

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 (pages 21 through 24) 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 May 15, 2020 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

May 15, 2020



Protected Areas Network Fund

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Management's Discussion and Analysis Year Ended September 30, 2019

This report presents Management's Discussion and Analysis of the Protected Areas Network Fund's (PAN Fund) financial performance during the fiscal year ended September 30, 2019, with selected comparative information for the fiscal years ended September 30, 2018 and 2017.

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 includes governance, fiduciary and grant-making.

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 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:

	2019	2018	2017
Current assets	\$ 3,710,175	\$ 3,920,576	\$ 3,880,195
Capital assets	<u>6,871</u>	<u>7,733</u>	<u>9,081</u>
Total assets	<u>3,717,046</u>	<u>3,928,309</u>	<u>3,889,276</u>
Current liabilities	<u>90,058</u>	<u>337,771</u>	<u>369,748</u>
Net position:			
Net investment in capital assets	6,871	7,733	9,081
Restricted	<u>3,620,117</u>	<u>3,582,805</u>	<u>3,510,447</u>
Total net position	\$ <u>3,626,988</u>	\$ <u>3,590,538</u>	\$ <u>3,519,528</u>

OVERVIEW OF FINANCIAL STATEMENTS, CONTINUED

Statements of Revenues, Expenses and Changes in Net Position:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ -	\$ -	\$ -
Operating expenses	<u>1,903,536</u>	<u>2,250,524</u>	<u>1,824,231</u>
Operating loss	(1,903,536)	(2,250,524)	(1,824,231)
Nonoperating revenues	<u>1,939,986</u>	<u>2,321,534</u>	<u>2,403,571</u>
Change in net position	36,450	71,010	579,340
Net position at beginning of year	<u>3,590,538</u>	<u>3,519,528</u>	<u>2,940,188</u>
Net position at end of year	\$ <u>3,626,988</u>	\$ <u>3,590,538</u>	\$ <u>3,519,528</u>

Statements of Cash Flows:

Cash flows from operating activities	\$ (2,150,304)	\$ (2,173,718)	\$ (1,703,024)
Cash flows from investing activities	278,445	(714,547)	435,362
Cash flows from noncapital financing activities	<u>1,236,692</u>	<u>1,789,777</u>	<u>1,980,912</u>
Net (decrease) increase in cash	(635,167)	(1,098,488)	713,250
Cash at beginning of year	<u>2,643,031</u>	<u>3,741,519</u>	<u>3,028,269</u>
Cash at end of year	\$ <u>2,007,864</u>	\$ <u>2,643,031</u>	\$ <u>3,741,519</u>

FINANCIAL HIGHLIGHTS

PAN Fund's capital assets decreased by 11% from \$7,733 in fiscal year 2018 to \$6,871 in fiscal year 2019 and by 15% from \$9,081 in fiscal year 2017 to \$7,733 in fiscal year 2018. 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 1% from \$3,590,538 in fiscal year 2018 to \$3,626,988 in fiscal year 2019 and by 2% from \$3,519,528 in fiscal year 2017 to \$3,590,538 in fiscal year 2018.

Total liabilities decreased by 73% from \$337,771 in fiscal year 2018 to \$90,058 in fiscal year 2019 and by 9% from \$369,748 in fiscal year in 2017 to \$337,771 in fiscal year 2018. Reductions of accounts payable as well as contributions to the Micronesian Conservation Trust contributed to the huge reduction in total liabilities.

Total operating expenses decreased by 15% from \$2,250,524 in fiscal year 2018 to \$1,903,536 in fiscal year 2019 and increased by 23% from \$1,824,231 in fiscal year 2017 to \$2,250,524 in fiscal year 2018. The decrease in operating expenses for fiscal year 2019 was attributed to decreases in expenditures for PAN site/states as well as major reductions in grant expenditures.

Net cash at the end of the year decreased by 24% from \$2,643,031 in fiscal year 2018 to \$2,007,864 in fiscal year 2019 and by 29% from \$3,741,519 in fiscal year 2017 to \$2,643,031 in fiscal year 2018. Given the adopted budgeting process, net cash at the end of the year consists of revenues realized in fiscal year 2019 and reserved for next fiscal year's operation. PAN funds are non-lapsing and remaining balances for fiscal year 2019 are carried over to next fiscal year.

ECONOMIC OUTLOOK

While PAN Fund ended fiscal year 2019 in good financial position, the sudden and likely prolonged downturn in the travel and tourism sectors due to the COVID-19 coronavirus pandemic has raised concerns about future finances for the PAN. This is mainly because PAN Fund relies heavily on green fees generated from foreign tourists to finance the yearly operation of the PAN. Currently, green fees account for 90% of the overall budget for the PAN, while the remaining 10% is sourced from investment earnings and grants. Given the current situation, it is unlikely that PAN Fund would realize additional revenue throughout fiscal year 2020 and the prospect for revenue collections in fiscal year 2021 is uncertain. The COVID-19 coronavirus pandemic came at a critical time as the PAN recently underwent an assessment to determine the true cost of effectively operating the PAN. This new plan is projecting a required total budget for fiscal year 2021 of \$4.5 million. Considering all available funding sources, this would leave a funding gap of \$1.8 million.

In the short-term, PAN Fund is able to maintain operations at least until the latter part of fiscal year 2021. This is possible due to the budgeting process that uses current year collections to fund subsequent year operations. As a result of this process, PAN Fund has a secured budget allocation for fiscal year 2020. For fiscal year 2021, PAN Fund has already collected \$1.3 million in revenues. The projected shortfall by the end of fiscal year 2021 is estimated at \$900 thousand, which is the amount needed to maintain the same level of budget (\$2.3 million) as fiscal year 2020. This would leave the \$1.8 million funding gap identified in the sustainable financing plan. In total, the projected shortfall is roughly \$2.6 million.

To address the projected shortfall for fiscal year 2021, it would be necessary for PAN Fund to seek additional funding assistance from donors and the National Government. PAN Fund may need to acquire short-term debt from lending institutions, revisit investment policies for reserve and endowment funds and explore options that could increase the return on investments. PAN Fund could also prioritize financing of activities for the PAN and explore and/or implement cost-cutting initiatives that will contribute to savings. PAN Fund will work with the PAN Office and PAN member states to expedite investment partnership programs that can contribute to a robust sustainable financing system.

CONCLUDING SUMMARY

The Management's Discussion and Analysis for the year ended September 30, 2018 is set forth in PAN Fund's report on the audit of financial statements, which is dated March 7, 2019. 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 the 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, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 2,007,864	\$ 2,643,031
Investments:		
Corporate stock	845,660	724,428
Money market funds	290,328	259,951
U.S. Government obligations	172,999	132,105
Corporate bonds	120,804	97,568
Total investments	<u>1,429,791</u>	<u>1,214,052</u>
Due from Republic of Palau	<u>268,645</u>	<u>59,535</u>
Prepaid expenses	<u>3,875</u>	<u>3,958</u>
Total current assets	3,710,175	3,920,576
Capital assets, net	<u>6,871</u>	<u>7,733</u>
	<u>\$ 3,717,046</u>	<u>\$ 3,928,309</u>
<u>LIABILITIES AND NET POSITION</u>		
Current liabilities:		
Accounts payable	\$ 20,275	\$ 209,552
Accrued expenses	17,090	11,958
Due to Micronesia Conservation Trust	12,707	76,275
Unearned revenue	<u>39,986</u>	<u>39,986</u>
Total liabilities	<u>90,058</u>	<u>337,771</u>
Commitment		
Net position:		
Net investment in capital assets	6,871	7,733
Restricted	<u>3,620,117</u>	<u>3,582,805</u>
Total net position	<u>3,626,988</u>	<u>3,590,538</u>
	<u>\$ 3,717,046</u>	<u>\$ 3,928,309</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues	\$ -	\$ -
Operating expenses:		
PAN site/states	1,269,866	1,399,991
PAN Institutional System	200,000	195,500
Salaries and wages	124,400	112,968
Special projects	114,263	79,208
Micronesia Conservation Trust contribution	71,762	76,425
Professional development	36,792	29,094
Rent	24,000	24,000
Employee benefits	17,418	13,064
Communications	10,004	10,768
Audit	8,000	8,000
Utilities	3,157	3,182
Professional fees	2,076	1,150
Advertisements	1,506	807
Outreach/awareness meetings	1,053	5,170
Repairs and maintenance	1,040	870
Depreciation	862	1,348
Competitive grants expense	50	-
Grants	-	270,775
Other	17,287	18,204
Total operating expenses	<u>1,903,536</u>	<u>2,250,524</u>
Operating loss	<u>(1,903,536)</u>	<u>(2,250,524)</u>
Nonoperating revenues:		
Transfer in from Republic of Palau	1,443,235	1,548,027
Investment earnings from MCT	472,990	461,734
Investment income, net	21,194	37,771
Interest income	2,567	3,227
Grant revenue	-	270,775
Total nonoperating revenues	<u>1,939,986</u>	<u>2,321,534</u>
Change in net position	36,450	71,010
Net position at beginning of year	<u>3,590,538</u>	<u>3,519,528</u>
Net position at end of year	<u>\$ 3,626,988</u>	<u>\$ 3,590,538</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Micronesia Conservation Trust contribution	\$ (135,330)	\$ (97,750)
Cash payments to PAN sites/states and institutional system	(1,449,591)	(1,386,203)
Cash payments to suppliers for goods and services	(428,697)	(567,953)
Cash payments to employees for services	<u>(136,686)</u>	<u>(121,812)</u>
Net cash used for operating activities	<u>(2,150,304)</u>	<u>(2,173,718)</u>
Cash flows from investing activities:		
Investment earnings	472,990	461,734
Transfer to investments	<u>(194,545)</u>	<u>(1,176,281)</u>
Net cash provided by (used for) investing activities	<u>278,445</u>	<u>(714,547)</u>
Cash flows from noncapital financing activities:		
Transfer in from Republic of Palau	1,234,125	1,623,550
Cash received from grants	-	163,000
Interest income	<u>2,567</u>	<u>3,227</u>
Net cash provided by noncapital financing activities	<u>1,236,692</u>	<u>1,789,777</u>
Net decrease in cash	(635,167)	(1,098,488)
Cash at beginning of year	<u>2,643,031</u>	<u>3,741,519</u>
Cash at end of year	<u>\$ 2,007,864</u>	<u>\$ 2,643,031</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (1,903,536)	\$ (2,250,524)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	862	1,348
(Increase) decrease in assets:		
Prepaid expenses	83	(340)
Increase (decrease) in liabilities:		
Accounts payable	(189,277)	94,224
Accrued expenses	5,132	3,049
Due to Micronesia Conservation Trust	<u>(63,568)</u>	<u>(21,475)</u>
Net cash used for operating activities	<u>\$ (2,150,304)</u>	<u>\$ (2,173,718)</u>

See accompanying notes to financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019 and 2018, MOF remitted \$1,435,235 and \$1,540,027, respectively, for this purpose, which PAN Fund recorded as transfers in from ROP. PAN Fund recorded \$8,000 as transfers in from ROP for audit expense reimbursement for the years ended September 30, 2019 and 2018. 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 \$71,762 and \$76,425 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018;
- 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, 2019 and 2018

(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, 2019 and 2018, PAN Fund provided funding to PAN sites/states for mobilization and implementation of PAN work plan of \$1,269,866 and \$1,399,991, 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 \$114,263 and \$79,208 for the years ended September 30, 2019 and 2018, 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, 2019 and 2018, PAN Fund provided funding for activities specified in an annual work plan of PAN Office in the amounts of \$200,000 and \$195,500, 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, 2019 and 2018

(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, 2019 and 2018, cash was \$2,007,864 and \$2,643,031, respectively, and the corresponding bank balances were \$2,059,415 and \$2,694,527, respectively, which are maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2019 and 2018, 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.

Effective September 27, 2018, PAN Fund has internally restricted (not reflected as restricted in the Statements of Net Position) cash. Per RPPL 7-42, Subchapter II PAN Fund §3422, Section (c)(1), PAN Fund shall create a Legal Reserve Fund (LRF) comprised of five percent of amounts received from the environmental protection fee and any unspent funds remaining at the end of each fiscal year collected in an amount to compensate for fluctuations in the arrival fees during any given year. PAN Fund has restricted \$135,331 of LRF as of September 30, 2019 to comprise this reserve. Per PAN Fund's operations manual, Section 1.1.9, PAN Fund shall create an Emergency Fund (EF) of PAN Fund's annual total revenue. PAN Fund has restricted \$59,220 of EF as of September 30, 2019 to comprise this reserve.

Investments

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

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(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.
- (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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(2) Cash & Equivalents, Continued

- (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.
- (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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Investments, Continued

(4) Equities, Continued

- (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, 2019.

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, 2019 and 2018:

Investment Type	Fair Value	2019 Investment Maturities (In Years)				Ratings
		Less Than 1	1 - 5	6 - 10	More Than 10	
U.S. Treasury notes	\$ 93,224	\$ -	\$ 49,763	\$ 43,461	\$ -	Aaa
U.S. Treasury bond	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>	

Investment Type	Fair Value	2018 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>	

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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

Fair Value Measurement of the Investments, Continued

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	Total	2019		
		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>			
Investments by fair value level	Total	2018		
		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.

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 \$4,462 and \$3,353 of contributions to the Plan for the years ended September 30, 2019 and 2018, 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.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

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, 2019 and 2018.

New Accounting Standards

During the year ended September 30, 2019, PAN Fund implemented the following pronouncements:

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

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

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.

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.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies 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. The provisions in Statement No. 91 are effective for fiscal years beginning after December 15, 2020. Management does not believe that the implementation of this statement will have a material effect on the financial statements.

In May 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 and 91 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. Management has yet to ascertain whether implementation of these statements will be postponed as provided in GASB Statement No. 95.

(3) Capital Assets

Capital assets of PAN Fund as of September 30, 2019 and 2018, are summarized below:

	Estimated Useful Lives	Balance at October 1, 2018	Additions	Deletions	Balance at September 30, 2019
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>

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(3) Capital Assets, Continued

	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>

(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, 2019 and 2018, PAN Fund recorded \$-0- and \$210,081 of expenses related to the grant. Accordingly, the remaining amount of \$5,919 is part of administrative costs and is recorded as unearned revenue in the accompanying financial statements.

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, 2019 and 2018, PAN Fund recorded \$-0- and \$60,694, respectively, of expenses related to the GEF R2R STAR project, which is still ongoing. Accordingly, the remaining amount of \$34,067 is recorded as unearned revenue in the accompanying financial statements.

PROTECTED AREAS NETWORK FUND

Notes to Financial Statements
September 30, 2019 and 2018

(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, 2019, 2018, 2017, 2016, 2015, 2014, 2013 and 2012, PAN Fund contributed \$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, 2019 and 2018, PAN Fund withdrew investment income of \$472,990 and \$461,734, 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, 2019 and 2018, the Palau portion of MC endowment funds held by MCT was \$9,887,026 and \$10,184,125, respectively.

(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 subsequent years ending September 30, are as follows:

Years ending September 30,

2020	\$ 36,000
2021	<u>36,000</u>
	\$ <u>72,000</u>

(7) Subsequent Event

To prevent the spread of the COVID-19 coronavirus, ROP temporarily suspended all commercial air travel to Palau effective March 26, 2020 until further notice. Although this suspension is temporary, there is considerable uncertainty on its duration which will inevitably affect collection of Green Fees. Therefore, PAN Fund expects this matter to negatively impact its future 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, 2019

	Face Value	Cost	Fair Value	
<u>Money Market Funds</u>				
Raymond James Bank N.A. - Account # 205HV032	\$ 260,817	\$ 260,817	\$ 260,817	
Cash/Client interest program - Account # 515WW289	3,290	3,290	3,290	
Cash/Client interest program - Account # 770FJ508	11,455	11,455	11,455	
Cash/Client interest program - Account # 4700F423	3,733	3,733	3,733	
Goldman Sachs Bank USA - Account # 5263Y601	11,033	11,033	11,033	
Total Money Market Funds	\$ 290,328	\$ 290,328	\$ 290,328	
	Face Value	Cost	Fair Value	Ratings
<u>U.S. Government Obligations</u>				
US Treasury Bonds, 3.0% due on 11/15/2044	\$ 18,000	\$ 18,080	\$ 21,143	Aaa
US Treasury Bonds, 3.0% due on 05/15/2047	12,000	12,648	14,220	Aaa
US Treasury Notes, 2.875% due on 05/15/2028	14,000	14,146	15,366	Aaa
US Treasury Notes, 2.0% due on 10/31/2021	15,000	14,903	15,105	Aaa
US Treasury Notes, 2.25% due on 11/15/2025	12,000	11,793	12,445	Aaa
US Treasury Notes, 2.0% due on 06/30/2024	14,000	13,748	14,272	Aaa
US Treasury Notes, 2.25% due on 02/15/2027	15,000	14,538	15,650	Aaa
US Treasury Notes, 2.5% due on 08/15/2023	9,000	9,042	9,312	Aaa
US Treasury Notes, 1.875% due on 04/30/2022	11,000	10,736	11,074	Aaa
Total U.S. Treasury Securities - Account # 5263Y601	120,000	119,634	128,587	
Federal National Mortgage Association Note, 2.875% due on 09/12/2023	23,000	23,693	24,104	Aaa
Federal Home Loan Mortgage Corporation Note, 2.375% due on 01/13/2022	20,000	19,990	20,308	Aaa
Total U.S. Government Sponsored Enterprise - Account # 5263Y601	43,000	43,683	44,412	
Total U.S. Government Obligations	\$ 163,000	\$ 163,317	\$ 172,999	
<u>Corporate Bonds</u>				
AT&T Inc. NTS ISIN US00206RCE09, 3.9% due on 03/11/2024	\$ 8,000	\$ 8,144	\$ 8,483	Baa2
Abbott Laboratories NTS ISIN Us002824Bf69, 3.75% due on 11/30/2026	8,000	7,999	8,715	A3
Archer-Daniels-Midland Company NTS ISIN Us039483BI57, 2.5% due on 08/11/2026	10,000	9,415	10,109	A2
Bank Of America Corporation Mtn ISIN Us06051Gfx25, 3.5% due on 04/19/2026	8,000	8,042	8,493	A2
Bunge Limited Finance Corp. NTS ISIN Us120568Ax84, 3.25% due on 08/15/2026	9,000	8,587	9,000	Baa3
Cvs Health Corp Special Mandatory Redemption At 101% If the merger does not close by 09/03/2019 NTS ISIN Us126650Cx62, 4.3% due on 03/25/2028	9,000	8,880	9,732	Baa2
Cintas Corporation No. 2 NTS ISIN Us17252Man02, 3.7% due on 04/01/2027	8,000	8,162	8,723	A3
Comcast Corporation NTS ISIN US20030NCT63 4.1500% Due on 10/15/2028	8,000	9,035	8,974	A3
General Electric Company Mtn ISIN Us36962G3P70, 5.875% due on 01/14/2038	5,000	5,550	6,012	Baa1
Goldman Sachs Group, Inc. NTS ISIN Us38141Gwb66, 3.85% due on 01/26/2027	8,000	8,041	8,483	A3
JP Morgan Chase & Co. NTS ISIN Us46625Hqw33, 3.3% due on 04/01/2026	8,000	7,954	8,372	A2
Medtronic, Inc. NTS ISIN Us585055Bs43, 3.5% due on 03/15/2025	8,000	8,161	8,587	A3
Parker-Hannifin Corporation NTS ISIN Us70109Ham79, 4.2% due on 11/21/2034	7,000	7,434	7,878	Baa1
Wells Fargo & Company NTS ISIN Us949746Sh57, 3.0% due on 10/23/2026	9,000	8,435	9,243	A2
Total Corporate Bonds	\$ 113,000	\$ 113,839	\$ 120,804	
	No. of Shares	Cost	Fair Value	
<u>Corporate Stock</u>				
ACS Activ De Construc Y Serv Un-sponsored ADR (SPAIN) (ACSAY)	669	\$ 4,869	\$ 5,347	
Allianz Se Sp ADR 1/10 Sh Germany) (Azsey)	232	5,166	5,409	
Arkema Spon ADR (France) (Arkay)	45	5,395	4,196	
Astellas Pharma Incorporated ADR (Japan) (Alpmy)	331	5,413	4,712	
Bancolumbia S A Spons ADR REF 4 PFD (Colombia) Non-Cumulative (CIB)	100	5,281	4,945	
CGI Incorporated Class A Sub VTG (Canada) (CIB)	60	3,639	4,747	
Cnooc Limited Sponsored ADR (Hong Kong) (Ceo)	27	3,613	4,111	
Crh Plc ADR (Ireland) (Crh)	163	5,599	5,601	

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2019

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Canadian Natl Ry Company (Canada) (Cni)	52	4,245	4,672
Canadian Pac RY Limited (Canada) (CP)	23	4,682	5,114
Capgemini S E Unsponsored ADR (France) (Cgemy)	199	4,785	4,690
Carnival Plc ADR (United Kingdom) (Cuk)	86	5,551	3,618
China Unicom (Hong Kong) Limited Sponsored ADR (China) (CHU)	472	5,039	4,951
Chugai Pharmaceuticals Company Limited ADR (Japan) (CHGCY)	33	4,653	5,130
DBS Group Hldgs Limited Sponsored ADR (Singapore) (Dbsdy)	70	4,738	5,062
Daiwa House Ind Limited ADR (Japan) (DWAHY)	173	5,065	5,612
Danone Sponsored ADR (France) (DANOY)	294	4,700	5,181
Eni S P A Sponsored ADR (Italy) (E)	137	5,243	4,177
Enerplus Corporation (Canada) (ERF)	542	4,797	4,040
Gildan Activewear Incorporated (Canada) (GIL)	130	4,701	4,617
Infineon Technologies Ag Sponsored ADR (Germany) (Ifnny)	243	5,911	4,374
Infosys Limited Sponsored ADR (India) (INFY)	421	4,688	4,787
Kddi Corporation ADR (Japan) (Kddiy)	372	4,644	4,862
Kirkland Lake Gold Limited (Canada) (KL)	93	4,690	4,169
Lenovo Group Limited Sponsored ADR (Hong Kong) (LNVGY)	352	6,138	4,697
Magna International Incorporated (Canada) (Mga)	100	5,305	5,334
Manulife Finl Corporation (Canada) (Mfc)	302	5,831	5,542
Nintendo Limited ADR (Japan) (NTDOY)	112	5,065	5,184
Nippon Teleg Tel Corporation Sponsored ADR (Japan) (Nttyy)	124	5,616	5,916
Novartis A G Sponsored ADR (Switzerland) (NVS)	53	4,996	4,606
Pjsc Lukoil Sponsored ADR (Russia) (Lukoy)	66	3,458	5,480
PT BK Rakyat ADR SHS B (Indonesia) (BKRKY)	363	4,919	5,268
Petroleo Brasileiro SA Petrobr Sponsored ADR (Brazil) (PBR.A)	343	4,796	4,507
Ping AN Ins Group Company China Limited Spon ADR REP H (China) (PNGAY)	203	4,691	4,664
Royal Dutch Shell Plc Spon ADR B (United Kingdom) (Rds.B)	75	5,558	4,493
Sberbank of Russia Sponsored ADR (Russia) (SBRCY)	349	5,019	4,899
Schneider Electric Se ADR (France) (Sbgsy)	333	5,264	5,845
Seven & I Hldgs Company Limited ADR (Japan) (Svndy)	215	4,713	4,110
Softbank Group Corporation Unsponsored ADR (Japan) (SFTBY)	213	4,688	4,178
Sony Corporation Sponsored ADR (Japan) (Sne)	84	4,264	4,967
Taiwan Semiconductor Mfg Limited Sponsored ADR (Taiwan) (Tsm)	113	4,581	5,252
Tim Participacoess A Sponsored ADR (Brazil) (TSU)	314	5,295	4,509
United Overseas Bk Limited Sponsored ADR (Singapore) (Uovey)	137	5,583	5,084
Veolia Environment Sponsored ADR (France) (VEOEY)	202	5,004	5,122
Wh Group Limited Sponsored ADR (Cayman Islands) (Whgly)	252	4,504	4,513
Yy Incorporated Ads Repcom Cla (Cayman Islands) (Yy)	60	5,508	3,374
Yum China Hldgs Incorporated (YUMC)	118	5,150	5,361
ARCH CAP Group Limited Ord (Bermuda) (ACGL)	133	4,976	5,583
Credicorp Limited (Bermuda) (Bap)	21	4,628	4,377
Icon Plc Shs (Ireland) (Iclr)	30	3,504	4,420
Jazz Pharmaceuticals Plc Shs Usd (Ireland) (Jazz)	37	5,183	4,741
Steris PLC SHS USD (Ireland) (STE)	31	3,517	4,479
Check Point Software Tech Limited Ord (Israel) (Chkp)	44	4,889	4,818
Aercap Holdings Nv Shs (Netherlands) (Aer)	94	4,937	5,147
Nxp Semiconductors N V (Netherlands) (Nxpi)	58	6,061	6,329
	<u>9,898</u>	<u>270,748</u>	<u>266,923</u>
Subtotal - Account # 515WW289			
Allstate Corporation (All)	41	3,826	4,456
Alphabet Incorporated CAP STK Class A (GOOGL)	5	5,584	6,106
Altice USA Incorporated Class A (ATUS)	48	1,181	1,377
American International Group Incorporated Com New (Aig)	112	5,661	6,238
Anthem Incorporated (Antm)	15	4,176	3,602
Autozone Incorporated (AZO)	3	3,057	3,254
BB&T Corporation (BBT)	35	1,767	1,868
Bank Amer Corporation (Bac)	364	10,059	10,618
Barrick Gold Corporation (Canada) (GOLD)	47	3,368	4,276
Berkshire Hathaway Incorporated Del Class B New (Brk.B)	60	11,562	12,481
Best Buy Incorporated (BBY)	16	1,070	1,104
Biogen Incorporated (BIIB)	9	2,108	2,095
Booking HLDGS Incorporated (BKNG)	1	1,765	1,963
C H Robinson Worldwide Incorporated Com New (CHRW)	17	1,435	1,441

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2019

	No. of Shares	Cost	Fair Value
<u>Corporate Stock, Continued</u>			
Cigna Corporation (Ci)	36	6,745	5,464
Crh Plc Adr (Ireland) (Crh)	72	2,480	2,474
Cvs Health Corporation (Cvs)	54	3,870	3,406
Cimarex Energy Company (Xec)	46	2,835	2,205
Cisco Systems Incorporated (CSCO)	95	4,056	4,694
Citigroup Incorporated Com New (C)	89	6,317	6,148
Comcast Corporation New Class A (Cmcsa)	195	7,127	8,791
Conocophillips (Cop)	71	4,039	4,046
Delta Air Lines Incorporated Del Com New (Dal)	41	2,207	2,362
Discover Finl Svcs (Dfs)	21	1,429	1,703
Dover Corporation (Dov)	28	2,241	2,788
Dupont De Nemours Incorporated (DD)	47	3,845	3,352
Edison International (Eix)	40	2,530	3,017
F M C Corporation Com New (Fmc)	25	1,944	2,192
Fox Corporation Class A Com (FOXA)	90	3,347	2,838
Humana Incorporated (HUM)	5	1,436	1,278
Jpmorgan Chase & Company (Jpm)	72	8,229	8,474
KLA Corporation Com New (KLAC)	15	2,024	2,392
Kansas City Southern Com New (KSU)	25	2,883	3,325
Lam Research Corporation (LRCX)	8	1,815	1,849
Las Vegas Sands Corporation (LVS)	52	3,025	3,004
Lennar Corporation Class A (LEN)	29	1,417	1,620
Marathon Pete Corporation (Mpc)	71	4,042	4,313
Mckesson Corporation (Mck)	18	2,777	2,460
Microsoft Corporation (Msft)	12	1,092	1,668
Mondelez International Incorporated Class A (MDLZ)	73	3,526	4,038
Mosaic Company New (MOS)	89	2,624	1,825
Noble Energy Incorporated (Nbl)	128	3,545	2,875
Novo-Nordisk A S ADR (DENMARK) (NVO)	20	935	1,034
Oracle Corporation (Orcl)	73	3,532	4,017
Owens Corning New (Oc)	25	1,541	1,580
Pfizer Incorporated (Pfe)	145	5,392	5,210
Pioneer NAT RES Company (PXD)	11	1,602	1,383
Procter & Gamble Company (PG)	62	5,777	7,712
Quest Diagnostics Incorporated (DGX)	32	2,826	3,425
Royal Dutch Shell Plc Spons ADR (Netherlands) (Rds.A)	55	3,523	3,237
The Charles SCHWAB Corporation (SCHW)	21	854	878
Southwest Airs Company (Luv)	41	2,257	2,214
Suntrust BKS Incorporated (STI)	27	1,747	1,858
Symantec Corporation (SYMC)	117	2,874	2,765
Toll Brothers Incorporated (TOL)	33	1,207	1,355
Total S A Sponsored ADS (FRANCE) (TOT)	83	4,292	4,316
Travelers Companies Incorporated (TRV)	21	3,047	3,122
Tyson Foods Incorporated Class A (TSN)	25	1,523	2,154
Union Pacific Corporation (Unp)	20	3,117	3,240
United Parcel Service Incorporated Class B (UPS)	42	4,715	5,032
United Technologies Corporation (Utx)	45	5,482	6,143
Unitedhealth Group Incorporated (Unh)	16	3,498	3,477
Universal Hlth Svcs Incorporated Class B (UHS)	17	2,507	2,529
Valero Energy Corporation New (VLO)	43	3,831	3,665
Verizon Communications Incorporated (Vz)	113	6,768	6,821
Wells Fargo Company New (Wfc)	124	6,859	6,255
Wyndham Destinations Incorporated (Wynd)	29	1,337	1,335
Wyndham Hotels & Resorts Incorporated (Wh)	12	648	621
Zimmer Biomet Hldgs Incorporated (ZBH)	16	1,966	2,196
AON PLC SHS CL A (United Kingdom) (AON)	11	1,845	2,129
Eaton Corporation Plc Shs (Ireland) (Etn)	43	3,388	3,575
Everest Re Group Limited (Bermuda) (Re)	11	2,507	2,927
Liberty Global Plc Shs Class C (United Kingdom) (Lbtyk)	74	2,012	1,760
Medtronic Plc Shs (Ireland) (Mdt)	54	5,086	5,865
Chubb Limited (Switzerland) (Cb)	39	5,572	6,296
NXP Semiconductors N V (Netherlands) (NXPI)	29	2,673	3,164
Equity Residential Sh Ben Int Reit (Eqr)	23	1,434	1,984
ESSEX PROPERTY TR INCORPORATED REIT (ESS)	5	1,282	1,633
Subtotal - Account # 770FJ508	3,877	259,522	272,387

See Accompanying Independent Auditors' Report.

PROTECTED AREAS NETWORK FUND

Schedule of Investments, Continued
September 30, 2019

	<u>No. of Shares</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Corporate Stock, Continued</u>			
Alibaba Group Hldg Limited Sponsored Ads (Cayman Islands) (Baba)	95	16,729	15,887
Alphabet Incorporated Cap Stk Class C (Goog)	8	8,063	9,752
Alphabet Incorporated Cap Stk Class A (Googl)	8	8,213	9,769
Amazon Com Incorporated (Amzn)	11	12,444	19,095
American Express Company (Axp)	31	2,931	3,667
Amgen Incorporated (Amgn)	26	4,867	5,031
Autodesk Incorporated (Adsk)	82	9,982	12,111
Automatic Data Processing Incorporated (Adp)	19	2,280	3,067
Cerner Corporation (Cern)	97	6,601	6,612
Cisco Systems Incorporated (CSCO)	176	6,373	8,696
Coca Cola Company (Ko)	154	7,178	8,384
Colgate Palmolive Company (Cl)	82	5,444	6,028
Danone Sponsored ADR (France) (Danoy)	519	8,432	9,146
Deere & Company (De)	49	6,474	8,265
Expeditors International Wash Incorporated (Expd)	114	6,981	8,469
Facebook Class A (Fb)	99	17,120	17,630
Factset Resh Systems Incorporated (Fds)	21	3,997	5,102
Merck & Company Incorporated (Mrk)	45	2,923	3,788
Microsoft Corporation (Msft)	88	7,373	12,235
Monster Beverage Corporation New (MNST)	185	10,353	10,741
Novartis A G Sponsored ADR (Switzerland) (Nvs)	54	4,071	4,693
Novo-Nordisk A S ADR (Denmark) (Nvo)	163	7,915	8,427
NVIDIA Corporation (NVDA)	41	6,237	7,137
Oracle Corporation (Orcl)	283	13,775	15,574
Procter And Gamble Company (Pg)	85	7,647	10,572
Qualcomm Incorporated (Qcom)	129	7,025	9,840
Regeneron Pharmaceuticals (Regn)	27	10,265	7,490
Sei Investments Company (Seic)	119	7,399	7,051
Schlumberger Limited (Curacao) (Slb)	119	7,563	4,066
Starbucks Corporation (Sbux)	127	7,354	11,229
Varian Med Systems Incorporated (Var)	35	3,822	4,168
Visa Incorporated Com Class A (V)	125	14,393	21,501
Yum Brands Incorporated (Yum)	56	4,383	6,352
Yum China Hldgs Incorporated (Yumc)	91	3,765	4,134
Alcon Incorporated ORD SHS (Switzerland) (ALC)	11	577	641
	<u>3,374</u>	<u>260,949</u>	<u>306,350</u>
Subtotal - Account # 4700F423			
Total Corporate Stock	<u>17,149</u>	<u>\$ 791,219</u>	<u>\$ 845,660</u>

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