscal year. The annual work plans are developed based on system-wide strategic and site specific management plans for the PAN. Funds are disbursed on a quarterly basis and are subject to verification of programs and activities implemented.

#### FINANCIAL HIGHLIGHTS

PAN Fund’s capital assets decreased by 6% from \$6,871 in fiscal year 2019 to \$6,472 in fiscal year 2020 and by 11% from \$7,733 in fiscal year 2018 to \$6,871 in fiscal year 2019. See note 3 to the financial statements for more detailed information regarding PAN Fund’s capital assets and changes therein.

PAN Fund’s total net position decreased by 15% from \$3,626,988 in 2019 to \$3,084,776 in 2020 and increased by 1% from \$3,590,358 in 2018 to \$3,626,988 in 2019. The decrease in 2020 is attributed to the reduction in visitors and green fee collections for the latter part of fiscal year 2020 due to the COVID-19 pandemic.

Total liabilities increased by 20% from \$90,058 in fiscal year 2019 to \$108,107 in fiscal year 2020 and decreased by 73% from \$337,771 in fiscal year 2018 to \$90,058 in fiscal year 2019. For the most part, increases and decreases in total liabilities are a result of corrections to the level of contribution to the Micronesia Conservation Trust. This amount is 5% of the total green fee collected each year and fluctuates with the amount of green fee received each year.

Total operating expenses decreased by 0.3% from \$1,903,536 in fiscal year 2019 to \$1,898,288 in 2020 and decreased by 15% from \$2,250,524 in 2018 to \$1,903,536 in 2019. Decreases and increases in operating expenses are affected by decreases and increases in annual budgets and by the rate at which payments of multi-year projects and agreements are processed.

## OVERVIEW OF FINANCIAL STATEMENTS

### *Statements of Net Position:*

	2020	2019	2018
Current assets	\$ 3,186,411	\$ 3,710,175	\$ 3,920,576
Capital assets	<u>6,472</u>	<u>6,871</u>	<u>7,733</u>
Total assets	<u>3,192,883</u>	<u>3,717,046</u>	<u>3,928,309</u>
Current liabilities	<u>108,107</u>	<u>90,058</u>	<u>337,771</u>
Net position:			
Net investment in capital assets	6,472	6,871	7,733
Restricted	<u>3,078,304</u>	<u>3,620,117</u>	<u>3,582,805</u>
Total net position	\$ <u>3,084,776</u>	\$ <u>3,626,988</u>	\$ <u>3,590,538</u>

### *Statements of Revenues, Expenses and Changes in Net Position:*

Operating revenues	\$ -	\$ -	\$ -
Operating expenses	<u>1,898,288</u>	<u>1,903,536</u>	<u>2,250,524</u>
Operating loss	(1,898,288)	(1,903,536)	(2,250,524)
Nonoperating revenues	<u>1,356,076</u>	<u>1,939,986</u>	<u>2,321,534</u>
Change in net position	(542,212)	36,450	71,010
Net position at beginning of year	<u>3,626,988</u>	<u>3,590,538</u>	<u>3,519,528</u>
Net position at end of year	\$ <u>3,084,776</u>	\$ <u>3,626,988</u>	\$ <u>3,590,538</u>

### *Statements of Cash Flows:*

Cash flows from operating activities	\$ (1,871,051)	\$ (2,150,304)	\$ (2,173,718)
Cash flows from investing activities	495,357	278,445	(714,547)
Cash flows from noncapital financing activities	<u>928,984</u>	<u>1,236,692</u>	<u>1,789,777</u>
Net decrease in cash	(446,710)	(635,167)	(1,098,488)
Cash at beginning of year	<u>2,007,864</u>	<u>2,643,031</u>	<u>3,741,519</u>
Cash at end of year	\$ <u>1,561,154</u>	\$ <u>2,007,864</u>	\$ <u>2,643,031</u>

## ECONOMIC OUTLOOK

The effect of the COVID-19 pandemic on the green fee became clear toward the latter part of fiscal year 2020. By the end of the fiscal year, the total amount of green fees collected was only \$863,751, which was 30% less than the fiscal year 2019 collections of \$1,226,125 and as a result, PAN Fund secured a supplemental budget of \$431,500 through local appropriations from the Olbil Era Kelulau. This appropriation played a huge part in enabling PAN Fund to allocate some investment earnings originally earmarked for FY2021 to FY2022.

## **ECONOMIC OUTLOOK, CONTINUED**

Due to the high level of uncertainty of green fees and the likelihood of a prolonged effect of the COVID-19 pandemic, PAN Fund made a difficult decision to reduce the fiscal year 2021 level to \$1,500,000. Both PAN Fund and the PAN Office worked with PAN member States/Sites to reprioritize the budget and activities for fiscal year 2021 while making sure key personnel and enforcement activities are maintained.

The budget outlook for fiscal year 2022 remains uncertain as far as collection of green fees. The key priority would be to maintain a similar funding level as fiscal year 2021 of \$1,500,000. PAN Fund will begin fiscal year 2022 with at least 80% or \$1,002,000 already secured through investment earnings. This leaves the remaining 20% or \$500,000 unfunded. It is unlikely that enough green fees can be collected by the end of fiscal year 2021 to balance the budget shortfall for fiscal year 2022. PAN Fund will need to either request supplemental funding from OEK again or explore alternative options to finance the shortfall. PAN Fund could begin using investment drawdowns in fiscal year 2022 to supplement the budget. The risk would be that this could alter the current financing mechanism. PAN Fund also could explore early drawdowns from the unrestricted reserve fund (URF); however, this would result in drawdowns before participating in the full investment market cycle. PAN Fund could also lose the opportunity for market appreciation, especially if the market continues to perform well like it is now. PAN Fund could also begin to expand its financing strategy to including fundraisings. Overall, it would be necessary to build an organization that can adapt to changing conditions and improve its position by continuing to diversify the financing mechanism for the PAN.

## **CONCLUDING SUMMARY**

The Management's Discussion and Analysis for the year ended September 30, 2019 is set forth in PAN Fund's report on the audit of financial statements, which is dated May 15, 2020. That Discussion and Analysis explains the major factors impacting the 2019 financial statements and can be viewed at the Office of the Public Auditor's website at [www.palauopa.org](http://www.palauopa.org).

## **CONTACTING PAN FUND'S FINANCIAL MANAGEMENT**

This report is designed to provide a general overview of PAN Fund's finances and to demonstrate PAN Fund's accountability for the money it receives and manages for PAN and the opportunities and challenges faced in achieving sustainable financing for the Palau Protected Areas Network. If you have questions about this report, or need additional information, please send inquiries via the Protected Areas Network Fund, P.O. Box 6094, Koror, Republic of Palau 96940, or contact the following: Phone: (680) 488-FUND (3863) | Fax: (680) 488-1314 | Email: [info@palaupanfund.org](mailto:info@palaupanfund.org).

PROTECTED AREAS NETWORK FUND

Statements of Net Position  
September 30, 2020 and 2019

	<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current assets:			
Cash		\$ 1,561,154	\$ 2,007,864
Investments:			
Corporate stock		961,178	845,660
U.S. Government obligations		258,069	172,999
Corporate bonds		216,709	120,804
Money market funds		109,650	290,328
Total investments		<u>1,545,606</u>	<u>1,429,791</u>
Due from Republic of Palau		49,785	268,645
Prepaid expenses		29,866	3,875
Total current assets		3,186,411	3,710,175
Capital assets, net		6,472	6,871
		<u>\$ 3,192,883</u>	<u>\$ 3,717,046</u>
	<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:			
Accounts payable		\$ 39,340	\$ 20,275
Accrued expenses		18,306	17,090
Due to Micronesia Conservation Trust		45,255	12,707
Unearned revenue		5,206	39,986
Total liabilities		<u>108,107</u>	<u>90,058</u>
Commitment			
Net position:			
Net investment in capital assets		6,472	6,871
Restricted		3,078,304	3,620,117
Total net position		<u>3,084,776</u>	<u>3,626,988</u>
		<u>\$ 3,192,883</u>	<u>\$ 3,717,046</u>

See accompanying notes to financial statements.



PROTECTED AREAS NETWORK FUND

Statements of Revenues, Expenses and Changes in Net Position  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues	\$ -	\$ -
Operating expenses:		
PAN site/states	1,282,544	1,269,866
PAN Institutional System	185,889	200,000
Salaries and wages	124,835	124,400
Special projects	96,225	114,263
Grants	82,173	-
Rent	36,000	24,000
Micronesia Conservation Trust contribution	32,549	71,762
Employee benefits	17,952	17,418
Audit	10,000	8,000
Communications	8,242	10,004
Professional development	6,125	36,792
Utilities	3,542	3,157
Repairs and maintenance	1,721	1,040
Advertisements	1,601	1,506
Depreciation	399	862
Professional fees	-	2,076
Outreach/awareness meetings	-	1,053
Competitive grants expense	-	50
Other	8,491	17,287
Total operating expenses	<u>1,898,288</u>	<u>1,903,536</u>
Operating loss	<u>(1,898,288)</u>	<u>(1,903,536)</u>
Nonoperating revenues:		
Transfer in from Republic of Palau	660,981	1,443,235
Investment earnings from MCT	495,357	472,990
Investment income, net	115,936	21,194
Grant revenue	82,173	-
Interest income	1,629	2,567
Total nonoperating revenues	<u>1,356,076</u>	<u>1,939,986</u>
Change in net position	(542,212)	36,450
Net position at beginning of year	<u>3,626,988</u>	<u>3,590,538</u>
Net position at end of year	<u>\$ 3,084,776</u>	<u>\$ 3,626,988</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Cash Flows  
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Micronesia Conservation Trust contribution	\$ -	\$ (135,330)
Cash payments to PAN sites/states and institutional system	(1,429,093)	(1,449,591)
Cash payments to suppliers for goods and services	(300,387)	(428,697)
Cash payments to employees for services	<u>(141,571)</u>	<u>(136,686)</u>
Net cash used for operating activities	<u>(1,871,051)</u>	<u>(2,150,304)</u>
Cash flows from investing activities:		
Investment earnings	495,357	472,990
Transfer to investments	<u>-</u>	<u>(194,545)</u>
Net cash provided by investing activities	<u>495,357</u>	<u>278,445</u>
Cash flows from noncapital financing activities:		
Transfer in from Republic of Palau	879,841	1,234,125
Cash received from grants	47,393	-
Interest income	1,629	2,567
Other	<u>121</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>928,984</u>	<u>1,236,692</u>
Net decrease in cash	(446,710)	(635,167)
Cash at beginning of year	<u>2,007,864</u>	<u>2,643,031</u>
Cash at end of year	<u>\$ 1,561,154</u>	<u>\$ 2,007,864</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (1,898,288)	\$ (1,903,536)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	399	862
(Increase) decrease in assets:		
Prepaid expenses	(25,991)	83
Increase (decrease) in liabilities:		
Accounts payable	19,065	(189,277)
Accrued expenses	1,216	5,132
Due to Micronesia Conservation Trust	<u>32,548</u>	<u>(63,568)</u>
Net cash used for operating activities	<u>\$ (1,871,051)</u>	<u>\$ (2,150,304)</u>

See accompanying notes to financial statements.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (1) Organization

The Protected Areas Network Fund (PAN Fund), a component unit of the Republic of Palau (ROP), was formed on May 2, 2008, under the provisions of the Republic of Palau Public Law (RPPL) No. 7-42 for the purpose of administering and managing all funds received for the financial sustainability of the Protected Areas Network (the PAN) in Palau and for other related purposes. Portions of RPPL 7-42 were revised by RPPL 8-9 and RPPL 8-18. The Law created a registered non-profit corporation under the ROP corporate registry managed by a Board of Directors, consisting of seven voting members and the ROP Minister of Finance and the ROP Minister of Resources and Development, appointed in accordance with PAN Fund's Articles of Incorporation and approved by no less than two thirds of the Senate of the Olbiil Era Kelulau (ROP National Congress). PAN Fund's non-profit corporate charter was issued on November 2, 2010 by ROP and operations formally launched on March 24, 2012 upon receiving tourist and visitor environmental protection and arrival fee (Green Fee) monies from the ROP Ministry of Finance (MOF).

RPPL 7-42 authorized MOF to implement Green Fees to be used for the purpose of the operation of the PAN and to be deposited into an account at the National Treasury. The ROP Minister of Finance shall subsequently transfer the funds collected to the PAN Fund. RPPL 9-15, passed into law on August 29, 2013 and effective for fiscal year 2014, reduced amounts transferred to the PAN Fund to 50% of Green Fees collected or \$2,000,000, whichever is less. During the years ended September 30, 2020 and 2019, MOF remitted \$650,981 and \$1,435,235, respectively, for this purpose, which PAN Fund recorded as transfers in from ROP. PAN Fund recorded \$10,000 and \$8,000 as transfers in from ROP for audit expense reimbursement for the years ended September 30, 2020 and 2019, respectively. The receivables and transfers with ROP constitute all of PAN Fund's related party transactions, except for grants described in note 4.

Funds administered, managed and invested by PAN Fund as the financial trustee corporation of the PAN include:

- Green Fees from ROP which are used for general operations of the PAN. PAN Fund allocates five percent (5%) of Green Fees and any unallocated funds remaining at the end of each fiscal year in the Micronesia Conservation Trust (MCT) Endowment, net investment revenues from which are available for PAN Fund's exclusive use at a later time, pursuant to guidelines of MCT. PAN Fund recorded MCT contributions of \$32,549 and \$71,762 for the years ended September 30, 2020 and 2019, respectively. PAN Fund considers its ensuing year budget to be an allocation of funds and therefore has not recorded a liability to MCT for any unallocated funds at September 30, 2020 and 2019;
- Donations, grants and other aid given to PAN Fund; and
- Income and other property derived from or attributed to the investment or application of property.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (1) Organization, Continued

PAN Fund disburses all funding for:

- The implementation of PAN management, sustainable development and work plans for PAN sites based on performance, impact/outcome and appropriate management costs for the continuing sustainable operation of the PAN Fund. During the years ended September 30, 2020 and 2019, PAN Fund provided funding to PAN sites/states for mobilization and implementation of PAN work plan of \$1,282,544 and \$1,269,866, respectively, and is recorded as PAN sites/states expense in the accompanying statements of revenue, expenses and changes in net position. Additionally, PAN Fund provided technical assistance for PAN sites/states special projects of \$96,225 and \$114,263 for the years ended September 30, 2020 and 2019, respectively.
- The undertaking of necessary research and educational activities substantially related to carrying out the provisions of RPPL No. 7-42;
- The performance of any other functions that is necessary in order to carry out the purposes of RPPL No. 7-42 including the operation of the PAN Office. The PAN Office operates under the ROP Ministry of Natural Resources, Environment and Tourism. During the years ended September 30, 2020 and 2019, PAN Fund provided funding for activities specified in an annual work plan of PAN Office in the amounts of \$185,889 and \$200,000, respectively; and
- Emergency funding to help PAN sites address exceptional needs arising from natural disasters or accidents.

PAN Fund's financial statements are incorporated into the financial statements of ROP as a component unit.

### (2) Summary of Significant Accounting Policies

The accounting policies of PAN Fund conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. PAN Fund utilizes the flow of economic resources measurement focus. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### Basis of Accounting

All proprietary funds are accounted for on a flow of economic resources, measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included in the statements of net position. Proprietary fund operating statements reflect increases and decreases in net total assets and utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

#### Budget and Appropriation

RPPL 9-15 authorized funds generated from the collection of the Green Fee to be authorized and appropriated for the sole purpose of the operation of the PAN, to be transferred to PAN Fund. No more than ten percent (10%) of such funds may be used for administrative costs of the operation of the PAN. PAN Fund has determined that the 10% restriction applies only to the PAN and not PAN Fund. Budgetary financial statements are not considered to be a disclosure requirement by management.

#### Cash

For purposes of the statements of net position and of cash flows, cash is defined as cash on hand and cash in bank. As of September 30, 2020 and 2019, cash was \$1,561,154 and \$2,007,864, respectively, and the corresponding bank balances were \$1,662,686 and \$2,059,415, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2020 and 2019, bank deposits of \$250,000 were FDIC insured. Collateralization of deposits is not required; therefore, uninsured deposits are exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of a bank failure, PAN Fund's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. PAN Fund does not have a deposit policy for custodial credit risk.

#### Investments

PAN Fund's investment policy governs the investment of assets of PAN Fund as follows:

- (1) General
  - (A) Any restrictions set forth by applicable law governing allocation limits, size, or quality of investments, if more stringent than those of this Statement, will be the governing restriction.
  - (B) U.S. and Non-U.S. common stocks, ADRs (American Depository Receipts), convertible bonds, preferred stocks, fixed-income securities, mutual funds and short-term securities are permissible investments.
  - (C) No individual security of any issuer, other than that of the US Government, shall constitute more than 10% (at cost) of any Investment Managers portfolio.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(1) General, Continued

- (D) The following securities and transactions are not authorized without prior Board approval: letter stock and other unregistered securities; non-negotiable securities; commodities or other commodity contracts; short sales; margin transactions; and, options and futures.

(2) Cash & Equivalents

(A) The following investments are permitted:

- U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations.
- Commercial Paper - All commercial paper issuers must maintain an "A-1" rating by Standard & Poor's and a "P-1" rating by Moody's Investor Service and be issued by Corporations domiciled within the United States having total assets in excess of one billion dollars (\$1,000,000,000).
- Certificates of Deposit - All certificate of deposit issuers must have a minimum capital of ten million dollars (\$10,000,000).

*For assets managed by Investment Committee* - From time to time Investment Committee may choose to invest working capital and pending loan funds in certificates of deposit offered by minority and/or community financial institutions. These financial institutions may not meet the minimum capital requirements set forth above.

- Repurchase Agreements - Repurchase agreements must be collateralized with either: (1) U.S. Treasury or Agency Securities with a market value of 102%, marked to market daily; or, (2) money market instruments which meet the qualifications of the investment policy statement and with a market value of 102%, marked to market daily.
- Money Market Funds - Money Market Funds must be registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940.

(B) No single issue shall have a maturity of greater than one (1) year.

(C) Money market funds must have an average maturity of less than one (1) year.

(3) Fixed Income

- (A) All fixed income securities held in the portfolio shall have a Moody's or Standard & Poor's credit quality rating of no less than "BBB". U.S. Treasury and Agency securities, while non-rated, qualify for inclusion in the portfolio.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(3) Fixed Income, Continued

- (B) Total portfolio quality (capitalization weighted) shall maintain an “A” minimum rating.
- (C) It is the policy of the Board to place assets in Local Certificates of Deposit (Local CDs) issued by local Funding institutions, with the express purpose of making funds available to the local community in the form of loans. These Local CDs will not be included in the strategic asset allocation included herein. However, these Local CDs and the local Funding institutions must meet the following criteria on an ongoing basis:
  - Local CDs must offer a competitive return relative to alternative issuers.
  - The local Funding institutions must provide quarterly financial statements for Investment Committee review. The Investment Committee is charged with monitoring the financial health of the local Funding institutions. Should concerns arise with respect to the financial condition of the local Funding institutions, the Investment Committee will immediately notify the Board so that appropriate action can be determined and taken.

(4) Equities

- (A) Consistent with the desire to maintain broad diversification, allocations to any; economic or industry sector should not be excessive. Comparisons to peer group characteristics will be used to evaluate and to assure consistency of each managers stated strategy and style.
- (B) Equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on major exchanges.
- (C) The Investment Managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the Investment Managers will be evaluated against their peers on the performance of the total funds under their direct management.
- (D) Common stock and preferred stock of any institution or entity created or existing under the laws of the United States or any state, district, territory, or of any foreign country (ADR only) are permissible investments.

GASB Statement No. 40 requires entities to provide information about the credit risk associated with their investments by disclosing the credit quality ratings.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to the transaction, PAN Fund will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. PAN Fund’s investments are held and administered by trustees in accordance with negotiated trust and custody agreements. Based on these agreements, all of these investments were held in PAN Fund’s name by PAN Fund’s custodial financial institutions at September 30, 2020.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt instruments. The following is a listing of PAN Fund's fixed income securities at September 30, 2020 and 2019:

Investment Type	Fair Value	2020				Ratings
		Investment Maturities (In Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 170,543	\$ -	\$ 81,848	\$ 88,695	\$ -	Aaa
U.S. Treasury bonds	49,803	-	-	-	49,803	Aaa
Other U.S. government obligations	37,723	-	37,723	-	-	Aaa
Corporate bonds	14,641	-	-	-	14,641	Aaa
Corporate bonds	43,182	-	-	43,182	-	A2
Corporate bonds	42,930	-	-	42,930	-	A3
Corporate bonds	29,861	-	-	15,202	14,659	Baa1
Corporate bonds	72,076	-	-	72,076	-	Baa2
Corporate bonds	14,019	-	-	14,019	-	Baa3
	<u>\$ 474,778</u>	<u>\$ -</u>	<u>\$ 119,571</u>	<u>\$ 276,104</u>	<u>\$ 79,103</u>	

  

Investment Type	Fair Value	2019				Ratings
		Investment Maturities (In Years)				
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 93,224	\$ -	\$ 49,763	\$ 43,461	\$ -	Aaa
U.S. Treasury bonds	35,363	-	-	-	35,363	Aaa
Other U.S. government obligations	44,412	-	44,412	-	-	Aaa
Corporate bonds	36,217	-	-	36,217	-	A2
Corporate bonds	43,482	-	8,587	34,895	-	A3
Corporate bonds	13,890	-	-	-	13,890	Baa1
Corporate bonds	18,215	-	8,483	9,732	-	Baa2
Corporate bonds	9,000	-	-	9,000	-	Baa3
	<u>\$ 293,803</u>	<u>\$ -</u>	<u>\$ 111,245</u>	<u>\$ 133,305</u>	<u>\$ 49,253</u>	

Fair Value Measurement of the Investments

Investments and related investment earnings are reported at fair value using quoted market prices. Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the date as of which the fair value of an asset or liability is determined.

PAN Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. PAN Fund has the following fair value measurements:



PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, Continued

Investments by fair value level	Total	2020		
		Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury securities	\$ 220,346	\$ 220,346	\$ -	\$ -
Other U.S. Government obligations	37,723	-	37,723	-
Corporate bonds	216,709	-	216,709	-
Equity securities:				
Common stock	<u>961,178</u>	<u>961,178</u>	-	-
Total investments by fair value level	\$ <u>1,435,956</u>	\$ <u>1,181,524</u>	\$ <u>254,432</u>	\$ <u>-</u>
Investments measured at cost-based measure:				
Money market funds	\$ <u>109,650</u>			
		2019		
	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury securities	\$ 128,587	\$ 128,587	\$ -	\$ -
Other U.S. Government obligations	44,412	-	44,412	-
Corporate bonds	120,804	-	120,804	-
Equity securities:				
Common stock	<u>845,660</u>	<u>845,660</u>	-	-
Total investments by fair value level	\$ <u>1,139,463</u>	\$ <u>974,247</u>	\$ <u>165,216</u>	\$ <u>-</u>
Investments measured at cost-based measure:				
Money market funds	\$ <u>290,328</u>			

Capital Assets

Capital assets are stated at cost. Depreciation is calculated using the straight-line method based on the estimated useful lives of the respective assets. Current policy is to capitalize items in excess of \$1,000.

Retirement Plan

On October 5, 2017, PAN Fund adopted a 401K Retirement Savings Plan (the Plan) to provide an individual account retirement system for the employees of PAN Fund. PAN Fund's General Manager is responsible for the general administration and operation of the Plan. Each member of the Plan is required to contribute to the members' individual account an amount equal to 4% of the member's gross salary. On February 26, 2019, the contribution rate increased to 6% of the member's gross salary. PAN Fund is required to provide matching contributions on behalf of each member equal to the employees' contributions. PAN Fund recorded \$5,470 and \$4,462 of contributions to the Plan for the years ended September 30, 2020 and 2019, respectively.

On August 8, 2013, PAN Fund withdrew from the Palau Civil Service Pension Trust Fund (the Fund) as the Fund considers PAN Fund to be a non-profit, non-governmental organization, and to be exempt from participation in the Fund.

Net Position

PAN Fund's net position is classified as follows:

- Net investment in capital assets: capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### Net Position, Continued

- Restricted: net position subject to externally imposed stipulations that can be fulfilled by actions of PAN Fund pursuant to those stipulations or that expire by the passage of time. PAN Fund considers all assets, except investments in capital assets, to be restricted in accordance with the provisions of RPPL 7-42.
- Unrestricted: net position that is not subject to externally imposed stipulations. As PAN Fund considers all assets, except investments in capital assets, to be restricted in accordance with the provisions of RPPL 7-42, PAN Fund does not have unrestricted net position at September 30, 2020 and 2019.

#### New Accounting Standards

During the year ended September 30, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postpones the effective dates of GASB Statement No. 84, 89, 90, 91, 92 and 93 by one year and GASB Statement No. 87 by 18 months; however, earlier application of the provisions addressed in GASB Statement No. 95 is encouraged and is permitted to the extent specified in each pronouncement as originally issued. In accordance with GASB Statement No. 95, management has elected to postpone implementation of these statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 84 will be effective for fiscal year ending September 30, 2021.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. Management believes that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 87 will be effective for fiscal year ending September 30, 2022.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 89 will be effective for fiscal year ending September 30, 2022.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 90 will be effective for fiscal year ending September 30, 2021.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In January 2020, GASB issued statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports, the terminology used to refer to derivative instruments and the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefits. The requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reissuance recoveries and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements of GASB Statement No. 92 is effective for the fiscal year ending September 30, 2022.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objective of this statement is to address those and other accounting and financial reporting implications of the replacement of an IBOR. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. In accordance with GASB Statement No. 95, GASB Statement No. 93 will be effective for fiscal year ending September 30, 2022.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (2) Summary of Significant Accounting Policies, Continued

#### New Accounting Standards, Continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This statement also provides guidance for accounting and financial reporting for availability payment arrangements. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Management does not believe that this statement, upon implementation, will have a material effect on the financial statements. GASB Statement No. 97 will be effective for fiscal year ending September 30, 2022.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(3) Capital Assets

Capital assets of PAN Fund as of September 30, 2020 and 2019, are summarized below:

	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2020</u>
Furniture, fixtures and equipment	3 years	\$ 20,694	\$ -	\$ -	\$ 20,694
Vehicle	3 years	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
		27,694	-	-	27,694
Less accumulated depreciation		<u>(20,823)</u>	<u>(399)</u>	<u>-</u>	<u>(21,222)</u>
		\$ <u>6,871</u>	\$ <u>(399)</u>	\$ <u>-</u>	\$ <u>6,472</u>
	<u>Estimated Useful Lives</u>	<u>Balance at October 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at September 30, 2019</u>
Furniture, fixtures and equipment	3 years	\$ 20,694	\$ -	\$ -	\$ 20,694
Vehicle	3 years	<u>7,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>
		27,694	-	-	27,694
Less accumulated depreciation		<u>(19,961)</u>	<u>(862)</u>	<u>-</u>	<u>(20,823)</u>
		\$ <u>7,733</u>	\$ <u>(862)</u>	\$ <u>-</u>	\$ <u>6,871</u>

(4) Unearned Revenue

On December 27, 2016, Oceans 5, a sponsored project of Rockefeller Philanthropy Advisors, Inc., approved a \$216,000 grant to PAN Fund to support implementation of the Palau National Marine Sanctuary, created by RPPL No. 9-49. The grant period is for one year which expires on December 31, 2017. On April 4, 2017, PAN Fund received \$108,000 from Oceans 5 representing 50% of the grant. On May 11, 2017, a memorandum of understanding between PAN Fund and ROP, represented by the Palau National Marine Sanctuary Office (PNMS), was signed to provide a framework for ongoing cooperation between PAN Fund and PNMS and to establish parameters of assistance to be provided by PAN Fund to PNMS in receiving, administering, accounting for and disbursing contributions to PNMS from foreign governmental, private and non-profit sources. On October 25, 2017, PAN Fund transferred \$108,000 to PNMS. On August 8, 2018, PAN Fund transferred an additional \$88,000 to PNMS. These transfers were recorded by PAN Fund as grant expenses. On January 12, 2018, PAN Fund received the remaining 50% of the grant (\$108,000). During the year ended September 30, 2020, PAN Fund recorded the remaining amount of \$5,919 of expenses related to the grant.

## PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

### (4) Unearned Revenue, Continued

On January 31, 2017, a memorandum of agreement between PAN Fund and the ROP Ministry of Natural Resources, Environment and Tourism (MNRET) was signed to implement the Global Environment Facility Ridge-to-Reef System of Transparent Allocation of Resources (GEF R2R STAR) project. The purpose of GEF R2R STAR is to improve the Protected Areas Network, effectively implement Palau's Sustainable Land Management policy and ensure integrated coordination, mainstreaming and project management. PAN Fund must implement activities outlined in the four-year action plan and MNRET must fund the activities at quarterly disbursements. On June 23, 2017, PAN Fund received \$40,000 or the second quarter budget of the work plan from MNRET. On December 8, 2017, PAN Fund received an additional \$55,000 from MNRET. On November 13, 2019 and May 22, 2020, PAN Fund received \$10,000 and \$20,000, respectively, from MNRET. During the years ended September 30, 2020 and 2019, PAN Fund recorded \$58,862 and \$-0-, respectively, of expenses related to the GEF R2R STAR project, which is still ongoing. Accordingly, the remaining amount of \$5,206 is recorded as unearned revenue in the accompanying financial statements.

On October 21, 2019, a contract between PAN Fund and MCT was signed which corresponds to an MCT grant from Margaret A. Cargill Philanthropies "Meeting the Goals of the Micronesia Challenge: 2020 Milestone and Beyond" project. This contract was amended and signed on August 13, 2020 to extend the project duration to June 30, 2021. MCT will make available to the PAN Fund for the amount not to exceed \$20,000 and all payments will be paid on a reimbursable basis. In fiscal year 2020, MCT reimbursed a total of \$17,392.

### (5) Contributions

The Micronesia Challenge (MC) is a commitment by the Chief Executives of the Republic of Palau, the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, the U.S. Territory of Guam and the U.S. Commonwealth of the Northern Mariana Islands to effectively conserve at least 30% of the near-shore marine resources and 20% of the terrestrial resources across Micronesia by 2020.

MCT is a non-profit trust corporation registered in the FSM whose mission is to support biodiversity conservation and related sustainable development of the people of Micronesia by providing long-term sustained funding opportunities, management and investment services. MCT holds MC assets in restricted endowment funds. During the years ended September 30, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013 and 2012, PAN Fund contributed \$32,549, \$71,762, \$76,425, \$97,750, \$100,000, \$98,177, \$96,750, \$84,596 and \$1,400,000, respectively, to the MC endowment funds held by MCT.

In previous years, ROP, The Nature Conservancy, Global Environmental Facility and Conservation International made contributions to MCT of \$400,000, \$2,000,000, \$1,684,848 and \$1,000,000, respectively, on Palau's behalf. During the years ended September 30, 2020 and 2019, PAN Fund withdrew investment income of \$495,357 and \$472,990, respectively, from MCT. The investment income from MCT represents 5% of a three-year moving average of PAN Fund's average MCT endowment fund balance. At September 30, 2020 and 2019, the Palau portion of MC endowment funds held by MCT was \$9,836,694 and \$9,887,026, respectively.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements  
September 30, 2020 and 2019

(6) Commitment

PAN Fund leases office space in Koror, Palau. The term of the lease is two years commencing October 1, 2019 and expiring on October 1, 2021. Total future minimum lease payments under this lease for the subsequent year ending September 30, 2021 is \$36,000.

(7) COVID-19 Pandemic

Due to travel restrictions and COVID-19 pandemic entry requirements, there is considerable uncertainty of the impact and duration of the effects of the pandemic, which will inevitably affect collection of Green Fees. Therefore, PAN Fund expects this matter to negatively impact its financial results; however, the related financial impact cannot be reasonably estimated at this time. Other financial impacts could occur though such potential impact is unknown.

PROTECTED AREAS NETWORK FUND

Schedule of Investments  
September 30, 2020

	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>	
<u>Money Market Funds</u>				
Raymond James Bank N.A. - Account # 205HV032	\$ 76,593	\$ 76,593	\$ 76,593	
Cash/Client interest program - Account # 770FJ508	7,189	7,189	7,189	
Cash/Client interest program - Account # 4700F423	2,387	2,387	2,387	
Goldman Sachs Bank USA - Account # 5263Y601	16,988	16,988	16,988	
Goldman Sachs Bank USA - Account # 310RN089	<u>6,493</u>	<u>6,493</u>	<u>6,493</u>	
Total Money Market Funds	<u>\$ 109,650</u>	<u>\$ 109,650</u>	<u>\$ 109,650</u>	
	<u>Face Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Ratings</u>
<u>U.S. Government Obligations</u>				
US Treasury Bonds, 3.0% due on 11/15/44	\$ 23,000	\$ 23,908	\$ 30,794	Aaa
US Treasury Bonds, 3.0% due on 05/15/47	14,000	17,362	19,009	Aaa
US Treasury Notes, 2.875% due on 05/15/28	21,000	21,770	24,718	Aaa
US Treasury Notes, 2.25% due on 03/31/26	13,000	14,365	14,363	Aaa
US Treasury Notes, 2.25% due on 11/15/25	18,000	18,011	19,789	Aaa
US Treasury Notes, 2.25% due on 02/15/27	22,000	21,831	24,566	Aaa
US Treasury Notes, 2.5% due on 08/15/23	13,000	13,139	13,874	Aaa
US Treasury Notes, 1.875% due on 04/30/22	23,000	23,084	23,634	Aaa
US Treasury Notes, 2% due on 06/30/24	23,000	22,925	24,551	Aaa
US Treasury Notes, 1.625% due on 08/15/29	<u>23,000</u>	<u>22,706</u>	<u>25,048</u>	Aaa
Total U.S. Treasury Securities - Account # 5263Y601	<u>193,000</u>	<u>199,101</u>	<u>220,346</u>	
Federal National Mortgage Association Note, 2.875% due on 09/12/23	<u>35,000</u>	<u>36,010</u>	<u>37,723</u>	Aaa
Total U.S. Government Sponsored Enterprise - Account # 5263Y601	<u>35,000</u>	<u>36,010</u>	<u>37,723</u>	
Total U.S. Government Obligations	<u>\$ 228,000</u>	<u>\$ 235,111</u>	<u>\$ 258,069</u>	
<u>Corporate Bonds</u>				
AT&T Inc. , 4.35% due on 03/01/29	\$ 12,000	\$ 13,267	\$ 14,125	Baa2
Bank of America Corporation, 3.5% due on 04/19/26	13,000	13,364	14,566	A2
Bunge Limited Finance Corp., 3.25% due on 08/15/26	13,000	12,656	14,019	Baa3
Cvs Health Corp, 4.3% due on 03/25/28	12,000	12,169	14,046	Baa2
Cintas Corporation, 3.7% due on 04/01/27	12,000	12,534	13,834	A3
Comcast Corporation, 4.1500% due on 10/15/28	12,000	13,475	14,460	A3
Fiserv INC., 2.65% due on 06/01/30	14,000	14,784	15,065	Baa2
Goldman Sachs Group, Inc., 3.85% due on 01/26/27	13,000	13,402	14,636	A3
Ingredion Incorporated, 2.9% due on 06/01/30	14,000	14,755	15,202	Baa1
JP Morgan Chase & Co., 3.3% due on 04/01/26	13,000	13,242	14,406	A2
Keurig Dr Pepper INC, 4.5970% due on 05/25/28	12,000	13,485	14,410	Baa2
Microsoft Corporation, 2.525% due on 06/01/50	14,000	15,007	14,641	Aaa
Parker-Hannifin Corporation, 4.2% due on 11/21/34	12,000	13,109	14,659	Baa1
VIACOMCBS INC, 4.95% due on 01/15/31	12,000	14,464	14,430	Baa2
Wells Fargo & Company, 3.0% due on 10/23/26	<u>13,000</u>	<u>12,600</u>	<u>14,210</u>	A2
Total Corporate Bonds	<u>\$ 191,000</u>	<u>\$ 202,313</u>	<u>\$ 216,709</u>	

See Accompanying Independent Auditors' Report.



PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued  
September 30, 2020

	No. of Shares	Cost	Fair Value
<u>Corporate Stock</u>			
AIA Group Limited Sponsored ADR (Hong Kong) (AAGIY)	187	\$ 7,637	\$ 7,325
Adidas AG ADR (Germany) (ADDYY)	32	4,886	5,180
Adyen N V Un-sponsored ADS (Netherlands) (ADYDY)	146	4,940	5,384
Airbus SE Un-sponsored ADR (Netherlands) (EADSY)	117	2,424	2,129
Alibaba Group Hldg Limited Sponsored ADS (Cayman Islands) (BABA)	18	3,044	5,292
Amadeus IT Group S A Un-sponsored ADS (Spain) (AMADY)	69	3,884	3,851
Burberry Group PLC Sponsored ADR (United Kingdom) (BURBY)	153	2,963	3,074
EDP Energias DE Portugal S A Sponsored ADR (Portugal) (EDPFY)	83	4,310	4,083
ERSTE Group BK A G Sponsored ADR (Austria) (EBKDY)	201	2,472	2,107
Fanuc Corporation ADR (Japan) (FANUY)	227	3,986	4,328
Givaudan SA ADR (Switzerland) (GVDNY)	50	4,220	4,321
Hoya Corporation Sponsored ADR (Japan) (HOCPY)	33	3,249	3,709
Industria De Diseno Textil IND Un-sponsored ADR (Spain) (IDEXY)	184	2,599	2,568
Just Eat Takeaway Com N V Un-sponsored ADS (Netherlands) (TKAYY)	291	3,242	3,268
KBC Group NV Un-sponsored ADR (Belgium) (KBCSY)	78	2,244	1,957
KAO Corporation Un-sponsored ADS (Japan) (KAOOY)	267	4,077	3,991
L'oreal Company ADR (France) (LGRDY)	66	4,394	4,297
Legrand S A Un-sponsored ADR (France) (LGRDY)	254	4,241	4,061
London STK Exchange Group Un-sponsored ADR (United Kingdom) (LNSTY)	228	6,813	6,541
Monotaro Company Limited Un-sponsored ADR (Japan) (MONOY)	55	2,178	2,721
Nestle S A Sponsored ADR (Switzerland) (NSRGY)	63	7,590	7,498
Nidec Corporation Sponsored ADR (Japan) (NJDCY)	180	3,783	4,181
Nintendo Limited ADR (Japan) (NTDOY)	98	5,241	6,925
Novartis AG Sponsored ADR (Switzerland) (NVS)	57	5,184	4,957
Novo-Nordisk A S ADR (Denmark) (NVO)	73	4,837	5,068
Ocado Group PLC Sponsored ADR (United Kingdom) (OCDDY)	17	1,156	1,206
Rentokil Initial PLC Sponsored ADR (United Kingdom) (RTOKY)	144	5,145	4,985
Roche Hldg Limited Sponsored ADR (Switzerland) (RHHBY)	149	6,210	6,389
SAP SE SPON ADR (Germany) (SAP)	32	5,310	4,986
Shiseido Company Limited Sponsored ADR (Japan) (SSDOY)	79	4,590	4,518
Shopify Incorporated CLS A (Canada) (SHOP)	4	4,272	4,092
Sociedad Quimica Y Minera De Spon ADR SER B (Chile) (SQM)	61	1,927	1,978
Solaredge Technologies Incorporated (SEDG)	13	2,888	3,099
Taiwan Semiconductor MFG Limited Sponsored ADS (Taiwan) (TSM)	55	2,166	4,459
Teamviewer AG Un-sponsored ADS (Germany) (TMVWY)	167	4,527	4,124
Teleperformance Un-sponsored ADR (France) (TLPFY)	26	4,045	4,018
Temenos AG Sponsored ADR (Switzerland) (TMSNY)	21	3,438	2,835
Tencent Holdings Limited Un-sponsored ADR (Cayman Islands) (TCEHY)	49	2,695	3,234
Thomson Reuters Corporation. Com New (Canada) (TRI)	47	3,610	3,749
Tokyo Electron Limited ADR (Japan) (TOELY)	51	2,632	3,302
Umicore Group Un-sponsored ADR (Belgium) (UMICY)	209	2,404	2,178
Worldline SA Un-sponsored ADR (France) (WRDLY)	58	2,669	2,380
Atlassian Corporation PLC Class A (United Kingdom) (TEAM)	13	2,491	2,363
Icon PLC SHS (Ireland) (ICLR)	24	3,036	4,586
Linde PLC SHS (Ireland) (LIN)	25	6,267	5,916
Stoneco Limited COM Class A (Cayman Islands) (STNE)	75	3,830	3,967
Spotify Technology S A SHS (Luxembourg) (SPOT)	15	4,268	3,639
ASML Holding N V N Y Registry SHS (Netherlands) (ASML)	14	5,275	5,170
Elastic N V ORD SHS (Netherlands) (ESTC)	33	3,611	3,560
Subtotal - Account # 310RN089	4,591	192,900	199,549

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued  
September 30, 2020

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Aflac Incorporated (AFL)	56	2,068	2,036
Alphabet Incorporated CAP STK Class A (GOOGL)	4	5,213	5,862
American International Group Incorporated Com New (AIG)	151	7,635	4,157
Amerisourcebergen Corporation (ABC)	42	3,672	4,071
Ametek Incorporated (AME)	12	777	1,193
Anthem Incorporated (ANTM)	24	6,904	6,446
Applied Matls Incorporated (AMAT)	63	3,077	3,745
Autozone Incorporated (AZO)	6	6,482	7,066
Avantor Incorporated (AVTR)	105	1,758	2,361
BK of America Corporation (BAC)	331	10,037	7,974
Barrick Gold Corporation (Canada) (GOLD)	149	2,787	4,183
Berkshire Hathaway Incorporated Del Class B New (BRK.B)	57	11,519	12,138
Best Buy Incorporated (BBY)	51	3,546	5,676
Cigna Corporation (CI)	45	8,602	7,623
Crh Plc ADR (Ireland) (CRH)	54	1,869	1,949
Caterpillar Incorporated Del (CAT)	28	3,365	4,176
Centerpoint Energy Incorporated (CNP)	122	2,304	2,361
Cisco Systems Incorporated (CSCO)	194	8,430	7,642
Citigroup Incorporated Com New (C)	66	4,834	2,845
Conocophillips (COP)	127	6,412	4,171
Cummins Incorporated (CMI)	14	2,334	2,956
Deere & Company (DE)	26	4,400	5,762
Dover Corporation (DOV)	28	2,492	3,034
Dupont De Nemours Incorporated (DD)	82	6,099	4,549
Edison International (EIX)	61	4,130	3,101
F M C Corporation Com New (FMC)	20	1,880	2,118
Facebook Incorporated Class A (FB)	8	1,487	2,095
Fifth Third Bancorp (FITB)	87	1,639	1,855
Firstenergy Corporation (FE)	58	1,647	1,665
Glaxosmithkline PLC Sponsored ADR (United Kingdom) (GSK)	69	3,216	2,597
Harley Davidson Incorporated (HOG)	50	1,368	1,227
Howmet Aerospace Incorporated (HWM)	90	1,496	1,505
Huntington Bancshares Incorporated (HBAN)	286	2,928	2,623
Huntington Ingalls Industries Incorporated (HII)	8	1,729	1,126
Jpmorgan Chase & Company (JPM)	130	14,413	12,515
Johnson & Johnson (JNJ)	81	11,190	12,059
KLA Corporation Com New (KLAC)	16	2,320	3,100
Kansas City Southern Com New (KSU)	9	1,229	1,627
Kimberly Clark Corporation (KMB)	22	3,155	3,249
Kinross Gold Corporation (Canada) (KGC)	129	814	1,138
Kroger Company (KR)	142	4,681	4,815
LKQ Corporation (LKQ)	55	1,605	1,525
Lam Research Corporation (LRCX)	14	3,517	4,645
Las Vegas Sands Corporation (LVS)	30	1,486	1,400
Lear Corporation Com New (LEA)	10	895	1,091
Lennar Corporation Class A (LEN)	38	2,253	3,104
Lowes Companies Incorporated (LOW)	19	2,102	3,151
Marathon Pete Corporation (MPC)	115	6,319	3,374
Marsh & McLennan Companies Incorporated (MMC)	24	2,315	2,753
Mckesson Corporation (MCK)	27	4,072	4,021

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued  
September 30, 2020

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Merck & Company Incorporated (MRK)	44	3,785	3,650
Microsoft Corporation (Msft)	10	1,339	2,103
Micron Technology Incorporated (MU)	95	4,951	4,461
Mohawk Industried Incorporated (MHK)	26	3,480	2,537
Newmont Corporation (NEM)	36	1,674	2,284
Northrop Grumman Corporation (NOC)	6	1,751	1,893
Novartis AG Sponsored ADR (Switzerland) (NVS)	66	5,512	5,739
ON Semiconductor Corporation (ON)	51	704	1,106
Oracle Corporation (Orcl)	67	3,296	4,000
Otis Worldwide Corporation (OTIS)	27	1,804	1,685
Owens Corning New (OC)	53	3,288	3,647
PPG Industries Incorporated (PPG)	13	1,150	1,587
Parsley Energy Incorporated Class A (PE)	151	1,866	1,413
Pfizer Incorporated (PFE)	215	8,189	7,891
Progressive Corporation (PGR)	67	5,213	6,343
Qorvo Incorporated (QRVO)	17	1,534	2,193
SS&C Technologies Hldgs Incorporated (SSNC)	46	2,379	2,784
Schluemberger Limited (Curacao) (SLB)	93	1,742	1,447
Schwab Charles Corporation (SCHW)	76	2,640	2,753
TJX Companies Incorporated New (TJX)	48	2,265	2,671
T-Mobile US Incorporated (TMUS)	41	4,446	4,689
Tapestry Incorporated (TPR)	118	1,809	1,844
Truist Finl Corporation (TFC)	107	4,464	4,071
Union Pacific Corporation (UNP)	14	2,384	2,756
United Rentals Incorporated (URI)	12	1,345	2,094
Unitedhealth Group Incorporated (UNH)	15	3,633	4,677
Valero Energy Corporation New (VLO)	38	3,535	1,646
Vistra Corporation (VST)	89	2,065	1,679
Williams Sonoma Incorporated (WSM)	18	856	1,628
Wyndham Hotels & Resorts Incorporated (WH)	33	1,677	1,666
Yamana Gold Incorporated (Canada) (AUY)	363	1,402	2,062
Zimmer Biomet Hldgs Incorporated (ZBH)	11	1,555	1,498
Coca Cola European Partners P SHS (United Kingdom) (CCEP)	78	3,089	3,026
Eaton Corporation Plc Shs (Ireland) (ETN)	61	4,982	6,224
Everest Re Group Limited (Bermuda) (RE)	16	3,866	3,161
Medtronic Plc Shs (Ireland) (MDT)	52	5,204	5,404
Renaissance Hldgs Limited (United Kingdom) (RNR)	9	1,653	1,528
Chubb Limited (Switzerland) (CB)	50	7,306	5,806
NXP Semiconductors N V (Netherlands) (NXPI)	31	3,189	3,869
Subtotal - Account # 770FJ508	<u>5,798</u>	<u>317,524</u>	<u>318,970</u>
Alibaba Group Hldg Limited Sponsored Ads (Cayman Islands) (BABA)	101	18,107	29,692
Alphabet Incorporated Cap Stk Class C (GOOG)	8	8,063	11,757
Alphabet Incorporated Cap Stk Class A (GOOGL)	8	8,213	11,725
Amazon Com Incorporated (AMZN)	11	13,313	34,636
Autodesk Incorporated (ADSK)	87	10,979	20,098
Automatic Data Processing Incorporated (ADP)	21	2,635	2,929
Boeing Company (BA)	75	10,327	12,395
Cerner Corporation (CERN)	105	7,200	7,590
Cisco Systems Incorporated (CSCO)	191	7,109	7,523

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued  
September 30, 2020

	<u>No. of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Corporate Stock, Continued</u>			
Colgate Palmolive Company (CL)	90	6,011	6,944
Deere & Company (De)	74	9,960	16,401
Disney Walt Company Com Disney (DIS)	67	7,891	8,313
Expeditors International Wash Incorporated (EXPD)	123	7,645	11,134
Facebook Incorporated Class A (FB)	106	18,656	27,761
Factset Resh Systems Incorporated (FDS)	23	4,556	7,702
Illumina Incorporated (ILMN)	24	7,558	7,418
Intuitive Surgical Incorporated Com New (ISRG)	8	3,953	5,676
Microsoft Corporation (MSFT)	94	8,374	19,771
Monster Beverage Corporation New (MNST)	196	11,129	15,719
Novartis A G Sponsored Adr (Switzerland) (NVS)	88	7,293	7,652
Novo-Nordisk A S Adr (Denmark) (NVO)	64	3,105	4,444
NVIDIA Corporation (NVDA)	44	7,000	23,814
Oracle Corporation (ORCL)	304	14,921	18,149
Qualcomm Incorporated (QCOM)	92	5,436	10,827
Regeneron Pharmaceuticals (REGN)	26	9,633	14,554
Roche Hldg Limited Sponsored Adr (Switzerland) (RHHBY)	285	10,753	12,220
Sei Investments Company (SEIC)	129	8,042	6,543
Salesforce Com Incorporated (CRM)	87	13,174	21,865
Schlumberger Limited (Curacao) (SLB)	154	8,916	2,396
Starbucks Corporation (SBUX)	94	5,719	8,076
Varian Med Systems Incorporated (VAR)	23	2,647	3,956
Visa Incorporated Com Class A (V)	133	16,144	26,596
Workday Incorporated Class A (WDAY)	31	4,473	6,669
Yum Brands Incorporated (YUM)	60	4,803	5,478
Yum China Hldgs Incorporated (YUMC)	80	3,310	4,236
	<u>3,106</u>	<u>297,048</u>	<u>442,659</u>
Subtotal - Account # 4700F423			
Total Corporate Stock	<u>13,495</u>	<u>\$ 807,472</u>	<u>\$ 961,178</u>

See Accompanying Independent Auditors' Report.