

PROTEUS FUND, INC.

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2020



ASSURANCE | ADVISORY | TAX | TECHNOLOGY



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INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of
Proteus Fund, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Proteus Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year 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 audit in accordance with auditing standards generally accepted in the United States of America. This standard requires that we plan and perform the audit 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 auditors' 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 auditors consider 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 Proteus Fund, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Proteus Fund, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 4, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Whittlesey PC". The signature is written in black ink and is positioned above the typed name and date.

Holyoke, Massachusetts
September 21, 2021

PROTEUS FUND, INC.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 26,364,576	\$ 19,291,721
Grants receivable - within one year	6,749,552	7,392,259
Prepaid expenses and other assets	176,405	137,560
Total Current Assets	33,290,533	26,821,540
Property and equipment, net	29,552	27,137
Other Assets		
Grants receivable - after one year	1,725,000	1,194,833
Investments	2,064,158	2,844,775
Total Other Assets	3,789,158	4,039,608
Total Assets	\$ 37,109,243	\$ 30,888,285
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 2,297,936	\$ 840,580
Due to related party	580,016	198,055
Accrued expenses	597,390	787,470
Refundable advance - Paycheck Protection Program	2,063,864	-
Total Current and Total Liabilities	5,539,206	1,826,105
Net Assets		
Without donor restrictions		
Operating	1,934,157	1,118,433
Board designated - Proteus Fund Reserve	742,510	742,510
	2,676,667	1,860,943
With donor restrictions	28,893,370	27,201,237
Total Net Assets	31,570,037	29,062,180
Total Liabilities and Net Assets	\$ 37,109,243	\$ 30,888,285

The accompanying notes are an integral part of the financial statements

PROTEUS FUND, INC.
Statement of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for Year Ended December 31, 2019)

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Grants and contributions	\$ -	\$ 41,319,980	\$ 41,319,980	\$ 28,498,708
Administrative income	771,595	-	771,595	947,638
Other income	450	538,475	538,925	249,832
Net assets released from restrictions	40,786,389	(40,786,389)	-	-
Total Support and Revenue	41,558,434	1,072,066	42,630,500	29,696,178
Expenses				
Program	35,116,622	-	35,116,622	25,560,320
General and administration	3,924,014	-	3,924,014	3,211,897
Fundraising	1,978,979	-	1,978,979	1,180,505
Total Expenses	41,019,615	-	41,019,615	29,952,722
Non-Operating Revenue				
Interest and dividends, net	276,593	29,311	305,904	339,119
Net realized and unrealized gains	312	590,756	591,068	437,246
Total Non-Operating Revenue	276,905	620,067	896,972	776,365
Change in Net Assets	815,724	1,692,133	2,507,857	519,821
Net Assets - Beginning of Year	1,860,943	27,201,237	29,062,180	28,542,359
Net Assets - End of Year	\$ 2,676,667	\$ 28,893,370	\$ 31,570,037	\$ 29,062,180

The accompanying notes are an integral part of the financial statements

PROTEUS FUND, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	2020			2019	
	Program	General and Administrative	Fundraising	Total	Total
Personnel					
Salaries	\$ 3,940,351	\$ 1,453,863	\$ 826,921	\$ 6,221,135	\$ 5,233,212
Payroll taxes and benefits	1,115,783	414,244	235,612	1,765,639	1,507,297
Total personnel	<u>5,056,134</u>	<u>1,868,107</u>	<u>1,062,533</u>	<u>7,986,774</u>	<u>6,740,509</u>
Grants	<u>27,270,711</u>	-	-	<u>27,270,711</u>	<u>17,171,478</u>
Other					
Consultants	2,153,674	1,196,327	726,252	4,076,253	3,633,015
Occupancy	118,188	323,733	71,941	513,862	361,300
Travel and conferences	289,248	83,751	71,999	444,998	1,447,098
Technology	53,820	201,823	13,455	269,098	213,816
Office expenses	76,505	86,934	15,250	178,689	146,504
Legal	30,320	120,305	-	150,625	56,860
Membership and subscriptions	43,505	6,177	12,353	62,035	61,235
Postage and printing	20,192	5,769	2,885	28,846	39,857
Accounting	-	19,475	1,500	20,975	50,380
Depreciation	-	11,343	-	11,343	16,870
Advertising and recruitment	4,325	270	811	5,406	13,800
Total other	<u>2,789,777</u>	<u>2,055,907</u>	<u>916,446</u>	<u>5,762,130</u>	<u>6,040,735</u>
Total expenses	<u>\$ 35,116,622</u>	<u>\$ 3,924,014</u>	<u>\$ 1,978,979</u>	<u>\$ 41,019,615</u>	<u>\$ 29,952,722</u>

The accompanying notes are an integral part of the financial statements

PROTEUS FUND, INC.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,507,857	\$ 519,821
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	11,343	16,870
Net realized and unrealized gains	(591,068)	(437,246)
Change in assets and liabilities:		
Grants receivable	112,540	750,365
Prepaid expenses and other assets	(38,845)	(54,047)
Refundable advance - Paycheck Protection Program	2,063,864	-
Accounts payable	1,457,356	569,268
Due to related party	381,961	(273,945)
Accrued expenses	(190,080)	91,932
Net Cash Provided By Operating Activities	5,714,928	1,183,018
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,758)	-
Proceeds from sales of investments	1,695,530	207,461
Purchases of investments	(323,845)	(190,586)
Net Cash Provided By Investing Activities	1,357,927	16,875
Net Increase in Cash	7,072,855	1,199,893
Cash and cash equivalents - Beginning of Year	19,291,721	18,091,828
Cash and cash equivalents - End of Year	\$ 26,364,576	\$ 19,291,721

The accompanying notes are an integral part of the financial statements

PROTEUS FUND, INC.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Proteus Fund, Inc., (“The Fund”), is a full-service philanthropy organization that brings funders and movement leaders together to create the collaborative systems and strategies needed to create and protect enduring social change. With operational support and grantmaking expertise as a foundation, The Fund works together to analyze the issues, execute on unified strategies, and maximize the collective impact. The Fund was incorporated under the laws of the District of Columbia on May 16, 1994.

Basis of Accounting Presentation

The financial statements of The Fund are prepared on the accrual basis of accounting and follow the recommendations of the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (“FASB”) Codification. Under this topic, The Fund reports information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Board designated net assets represent reserves or special designations established by the Board of Directors for future program and operational needs.

Net Assets with Donor Restrictions – Net assets with donor restrictions represent contributions that are restricted by the donor as to purpose or time of expenditures.

Cash Equivalents

For the purposes of the Statements of Cash Flows, The Fund considers all highly liquid accounts with an initial maturity of three months or less to be cash and cash equivalents, excluding those within the investment portfolio.

Grants Receivable

An allowance for uncollectible grants receivable is recorded based on management’s analysis of specific donors and their estimate of amounts that may become uncollectible, if any. Grants are written off when they are determined to be uncollectible. No allowance was deemed necessary by management as of December 31, 2020 and 2019.

Depreciation

Property and equipment with a cost of \$5,000 or more is capitalized. Maintenance and repair costs are expensed as incurred. Donated assets are recorded at fair value on the date received. Depreciation is computed by the straight-line method over the following estimated useful lives:

Furniture and equipment	3 - 7 years
Leasehold improvements	10 - 40 years

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy under FASB ASC 820 are described below:

- Level 1* Unadjusted quoted prices in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- 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. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3* Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market fund - Valued at net asset value (NAV) of \$1.

Domestic equities, exchange traded funds and international equities - stated at fair value based on quoted market prices.

Fixed income and bonds - valued using pricing models maximizing the use of observable inputs for similar securities, including value yields currently available on comparable securities of issues with similar credit ratings.

Revenue Recognition

The Fund receives grants and contributions to provide a variety of program services to advance democracy, human rights and peace. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional grants and contributions - that is, those with a measurable performance or other barrier and a right of return - are not recognized as revenue until the conditions on which they depend are substantially met.

Administrative income is recorded as services are provided. All other revenue is recorded when earned.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Functional Allocation of Expenses

The Fund allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program are charged directly to that program. With the exception of grants and allocated operating expenses, all expense categories consist of both direct expenses and allocated expenses. Salaries, payroll taxes and benefits are allocated directly to the program for which work has been done based on time or based on management's estimate of the percentage of time and effort of program staff and operations staff attributable to those functions. Occupancy and depreciation are allocated based on square footage. Professional fees, travel and conferences and all other expenses are direct costs.

Use of Estimates

The preparation of financial statements in conformity with accounting 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.

Income Taxes

The Fund is a not for profit corporation (not a private foundation) and has been recognized as exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly does not record a provision for income taxes.

Adoption of New Accounting Pronouncements

During the year ended December 31, 2020, The Fund adopted Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which provides clarification about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. The Fund adopted the new guidance under the modified prospective basis. Therefore, the new guidance was applied to revenue that had not yet been recognized on agreements that were not completed as of January 1, 2020 and revenue related to agreements that were entered into after January 1, 2020. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period. As a result, there was no cumulative effect adjustment to the opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2020. In comparison to the year ended December 31, 2019, the effect of adopting the new accounting principle has no effect on grants and contribution revenue.

Prior-Year Information

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Fund's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Subsequent Events

The Fund has evaluated events that have occurred subsequent to December 31, 2020 through September 21, 2021, the date these financial statements were available to be issued, and has determined that there were no material events requiring recognition or disclosure.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects The Fund's financial assets available for general expenditure within twelve months of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions. The Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	<u>2020</u>	<u>2019</u>
Financial asset at year end:		
Cash and cash equivalents	\$ 26,364,576	\$ 19,291,721
Grants receivable	8,474,552	8,587,092
Investments	2,064,158	2,844,775
	<u>36,903,286</u>	<u>30,723,588</u>
Less amount not available to be used within twelve months:		
Net assets with board restrictions - Proteus Fund Reserve	(742,510)	(742,510)
Net assets with donor restrictions	(28,893,370)	(27,201,237)
	<u>(29,635,880)</u>	<u>(27,943,747)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,267,406</u>	<u>\$ 2,779,841</u>

The Fund has net assets with board restrictions of \$742,510 as of December 31, 2020 and 2019, which are available to meet expenditures in the next twelve months upon approval for appropriation by the Board of Directors. These net assets are designated for future program and operational needs.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Current grants receivable	\$ 6,749,552	\$ 7,392,259
Long-term grants receivable	1,725,000	1,194,833
Total grants receivable	<u>\$ 8,474,552</u>	<u>\$ 8,587,092</u>

The present value of long-term grants receivable is estimated by discounting future cash flows using a risk-free return of 1.76% at December 31, 2020 and 2019.

Future collections of long-term grants receivable are as follows at December 31, 2020:

December 31, 2021	\$ 1,525,000
December 31, 2022	200,000
	<u>\$ 1,725,000</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 61,592	\$ 47,834
Leasehold improvements	32,217	32,217
	<u>93,809</u>	<u>80,051</u>
Less: accumulated depreciation	64,257	52,914
Property and equipment, net	<u>\$ 29,552</u>	<u>\$ 27,137</u>

NOTE 5 – INVESTMENTS

The following table sets forth The Fund’s investments at fair value as of December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Money market	\$ 260,092	\$ -	\$ -	\$ 260,092
Domestic equities	788,087	-	-	788,087
Fixed income	-	438,331	-	438,331
Bonds	-	520,237	-	520,237
Exchange traded funds	25,695	-	-	25,695
International equities	31,716	-	-	31,716
Total Investments	<u>\$ 1,105,590</u>	<u>\$ 958,568</u>	<u>\$ -</u>	<u>\$ 2,064,158</u>

	2019			Total
	Level 1	Level 2	Level 3	
Money market	\$ 295,011	\$ -	\$ -	\$ 295,011
Domestic equities	1,792,036	-	-	1,792,036
Fixed income	-	441,782	-	441,782
Bonds	-	288,186	-	288,186
International equities	27,760	-	-	27,760
Total Investments	<u>\$ 2,114,807</u>	<u>\$ 729,968</u>	<u>\$ -</u>	<u>\$ 2,844,775</u>

NOTE 6 – REFUNDABLE ADVANCE - PAYCHECK PROTECTION PROGRAM

During May 2020, The Fund received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$2,063,864. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of covered period (interest will accrue). As of December 31, 2020, the entire amount, is recorded as a refundable advance on the financial statements as management expects the entire loan to be forgiven.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent those assets that are received with donor stipulations that limit the use or the time of use of the contribution. Net assets with donor restrictions are purpose restricted at December 31 for the following:

	2020	2019
Fiscal sponsorships	\$ 18,644,966	\$ 14,705,039
Donor collaborations	7,886,888	5,527,647
Donor advised funds	2,361,516	6,968,551
	<u>\$ 28,893,370</u>	<u>\$ 27,201,237</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS – (CONTINUED)

Net assets released from donor time and purpose restrictions are as follows for the year ended December 31, 2020:

	<u>2020</u>
Fiscal sponsorships	\$ 13,800,052
Donor collaborations	9,919,605
Donor advised funds	17,066,732
	<u>\$ 40,786,389</u>

NOTE 8 – CONCENTRATIONS OF CREDIT RISK

The Fund maintains its cash balances in several financial institutions and is insured within the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, The Fund's cash balances have exceeded these limits. The Fund has not experienced any losses in such accounts. The Fund's management believes that The Fund is not exposed to any significant credit risk related to these accounts.

Four donor contributions represented 40% of total support and revenue for the year ended December 31, 2020 and 36% of grants receivable at December 31, 2020.

Three donor contributions represented 51% of total support and revenue for the year ended December 31, 2019 and 32% of grants receivable at December 31, 2019.

NOTE 9 – RELATED PARTY

Proteus Fund, a tax-exempt organization under IRC Section 501(c)(3), is affiliated with Proteus Action League (PAL), an exempt organization under IRC Section 501(c)(4). As of December 31, 2020, three (3) of PAL's eight (8) board members are also Board members of Proteus's 11-member board. Proteus Fund and PAL have entered into a shared resources agreement under which PAL pays for its share of shared resources and certain third-party expenses that support PAL's administration. The Fund makes grants to PAL consistent with Proteus Fund's charitable purposes. The Fund granted \$648,950 and \$669,225 to PAL during 2020 and 2019, respectively. The Fund incurred \$580,016 and \$198,055 at December 31, 2020 and 2019, respectively in grants payable to PAL.

NOTE 10 – RETIREMENT PLAN

The Fund has adopted a defined contribution pension plan. All employees are eligible to participate. The Fund may contribute up to 10% of each employee's compensation for a calendar year. The amount of the contribution is at the discretion of the Board. Contributions for the years ended December 31, 2020 and 2019 was \$279,242 and \$264,998, respectively, and is included in payroll taxes and benefits in the accompanying Statement of Functional Expense.

NOTE 11 – LEASES

The Fund leases various space in Massachusetts, Washington D.C. and New York under various operating lease agreements. The leases require monthly payments ranging from \$1,248 to \$7,309, and expire at various dates through October, 2021.

Future minimum lease payments under these agreements for the year ending December 31, 2021 are expected to total approximately \$96,800.

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