

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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, 2018 and 2017, 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, 2018 and 2017, 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.

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, 2018 (pages 20 through 23) 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 March 7, 2019 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

March 7, 2019



Protected Areas Network Fund

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Management's Discussion and Analysis Year Ended September 30, 2018

This report presents a management's discussion and analysis of the Protected Areas Network Fund's (PAN Fund) financial performance during the fiscal year ended September 30, 2018, with selected comparative information for the fiscal years ended September 30, 2017 and 2016.

ORGANIZATION AND PURPOSE

Republic of Palau Public Law (RPPL) 6-39 (the PAN Act) established a national system of support from the National Government of Palau to the States for its conservation programs to preserve, conserve and manage its natural resources and ecological biodiversity. RPPL 7-42 was then enacted creating PAN Fund, which is a national financial mechanism for the Protected Areas Network (PAN). PAN Fund is a registered non-profit corporation governed by a nine-member Board of Directors appointed by the initial four-member incorporators; namely The Nature Conservancy (TNC), Conservation International (CI), the Ministry of Natural Resources, Environment and Tourism (MNRET) and the Ministry of Finance (MOF) with advice and consent of the Senate of the Olbiil Era Kelulau (OEK-Palau National Congress). The Board of Directors' major responsibilities include governance, fiduciary and grant-making.

The mission of PAN Fund is to "efficiently and equitably provide funding to the Protected Areas Network, 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 or attributable to the investment. The "green fee" or environmental impact fee allocation and distribution to the PAN Member States are prioritized based on annual work plans as per management plans to effectively implement each respective conservation program. The "green fee" is disbursed quarterly and is subject to verification of activities and program implementation.

OVERVIEW OF FINANCIAL STATEMENTS

Statements of Net Position:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current assets	\$ 3,920,576	\$ 3,880,195	\$ 3,032,023
Capital assets	<u>7,733</u>	<u>9,081</u>	<u>12,590</u>
Total assets	<u>3,928,309</u>	<u>3,889,276</u>	<u>3,044,613</u>
Current liabilities	<u>337,771</u>	<u>369,748</u>	<u>104,425</u>
Net position:			
Net investment in capital assets	7,733	9,081	12,590
Restricted	<u>3,582,805</u>	<u>3,510,447</u>	<u>2,927,598</u>
Total net position	\$ <u>3,590,538</u>	\$ <u>3,519,528</u>	\$ <u>2,940,188</u>

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

Statements of Revenues, Expenses and Changes in Net Position:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	<u>2,250,524</u>	<u>1,824,231</u>	<u>1,837,479</u>
Operating loss	(2,250,524)	(1,824,231)	(1,837,479)
Nonoperating revenues	<u>2,321,534</u>	<u>2,403,571</u>	<u>2,011,276</u>
Change in net position	71,010	579,340	173,797
Net position at beginning of year	<u>3,519,528</u>	<u>2,940,188</u>	<u>2,766,391</u>
Net position at end of year	\$ <u>3,590,538</u>	\$ <u>3,519,528</u>	\$ <u>2,940,188</u>

Statements of Cash Flows:

Cash flows from operating activities	\$ (2,173,718)	\$ (1,703,024)	\$ (2,047,906)
Cash flows from investing activities	(714,547)	435,362	-
Cash flows from noncapital financing activities	<u>1,789,777</u>	<u>1,980,912</u>	<u>2,011,276</u>
Net (decrease) increase in cash	(1,098,488)	713,250	(36,630)
Cash at beginning of year	<u>3,741,519</u>	<u>3,028,269</u>	<u>3,064,899</u>
Cash at end of year	\$ <u>2,643,031</u>	\$ <u>3,741,519</u>	\$ <u>3,028,269</u>

FINANCIAL HIGHLIGHTS

PAN Fund's capital assets decreased by 15% from \$9,081 in fiscal year 2017 to \$7,733 in fiscal year 2018 and by 28% from \$12,590 in fiscal year 2016 to \$9,081 in fiscal year 2017. See note 3 to the financial statements for more detailed information on PAN Fund's capital assets and changes therein.

PAN Fund's total net position increased by 2% from \$3,519,528 in fiscal year 2017 to \$3,590,538 in fiscal year 2018 and by 20% from \$2,940,188 in fiscal year 2016 to \$3,519,528 in fiscal year 2017. The increase is attributed to a slight increase in investment earnings from the Micronesia Conservation Trust Endowment Fund.

Total liabilities decreased by 9% from \$369,748 in fiscal year in 2017 to \$337,771 in fiscal year 2018 and increased by 254% from \$104,425 in fiscal year 2016 to \$369,748 in fiscal year 2017. Accounts payable to PAN Member States represents the bulk of the liabilities.

Total operating expenses increased by 23% from \$1,824,231 in fiscal year 2017 to \$2,250,524 in fiscal year 2018 and decreased by 1% from \$1,837,479 in fiscal year 2016 to \$1,824,231 in fiscal year 2017. The increase in operating expenses for fiscal year 2018 was attributed to increases in expenditures for PAN site/states, grant programs and salaries and wages. It should be noted that the budgeting process adopted by PAN Fund uses prior year collection of green fees to fund current year operations, with the exception of grants.

Net cash at the end of the year decreased by 29% from \$3,741,519 in fiscal year 2017 to \$2,643,031 in fiscal year 2018 and increased by 24% from \$3,028,269 in fiscal year 2016 to \$3,741,519 in fiscal year 2017.

ECONOMIC OUTLOOK

PAN Fund is aware that going forward there are several factors that need to be monitored and managed appropriately. Managing these challenges while taking advantage of opportunities will be key to financing management and at the same time ensure long-term sustainable financing for the PAN.

ECONOMIC OUTLOOK, CONTINUED

The tourism industry will always fluctuate and will continue to experience sharp decreases or increases to monthly revenues, resulting from termination of old airline flights and introduction of new airline flights. It will be necessary to review visitor arrivals and adjust projections accordingly. The implementation of the Pristine Paradise Environmental Fee (PPEF) changed the collection process for green fees which could potentially lead to high levels of receivables. Receivables should be managed accordingly to prevent a reduction in the required annual funding for the PAN. The current policy and any proposed policy on allocation of the green fee should be reviewed and monitored consistently. The current policy places a cap of \$15 for every \$30 green fee and a cap of \$2 million on the total green fee that PAN Fund is eligible to receive from the National Government each fiscal year. While we understand the need, these caps on funding will continue to restrict PAN Fund's ability to finance the PAN at a sufficient level of management. The caps also represent a lost opportunity for PAN Fund to further expand its investment programs as it reduces capital contributions for investments.

As with challenges, there are opportunities that PAN Fund hopes to capitalize on to reinforce the overall financing for PAN. The prospect of working with PAN Member States in establishing not only site-based revenue-generating systems, but development of investment partnership programs is highly positive. While there is significant progress in the number of sites now generating revenue, PAN Fund is now in the process of developing and implementing its investment partnership program. This program is aimed at supporting interested PAN Member States to invest their funds with PAN Fund's unrestricted reserve funds, through a pooled investment scheme. Through this program, PAN Member States can establish their own program endowment fund while realizing opportunities for economies of scale, technical support and expertise.

The prospect of partnership to achieve a common goal will remain a priority for PAN Fund. We believe that a more organized financing of conservation activities in Palau will be necessary in order to realize savings that can be reallocated to other key program activities or initiatives. Going forward, it will also be necessary for PAN Fund to work very closely with all conservation partners to enhance this process. Included in this strategy is the need for PAN Fund to explore and implement a consolidated approach to purchasing that will work toward consolidating major purchases for the PAN (i.e., asset purchase, employee benefits, etc.). Through this process, costs can be controlled and good partnerships can be developed.

CONCLUDING SUMMARY

The Management's Discussion and Analysis for the year ended September 30, 2017 is set forth in PAN Fund's report on the audit of financial statements, which is dated February 16, 2018. That Discussion and Analysis explains the major factors impacting the 2017 financial statements and can be viewed at the Office of the Public Auditor's website at 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.

PROTECTED AREAS NETWORK FUND

Statements of Net Position
September 30, 2018 and 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash	\$ 2,643,031	\$ 3,741,519
Investments:		
Corporate stock	724,428	-
Money market funds	259,951	-
U.S. Government obligations	132,105	-
Corporate bonds	97,568	-
Total investments	<u>1,214,052</u>	<u>-</u>
Due from Republic of Palau	<u>59,535</u>	<u>135,058</u>
Prepaid expenses	<u>3,958</u>	<u>3,618</u>
Total current assets	3,920,576	3,880,195
Capital assets, net	<u>7,733</u>	<u>9,081</u>
	<u>\$ 3,928,309</u>	<u>\$ 3,889,276</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 209,552	\$ 115,328
Accrued expenses	11,958	8,909
Due to Micronesia Conservation Trust	76,275	97,750
Unearned revenue	<u>39,986</u>	<u>147,761</u>
Total liabilities	<u>337,771</u>	<u>369,748</u>
Commitment		
Net position:		
Net investment in capital assets	7,733	9,081
Restricted	<u>3,582,805</u>	<u>3,510,447</u>
Total net position	<u>3,590,538</u>	<u>3,519,528</u>
	<u>\$ 3,928,309</u>	<u>\$ 3,889,276</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenues	\$ -	\$ -
Operating expenses:		
PAN site/states	1,399,991	1,182,068
Grants	270,775	239
PAN Institutional System	195,500	200,000
Salaries and wages	112,968	96,615
Special projects	79,208	130,153
Micronesia Conservation Trust contribution	76,425	97,750
Professional development	29,094	26,838
Rent	24,000	17,800
Employee benefits	13,064	10,954
Communications	10,768	8,391
Audit	8,000	9,000
Outreach/awareness meetings	5,170	11,355
Utilities	3,182	3,639
Depreciation	1,348	3,509
Professional fees	1,150	2,676
Repairs and maintenance	870	1,018
Advertisements	807	3,302
Other	18,204	18,924
Total operating expenses	<u>2,250,524</u>	<u>1,824,231</u>
Operating loss	<u>(2,250,524)</u>	<u>(1,824,231)</u>
Nonoperating revenues:		
Transfer in from Republic of Palau	1,548,027	1,964,360
Investment earnings from MCT	461,734	435,362
Grant revenue	270,775	239
Investment income, net	37,771	-
Interest income	3,227	3,610
Total nonoperating revenues	<u>2,321,534</u>	<u>2,403,571</u>
Change in net position	71,010	579,340
Net position at beginning of year	<u>3,519,528</u>	<u>2,940,188</u>
Net position at end of year	<u>\$ 3,590,538</u>	<u>\$ 3,519,528</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Cash Flows
Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Micronesia Conservation Trust contribution	\$ (97,750)	\$ (100,000)
Cash payments to PAN sites/states and institutional system	(1,386,203)	(1,267,004)
Cash payments to suppliers for goods and services	(567,953)	(232,671)
Cash payments to employees for services	<u>(121,812)</u>	<u>(103,349)</u>
Net cash used for operating activities	<u>(2,173,718)</u>	<u>(1,703,024)</u>
Cash flows from investing activities:		
Investment earnings	461,734	435,362
Transfer to investments	<u>(1,176,281)</u>	<u>-</u>
Net cash (used for) provided by investing activities	<u>(714,547)</u>	<u>435,362</u>
Cash flows from noncapital financing activities:		
Transfer in from Republic of Palau	1,623,550	1,829,302
Cash received from grants	163,000	148,000
Interest income	<u>3,227</u>	<u>3,610</u>
Net cash provided by noncapital financing activities	<u>1,789,777</u>	<u>1,980,912</u>
Net (decrease) increase in cash	(1,098,488)	713,250
Cash at beginning of year	<u>3,741,519</u>	<u>3,028,269</u>
Cash at end of year	<u>\$ 2,643,031</u>	<u>\$ 3,741,519</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (2,250,524)	\$ (1,824,231)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,348	3,509
(Increase) decrease in assets:		
Prepaid expenses	(340)	136
Increase (decrease) in liabilities:		
Accounts payable	94,224	115,328
Accrued expenses	3,049	4,484
Due to Micronesia Conservation Trust	<u>(21,475)</u>	<u>(2,250)</u>
Net cash used for operating activities	<u>\$ (2,173,718)</u>	<u>\$ (1,703,024)</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(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, 2018 and 2017, MOF remitted \$1,540,027 and \$1,955,360, respectively, for this purpose, which PAN Fund recorded as transfers in from ROP. PAN Fund recorded \$8,000 and \$9,000 as transfers in from ROP for audit expense reimbursement for the years ended September 30, 2018 and 2017, 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 \$76,425 and \$97,750 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017;
- 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, 2018 and 2017

(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, 2018 and 2017, PAN Fund provided funding to PAN sites/states for mobilization and implementation of PAN work plan of \$1,399,991 and \$1,182,068, 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 \$79,208 and \$130,153 for the years ended September 30, 2018 and 2017, 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, 2018 and 2017, PAN Fund provided funding for activities specified in an annual work plan of PAN Office in the amounts of \$195,500 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, 2018 and 2017

(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

In each year's national government fiscal year budget, the Olbiil Era Kelulau must authorize and appropriate all money collected through the environmental protection arrival fee which must be used for the sole purpose of the operation of the Protected Areas Network including authorization and appropriation of no more than ten percent (10%) of such amount to be allocated to PAN Fund for reasonable administrative costs of operation of 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, 2018 and 2017, cash was \$2,643,031 and \$3,741,519, respectively, and the corresponding bank balances were \$2,694,527 and \$3,743,827, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2018 and 2017, bank deposits of \$250,000 and \$250,282, respectively, 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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(1) General, Continued

- (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.
- (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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(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.
- (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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

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, 2018.

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, 2018:

Investment Type	Fair Value	Investment Maturities (In Years)				Ratings
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 77,761	\$ -	\$ 56,961	\$ 20,800	\$ -	Aaa
U.S. Treasury bond	18,330	-	-	-	18,330	Aaa
Other U.S. government obligations	36,014	-	36,014	-	-	Aaa
Corporate bonds	22,552	-	-	14,738	7,814	A2
Corporate bonds	44,678	-	7,775	36,903	-	A3
Corporate bonds	18,945	-	-	11,936	7,009	Baa1
Corporate bonds	11,393	-	-	11,393	-	Baa2
	<u>\$ 229,673</u>	<u>\$ -</u>	<u>\$ 100,750</u>	<u>\$ 95,770</u>	<u>\$ 33,153</u>	

PAN Fund has no fixed income securities at September 30, 2017.

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:

Investments by fair value level	09/30/18	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury securities	\$ 96,091	\$ 96,091	\$ -	\$ -
Other U.S. Government obligations	36,014	-	36,014	-
Corporate bonds	97,568	-	97,568	-
Equity securities:				
Common stock	<u>724,428</u>	<u>724,428</u>	-	-
Total investments by fair value level	<u>\$ 954,101</u>	<u>\$ 820,519</u>	<u>\$ 133,582</u>	<u>\$ -</u>
Investments measured at cost based measure:				
Money market funds	<u>\$ 259,951</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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

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. PAN Fund is required to provide matching contributions on behalf of each member equal to the employees' contributions. PAN Fund recorded \$3,353 contribution to the Plan for the year ended September 30, 2018.

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.
- 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, 2018 and 2017.

New Accounting Standards

During the year ended September 30, 2018, PAN Fund implemented the following pronouncements:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, and provides guidance on reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

- GASB Statement No. 85, *Omnibus 2017*, which address practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).
- GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt.

The implementation of these statements did not have a material effect on PAN Fund's financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs) associated with the retirement of a tangible capital asset. The provisions in Statement No. 83 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. The provisions in Statement No. 84 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in Statement No. 87 are effective for fiscal years beginning after December 15, 2019. Management has yet to determine whether the implementation of this statement will have a material effect on the financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The provisions in Statement No. 88 are effective for fiscal years beginning after June 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The provisions in Statement No. 89 are effective for fiscal years beginning after December 15, 2019. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, which improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and the relevance of financial statement information for certain component units. The provisions in Statement No. 90 are effective for fiscal years beginning after December 15, 2018. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

(3) Capital Assets

Capital assets of PAN Fund as of September 30, 2018 and 2017, are summarized below:

	Estimated Useful Lives	Balance at October 1, 2017	Additions	Deletions	Balance at September 30, 2018
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>(18,613)</u>	<u>(1,348)</u>	<u>-</u>	<u>(19,961)</u>
		<u>\$ 9,081</u>	<u>\$ (1,348)</u>	<u>\$ -</u>	<u>\$ 7,733</u>
		Balance at October 1, 2016	Additions	Deletions	Balance at September 30, 2017
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>(15,104)</u>	<u>(3,509)</u>	<u>-</u>	<u>(18,613)</u>
		<u>\$ 12,590</u>	<u>\$ (3,509)</u>	<u>\$ -</u>	<u>\$ 9,081</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 years ended September 30, 2018 and 2017, PAN Fund recorded \$210,081 and \$-0- of expenses related to the grant. Accordingly, the remaining amount of \$5,919 is recorded as unearned revenue in the accompanying financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2018 and 2017

(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. During the years ended September 30, 2018 and 2017, PAN Fund recorded \$60,694 and \$239, respectively, of expenses related to the GEF R2R STAR project. Accordingly, the remaining amount of \$34,067 is recorded as unearned revenue in the accompanying financial statements.

(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.

Micronesia Conservation Trust (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, 2018, 2017, 2016, 2015, 2014, 2013 and 2012, PAN Fund contributed \$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, 2018 and 2017, PAN Fund withdrew investment income of \$461,734 and \$435,362, 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, 2018 and 2017, the Palau portion of MC endowment funds held by MCT was \$10,184,125 and \$9,715,265, respectively.

(6) Commitment

PAN Fund leases office space in Koror, Palau. Total future minimum lease payment under this lease for the subsequent year ending September 30, 2019 is \$14,000.

PROTECTED AREAS NETWORK FUND

Schedule of Investments
September 30, 2018

	Face Value	Cost	Fair Value	
<u>Money Market Funds</u>				
Raymond James Bank N.A. - Account # 205HV032	\$ 239,133	\$ 239,133	\$ 239,133	
Cash/Client interest program - Account # 515WW289	2,299	2,299	2,299	
Cash/Client interest program - Account # 770FJ508	6,565	6,565	6,565	
Cash/Client interest program - Account # 4700F423	3,932	3,932	3,932	
Goldman Sachs Bank USA - Account # 5263Y601	<u>8,022</u>	<u>8,022</u>	<u>8,022</u>	
Total Money Market Funds	<u>\$ 259,951</u>	<u>\$ 259,951</u>	<u>\$ 259,951</u>	
	Face Value	Cost	Fair Value	Ratings
<u>U.S. Government Obligations</u>				
US Treasury Bonds, 3.0% due on 11/15/2044	\$ 14,000	\$ 14,385	\$ 13,514	Aaa
US Treasury Bonds, 3.0% due on 05/15/2047	5,000	5,115	4,816	Aaa
US Treasury Notes, 2.0% due on 10/31/2021	15,000	14,982	14,608	Aaa
US Treasury Notes, 2.25% due on 11/15/2025	10,000	9,909	9,505	Aaa
US Treasury Notes, 3.5% due on 05/15/2020	16,000	16,404	16,177	Aaa
US Treasury Notes, 2.0% due on 02/15/2023	7,000	6,958	6,730	Aaa
US Treasury Notes, 2.25% due on 02/15/2027	12,000	11,747	11,295	Aaa
US Treasury Notes, 2.5% due on 08/15/2023	10,000	10,131	9,797	Aaa
US Treasury Notes, 1.875% due on 04/30/2022	<u>10,000</u>	<u>9,775</u>	<u>9,649</u>	Aaa
Total U.S. Treasury Securities - Account # 5263Y601	<u>99,000</u>	<u>99,406</u>	<u>96,091</u>	
Federal National Mortgage Association Note, 1.375% due on 02/26/2021	20,000	19,654	19,308	Aaa
Federal Home Loan Mortgage Corporation Note, 2.375% due on 01/13/2022	<u>17,000</u>	<u>17,093</u>	<u>16,706</u>	Aaa
Total U.S. Government Sponsored Enterprise - Account # 5263Y601	<u>37,000</u>	<u>36,747</u>	<u>36,014</u>	
Total U.S. Government Obligations	<u>\$ 136,000</u>	<u>\$ 136,153</u>	<u>\$ 132,105</u>	
<u>Corporate Bonds</u>				
AT&T Inc. NTS ISIN US00206RCE09, 3.9% due on 03/11/2024	\$ 6,000	\$ 6,207	\$ 5,964	Baa2
Abbott Laboratories NTS ISIN Us002824Bf69, 3.75% due on 11/30/2026	6,000	6,164	5,983	Baa1
Archer-Daniels-Midland Company NTS ISIN Us039483BI57, 2.5% due on 08/11/2026	8,000	7,609	7,314	A2
Bank Of America Corporation Mtn ISIN Us06051Gfx25, 3.5% due on 04/19/2026	8,000	8,057	7,734	A3
Bunge Limited Finance Corp. NTS ISIN Us120568Ax84, 3.25% due on 08/15/2026	6,000	5,921	5,429	Baa2
Cvs Health Corp Special Mandatory Redemption At 101% If the merger does not close by 9/3/2019 NTS ISIN Us126650Cx62, 4.3% due on 03/25/2028	6,000	5,953	5,953	Baa1
Cintas Corporation No. 2 NTS ISIN Us17252Man02, 3.7% due on 04/01/2027	8,000	8,185	7,791	A3
General Electric Company Mtn ISIN Us36962G3P70, 5.875% due on 01/14/2038	7,000	8,464	7,814	A2
Goldman Sachs Group, Inc. NTS ISIN Us38141Gwb66, 3.85% due on 01/26/2027	8,000	8,055	7,762	A3
Jp Morgan Chase & Co. NTS ISIN Us46625Hqw33, 3.3% due on 04/01/2026	8,000	7,960	7,666	A3
Medtronic, Inc. NTS ISIN Us585055Bs43, 3.5% due on 03/15/2025	6,000	6,235	5,950	A3
Nbc Universal, Inc. NTS ISIN Us63946Bah33, 2.875% due on 01/15/2023	8,000	8,042	7,775	A3
Parker-Hannifin Corporation NTS ISIN Us70109Ham79, 4.2% due on 11/21/2034	7,000	7,455	7,009	Baa1
Wells Fargo & Company NTS ISIN Us949746Sh57, 3.0% due on 10/23/2026	<u>8,000</u>	<u>7,519</u>	<u>7,424</u>	A2
Total Corporate Bonds	<u>\$ 100,000</u>	<u>\$ 101,826</u>	<u>\$ 97,568</u>	
	No. of Shares	Cost	Fair Value	
<u>Corporate Stock</u>				
ACS Activ De Construc Y Serv Un-sponsored ADR (SPAIN) (ACSAY)	528	\$ 4,039	\$ 4,499	
Ase Technology Holding Company Limited Sponsored Ads (China) (Asx)	916	4,414	4,424	
Allianz Se Sp Adr 1/10 Sh Germany) (Azsey)	210	4,700	4,683	
Arkema Spon Adr (France) (Arkay)	36	4,403	4,462	
Astellas Pharma Incorporated Adr (Japan) (Alpmy)	247	4,161	4,310	
Axa Sa Sponsored Adr (France) (Axahy)	172	4,900	4,625	
Baidu Incorporated Spon Adr Rep A (Cayman Islands) (Bidu)	15	3,671	3,430	
Banco Santander S A Sponsored Adr B (Mexico) (Bsmx)	535	4,208	4,152	
Bridgestone Corporation Adr (Japan) (Brdcy)	229	5,188	4,328	
Cnooc Limited Sponsored Adr (Hong Kong) (Ceo)	24	3,078	4,741	
Crh Plc Adr (Ireland) (Crh)	118	4,240	3,861	

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Canadian Natl Ry Company (Canada) (Cni)	53	4,306	4,755
Capgemini S E Un-sponsored ADR (France) (Cgemy)	152	3,618	3,828
Carnival Plc ADR (United Kingdom) (Cuk)	67	4,467	4,226
DBS Group Holdings Limited Sponsored ADR (Singapore) (Dbsdy)	54	3,615	4,124
Eni S P A Sponsored ADR (Italy) (€)	112	4,347	4,218
Ferguson Plc Sponsored ADR New (Jersey) (Fergy)	530	4,314	4,503
Fresenius Med Care Ag&Co Kgaa Sponsored ADR (Germany) (Fms)	83	4,161	4,268
Infineon Technologies Ag Sponsored ADR (Germany) (Ifnny)	158	4,186	3,591
Kasikornbank Pub Company Limited Un-sponsored ADR (Thailand) (Kpcpy)	175	4,599	4,719
Kddi Corporation ADR (Japan) (Kddiy)	310	4,212	4,284
Magna International Incorporated (Canada) (Mga)	65	3,576	3,414
Manulife Finl Corporation (Canada) (Mfc)	228	4,624	4,075
Mitsubishi Elec Corporation ADR (Japan) (Miely)	162	5,021	4,440
Nippon Teleg Tel Corporation Sponsored ADR (Japan) (Nttyy)	91	4,301	4,112
Orix Corporation Sponsored ADR (Japan) (Ix)	53	4,499	4,295
Pjsc Lukoil Sponsored ADR (Russia) (Lukoy)	69	3,615	5,291
Persimmon ADR (United Kingdom) (Psmmy)	62	4,619	3,824
Renault S A ADR (France) (Rnlsy)	233	4,627	4,032
Royal Dutch Shell Plc Spon ADR B (United Kingdom) (Rds.B)	61	4,636	4,327
Ryanair Holdings Plc Sponsored ADR Ne (Ireland) (Ryaay)	34	3,609	3,265
Sk Telecom Limited Sponsored ADR (Korea (South)) (Skm)	179	4,594	4,991
Smc Corporation Japan Sponsored ADR (Japan) (Smcay)	263	4,809	4,210
Safran S A Spon ADR France (Safry)	147	4,254	5,152
Sanofi Sponsored ADR (France) (Sny)	107	5,002	4,780
Schneider Electric Se ADR France (Sbgsy)	256	4,116	4,121
Scor Sponsored ADR (France) (Scryy)	1,199	4,892	5,571
Seven & I Holdings Company Limited ADR (Japan) (Svndy)	195	4,275	4,343
Sinopec Shanghai Petrochemical Spon ADR H (China) (Shi)	69	4,364	4,164
Sony Corporation Sponsored ADR (Japan) (Sne)	85	4,293	5,155
Stars Group Incorporated (Canada) (Tsg)	116	4,357	2,888
Stora Enso Corporation Spon ADR Rep R (Finland) (Seoay)	217	4,008	4,153
Taiwan Semiconductor Mfg Limited Sponsored ADR (Taiwan) (Tsm)	112	4,577	4,946
Teck Resources Limited Class B (Canada) (Teck)	162	3,559	3,904
United Overseas Bank Limited Sponsored ADR (Singapore) (Uovey)	110	4,611	4,360
Valeo Sponsored ADR (France) (Vleey)	145	5,072	3,149
Wh Group Limited Sponsored ADR (Cayman Islands) (Whgly)	261	4,993	3,676
Yy Incorporated Ads Repcom Cla (Cayman Islands) (Yy)	38	4,473	2,847
Credicorp Limited (Bermuda) (Bap)	19	4,168	4,239
Icon Plc Shs (Ireland) (Iclr)	31	3,529	4,766
Jazz Pharmaceuticals Plc Shs Usd (Ireland) (Jazz)	26	3,650	4,371
Sensata Technologies Holding Plc Shs (United Kingdom) (St)	83	4,525	4,113
Check Point Software Tech Limited Ord (Israel) (Chkp)	44	4,889	5,177
Aercap Holdings Nv Shs (Netherlands) (Aer)	78	4,110	4,487
Nxp Semiconductors Nv (Netherlands) (Nxpi)	38	4,367	3,249
	<u>9,762</u>	<u>237,441</u>	<u>233,918</u>
Subtotal - Account # 515WW289			
Abb Limited Sponsored ADR (Switzerland) (Abb)	40	1,050	945
Allstate Corporation (All)	40	3,723	3,948
American Express Company (Axp)	27	2,611	2,875
American International Group Incorporated Com New (Aig)	53	3,189	2,822
Andeavor (Andv)	30	3,305	4,605
Anthem Incorporated (Antm)	10	1,990	2,741
Apergy Corporation (Apy)	16	618	697
Bank Amer Corporation (Bac)	354	9,490	10,429
Berkshire Hathaway Incorporated Del Class B New (Brk.B)	49	9,198	10,491
Boeing Company (Ba)	13	4,617	4,835
Cigna Corporation (Ci)	16	2,956	3,332
Crh Plc ADR (Ireland) (Crh)	42	1,504	1,374
Cvs Health Corporation (Cvs)	64	4,574	5,038
Capital One Finl Corporation (Cof)	22	1,929	2,088
Cemex Sab De Cv Spon ADR New (Mexico) (Cx)	140	1,135	986
Chevron Corporation New (Cvx)	56	6,679	6,848
Cimarex Energy Company (Xec)	16	1,571	1,487
Cisco Systems Incorporated (CSCO)	177	6,260	8,611

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Citigroup Incorporated Com New ©	124	8,972	8,896
Comcast Corporation New Class A (Cmcsa)	193	6,967	6,834
Conocophillips (Cop)	67	3,603	5,186
Cummins Incorporated (Cmi)	25	4,090	3,652
Dxc Technology Company (Dxc)	42	3,385	3,928
Delta Air Lines Incorporated Del Com New (Dal)	57	3,074	3,296
Discover Finl Svcs (Dfs)	37	2,449	2,829
Dollar Tree Incorporated (Dltr)	15	1,250	1,223
Dover Corporation (Dov)	17	1,284	1,505
Eqst Corporation (Eqst)	32	1,718	1,415
Ebay Incorporated (Ebay)	51	1,932	1,684
Edison International (Eix)	22	1,384	1,489
Energen Corporation (Egn)	17	944	1,465
F M C Corporation Com New (Fmc)	17	1,558	1,482
Gilead Sciences Incorporated (Gild)	41	3,236	3,166
Goldman Sachs Group Incorporated (Gs)	14	3,379	3,139
Hp Incorporated (Hpp)	147	3,263	3,788
Jpmorgan Chase & Company (Jpm)	86	8,541	9,704
Johnson & Johnson (Jnj)	77	10,387	10,639
Keycorp New (Key)	83	1,545	1,651
Laboratory Corporation Amer Hldgs Com New (Lh)	11	1,782	1,910
Lloyds Banking Group Plc Sponsored ADR (United Kingdom) (Lyg)	327	1,176	994
Lowes Companies Incorporated (Low)	14	1,240	1,607
Marathon Oil Corporation (Mro)	94	1,692	2,188
Marathon Pete Corporation (Mpc)	34	2,022	2,719
Mckesson Corporation (Mck)	16	2,627	2,122
Merck & Company Incorporated (Mrk)	76	4,811	5,391
Methanex Corporation (Canada) (Meoh)	16	879	1,263
Microsoft Corporation (Msft)	22	1,781	2,516
Netapp Incorporated (Ntap)	26	1,497	2,233
Noble Energy Incorporated (Nbl)	33	1,101	1,029
Novartis A G Sponsored ADR (Switzerland) (Nvs)	20	1,625	1,723
Nutrien Limited (Canada) (Ntr)	21	1,047	1,212
Oracle Corporation (Orcl)	102	4,978	5,259
Owens Corning New (Oc)	25	1,541	1,357
Pfizer Incorporated (Pfe)	165	5,931	7,272
Regions Finl Corporation New (Rf)	151	2,311	2,771
Rio Tinto Plc Sponsored ADR (United Kingdom) (Rio)	20	1,084	1,020
Royal Dutch Shell Plc Spons ADR A (Netherlands) (Rds.A)	75	4,716	5,110
Southwest Aircls Company (Luv)	40	2,319	2,498
Union Pac Corporation (Unp)	5	823	814
United Technologies Corporation (Utx)	34	4,108	4,754
Unitedhealth Group Incorporated (Unh)	6	1,239	1,596
Verizon Communications Incorporated (Vz)	95	4,988	5,072
Wells Fargo Company New (Wfc)	147	8,115	7,726
Westrock Company (Wrk)	36	2,131	1,924
Wyndham Destinations Incorporated (Wynd)	13	647	564
Wyndham Hotels & Resorts Incorporated (Wh)	13	827	722
Coca Cola European Partners P Shs (United Kingdom) (Cce)	32	1,346	1,455
Eaton Corporation Plc Shs (Ireland) (Etn)	26	2,029	2,255
Everest Re Group Limited (Bermuda) (Re)	8	1,774	1,828
Liberty Global Plc Shs Class C (United Kingdom) (Lbtyk)	45	1,288	1,267
Medtronic Plc Shs (Ireland) (Mdt)	31	2,966	3,049
Chubb Limited (Switzerland) (Cb)	20	2,949	2,673
Te Connectivity Limited Reg Shs (Switzerland) (Tel)	33	2,929	2,902
Equity Residential Sh Ben Int Reit (Eqr)	27	1,665	1,789
SI Green Rlty Corporation Reit (Slg)	20	1,978	1,951
Subtotal - Account # 770FJ508	<u>4,208</u>	<u>227,322</u>	<u>245,658</u>
Alibaba Group Hldg Limited Sponsored ADS (Cayman Islands) (Baba)	83	14,958	13,675
Alphabet Incorporated Cap Stk Class C (Goog)	6	5,964	7,161
Alphabet Incorporated Cap Stk Class A (Googl)	6	6,081	7,242
Amazon Com Incorporated (Amzn)	10	10,801	20,030
American Express Company (Axp)	26	2,395	2,769

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2018

	<u>No. of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Corporate Stock, Continued</u>			
Amgen Incorporated (Amgn)	23	4,290	4,768
Autodesk Incorporated (Adsk)	71	8,497	11,084
Automatic Data Processing Incorporated (Adp)	16	1,853	2,411
Cerner Corporation (Cern)	80	5,628	5,153
Cisco Systems Incorporated (CSCO)	152	5,224	7,395
Coca Cola Company (Ko)	130	6,005	6,005
Colgate Palmolive Company (Cl)	70	4,715	4,686
Danone Sponsored ADR (France) (Danoy)	433	7,205	6,709
Deere & Company (De)	43	5,593	6,464
Expeditors International Wash Incorporated (Expd)	98	5,844	7,206
Facebook Class A (Fb)	84	14,941	13,815
Factset Resh Systems Incorporated (Fds)	20	3,686	4,474
Merck & Company Incorporated (Mrk)	39	2,470	2,767
Microsoft Corporation (Msft)	75	5,947	8,578
Monster Beverage Corporation New (Mnst)	144	8,079	8,392
Novartis A G Sponsored ADR (Switzerland) (Nvs)	48	4,102	4,136
Novo-Nordisk A S ADR (Denmark) (Nvo)	138	6,879	6,505
Oracle Corporation (Orcl)	240	11,666	12,374
Procter And Gamble Company (Pg)	72	6,459	5,993
Qualcomm Incorporated (Qcom)	110	5,800	7,923
Regeneron Pharmaceuticals (Regn)	21	8,236	8,485
Sei Investments Company (Seic)	103	6,559	6,293
Schlumberger Limited (Curacao) (Slb)	100	6,584	6,092
Starbucks Corporation (Sbux)	109	6,173	6,196
United Parcel Service Incorporated Class B (Ups)	22	2,600	2,568
Varian Med Systems Incorporated (Var)	36	3,818	4,029
Visa Incorporated Com Class A (V)	108	11,905	16,210
Yum Brands Incorporated (Yum)	49	3,757	4,455
Yum China Hldgs Incorporated (Yumc)	80	3,371	2,809
	<u>2,845</u>	<u>218,085</u>	<u>244,852</u>
Subtotal - Account # 4700F423			
Total Corporate Stock	<u>16,815</u>	<u>\$ 682,848</u>	<u>\$ 724,428</u>

See Accompanying Independent Auditors' Report.