

**PROTEUS FUND, INC.**

Independent Auditors' Report  
And Financial Statements

December 31, 2021



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

## INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of  
Proteus Fund, Inc.

### **Opinion**

We have audited the accompanying financial statements of Proteus Fund, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Proteus Fund as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Proteus Fund, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Proteus Fund, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Proteus Fund, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Proteus Fund, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

#### **Report on Summarized Comparative Information**

We have previously audited Proteus Fund, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Holyoke, Massachusetts  
October 25, 2022

**PROTEUS FUND, INC.**  
**Statements of Financial Position**  
December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 31,472,518	\$ 26,364,576
Grants receivable - within one year	10,673,925	6,749,552
Prepaid expenses and other assets	179,333	176,405
Total Current Assets	42,325,776	33,290,533
Property and equipment, net	59,649	29,552
Other Assets		
Grants receivable - after one year	1,500,027	1,725,000
Investments	3,229,680	2,064,158
Total Other Assets	4,729,707	3,789,158
Total Assets	\$ 47,115,132	\$ 37,109,243
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 2,821,418	\$ 2,297,936
Due to related party	884,865	580,016
Accrued expenses	738,380	597,390
Paycheck Protection Program	476,363	2,063,864
Total Current and Total Liabilities	4,921,026	5,539,206
Net Assets		
Without donor restrictions		
Operating	3,196,932	1,934,157
Board designated - Proteus Fund Reserve	1,600,000	742,510
Total	4,796,932	2,676,667
With donor restrictions	37,397,174	28,893,370
Total Net Assets	42,194,106	31,570,037
Total Liabilities and Net Assets	\$ 47,115,132	\$ 37,109,243

The accompanying notes are an integral part of the financial statements

**PROTEUS FUND, INC.**  
**Statement of Activities**  
For the Year Ended December 31, 2021  
(With Comparative Totals for Year Ended December 31, 2020)

	2021		2020	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Support and Revenue</b>				
Grants and contributions	\$ -	\$ 44,093,191	\$ 44,093,191	\$ 41,319,980
Administrative income	661,833	-	661,833	771,595
Other income	-	51,361	51,361	538,925
Net assets released from restrictions	35,830,024	(35,830,024)	-	-
 Total Support and Revenue	 <u>36,491,857</u>	 <u>8,314,528</u>	 <u>44,806,385</u>	 <u>42,630,500</u>
<b>Expenses</b>				
Program	30,914,265	-	30,914,265	35,116,622
General and administration	3,232,536	-	3,232,536	3,924,014
Fundraising	1,604,162	-	1,604,162	1,978,979
 Total Expenses	 <u>35,750,963</u>	 <u>-</u>	 <u>35,750,963</u>	 <u>41,019,615</u>
<b>Non-Operating Revenue</b>				
Paycheck Protection Program	1,280,675	-	1,280,675	-
Interest and dividends, net	95,350	33,318	128,668	305,904
Net realized and unrealized gains	3,346	155,958	159,304	591,068
 Total Non-Operating Revenue	 <u>1,379,371</u>	 <u>189,276</u>	 <u>1,568,647</u>	 <u>896,972</u>
 Change in Net Assets	 2,120,265	 8,503,804	 10,624,069	 2,507,857
 Net Assets - Beginning of Year	 <u>2,676,667</u>	 <u>28,893,370</u>	 <u>31,570,037</u>	 <u>29,062,180</u>
 Net Assets - End of Year	 <u><u>\$4,796,932</u></u>	 <u><u>\$37,397,174</u></u>	 <u><u>\$42,194,106</u></u>	 <u><u>\$31,570,037</u></u>

The accompanying notes are an integral part of the financial statements

**PROTEUS FUND, INC.**  
**Statement of Functional Expenses**  
For the Year Ended December 31, 2021  
(With Comparative Totals for the Year Ended December 31, 2020)

	2021			2020	
	Program	General and Administrative	Fundraising	Total	Total
<b>Personnel</b>					
Salaries	\$ 4,717,028	\$ 1,716,326	\$ 1,014,643	\$ 7,447,997	\$ 6,221,135
Payroll taxes and benefits	1,224,618	570,325	336,862	2,131,805	1,765,639
Total personnel	<u>5,941,646</u>	<u>2,286,651</u>	<u>1,351,505</u>	<u>9,579,802</u>	<u>7,986,774</u>
<b>Grants</b>	<u>19,250,278</u>	-	-	<u>19,250,278</u>	<u>27,270,711</u>
<b>Other</b>					
Consultants	4,980,277	215,658	97,815	5,293,750	4,076,253
Occupancy	62,410	263,109	35,688	361,207	513,862
Travel and conferences	256,656	52,434	76,039	385,129	444,998
Technology	278,463	112,650	10,712	401,825	269,098
Office expenses	39,336	117,167	16,110	172,613	178,689
Legal	58,912	134,920	-	193,832	150,625
Membership and subscriptions	31,713	19,815	10,298	61,826	62,035
Postage and printing	10,615	1,976	3,895	16,486	28,846
Accounting	-	19,781	1,600	21,381	20,975
Depreciation	-	7,055	-	7,055	11,343
Advertising and recruitment	3,959	1,320	500	5,779	5,406
Total other	<u>5,722,341</u>	<u>945,885</u>	<u>252,657</u>	<u>6,920,883</u>	<u>5,762,130</u>
Total expenses	<u>\$ 30,914,265</u>	<u>\$ 3,232,536</u>	<u>\$ 1,604,162</u>	<u>\$ 35,750,963</u>	<u>\$ 41,019,615</u>

The accompanying notes are an integral part of the financial statements

**PROTEUS FUND, INC.**  
**Statements of Cash Flows**  
For the Years Ended December 31, 2021 and 2020

	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 10,624,069	\$ 2,507,857
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	7,055	11,343
Net realized and unrealized gains	(159,304)	(591,068)
Change in assets and liabilities:		
Grants receivable	(3,699,400)	112,540
Prepaid expenses and other assets	(2,928)	(38,845)
Paycheck Protection Program	(1,280,675)	2,063,864
Accounts payable	523,482	1,457,356
Due to related party	304,849	381,961
Accrued expenses	140,990	(190,080)
Net Cash Provided By Operating Activities	6,458,138	5,714,928
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(37,152)	(13,758)
Proceeds from sales of investments	128,668	1,695,530
Purchases of investments	(1,134,886)	(323,845)
Net Cash (Used In) Provided By Investing Activities	(1,043,370)	1,357,927
<b>Cash Flows from Financing Activities</b>		
Payments on Paycheck Protection Program	(306,826)	-
<b>Net Increase in Cash</b>	5,107,942	7,072,855
Cash and cash equivalents - Beginning of Year	26,364,576	19,291,721
Cash and cash equivalents - End of Year	\$ 31,472,518	\$ 26,364,576

The accompanying notes are an integral part of the financial statements

**PROTEUS FUND, INC.**  
Notes to the Financial Statements  
December 31, 2021 and 2020

---

**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

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

Basis of Accounting Presentation

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

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

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

Cash Equivalents

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

Grants Receivable

An allowance for uncollectible grants receivable is recorded based on management’s analysis of specific donors and their estimate of amounts that may become uncollectible, if any. Grants are written off when they are determined to be uncollectible. No allowance was deemed necessary by management as of December 31, 2021 and 2020.

Depreciation

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

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



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

### Fair Value Measurements

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

- Level 1* Unadjusted quoted prices in active markets for identical assets or liabilities. Market price is generally obtained from exchange or dealer markets.
- Level 2* Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3* Unobservable inputs that are supported by little or no market activity as they trade infrequently or not at all and that are significant to the fair value of the assets or liabilities.

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

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

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

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

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

### Revenue Recognition

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

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

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

### Functional Allocation of Expenses

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

### Use of Estimates

The preparation of financial statements in conformity with accounting that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Income Taxes

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

### Prior-Year Information

The statements of activities and functional expenses include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with The Fund's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

### Subsequent Events

The Fund has evaluated events that have occurred subsequent to December 31, 2021 through October 25, 2022, the date these financial statements were available to be issued, and has determined that there were no material events requiring recognition or disclosure.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

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

	<u>2021</u>	<u>2020</u>
Financial asset at year end:		
Cash and cash equivalents	\$ 31,472,518	\$ 26,364,576
Grants receivable	12,173,952	8,474,552
Investments	3,229,680	2,064,158
	<u>46,876,150</u>	<u>36,903,286</u>
Less amount not available to be used within twelve months:		
Net assets with board restrictions - Proteus Fund Reserve	(1,600,000)	(742,510)
Net assets with donor restrictions	(37,397,174)	(28,893,370)
	<u>(38,997,174)</u>	<u>(29,635,880)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,878,976</u>	<u>\$ 7,267,406</u>

The Fund has net assets with board restrictions of \$1,600,000 as of December 31, 2021, which are available to meet expenditures in the next twelve months upon approval for appropriation by the Board of Directors. These net assets are designated for future program and operational needs.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Current grants receivable	\$ 10,673,925	\$ 6,749,552
Long-term grants receivable	1,500,027	1,725,000
Total grants receivable	<u>\$ 12,173,952</u>	<u>\$ 8,474,552</u>

The present value of long-term grants receivable is estimated by discounting future cash flows using a risk-free return ranging between 1.76% and 2.76% at December 31, 2021 and 2020.

Future collections of long-term grants receivable are as follows at December 31, 2021:

December 31, 2022	\$ 1,485,000
December 31, 2023	15,027
	<u>\$ 1,500,027</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 61,592	\$ 61,592
Leasehold improvements	69,369	32,217
	<u>130,961</u>	<u>93,809</u>
Less: accumulated depreciation	71,312	64,257
Property and equipment, net	<u>\$ 59,649</u>	<u>\$ 29,552</u>

**NOTE 5 – INVESTMENTS**

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

	2021			Total
	Level 1	Level 2	Level 3	
Money market	\$ 219,883	\$ -	\$ -	\$ 219,883
Domestic equities	722,993	-	-	722,993
Fixed income	-	830,491	-	830,491
Bonds	-	1,269,227	-	1,269,227
Exchange traded funds	127,125	-	-	127,125
International equities	59,961	-	-	59,961
Total Investments	<u>\$ 1,129,962</u>	<u>\$ 2,099,718</u>	<u>\$ -</u>	<u>\$ 3,229,680</u>

  

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

**NOTE 6 –PAYCHECK PROTECTION PROGRAM**

During May 2020, The Fund received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$2,063,864. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over a period of eight to twenty four weeks following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of covered period (interest will accrue). The Fund received forgiveness of \$1,280,675 and has included it as income on the statement of activities for the year ended December 31, 2021. The remaining balance of \$783,189 will be repaid to the SBA.

**NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Fiscal sponsorships	\$ 25,267,020	\$ 18,644,966
Donor collaborations	10,824,671	7,886,888
Donor advised funds	<u>1,305,483</u>	<u>2,361,516</u>
	<u>\$ 37,397,174</u>	<u>\$ 28,893,370</u>

Net assets released from donor time and purpose restrictions are as follows for the year ended December 31, 2021:

Fiscal sponsorships	\$ 16,025,416
Donor collaborations	10,767,508
Donor advised funds	<u>9,037,100</u>
	<u>\$ 35,830,024</u>

**NOTE 8 – CONCENTRATIONS OF CREDIT RISK**

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

Two donor contributions represented 23% of total support and revenue for the year ended December 31, 2021 and four donor contributions represented 32% of grants receivable at December 31, 2021.

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

**NOTE 9 – RELATED PARTY**

Proteus Fund, a tax-exempt organization under IRC Section 501(c)(3), is affiliated with Proteus Action League (PAL), an exempt organization under IRC Section 501(c)(4). As of December 31, 2021, three (3) of PAL's eight (8) board members are also Board members of Proteus's 11-member board. Proteus Fund and PAL have entered into a shared resources agreement under which PAL pays for its share of shared resources and certain third-party expenses that support PAL's administration. The Fund makes grants to PAL consistent with Proteus Fund's charitable purposes. The Fund granted \$783,502 and \$648,950 to PAL during 2021 and 2020, respectively. The Fund incurred \$884,865 and \$580,016 at December 31, 2021 and 2020, respectively in grants payable to PAL.

**NOTE 10 – RETIREMENT PLAN**

The Fund has adopted a defined contribution pension plan. All employees are eligible to participate. The Fund may contribute up to 10% of each employee's compensation for a calendar year. The amount of the contribution is at the discretion of the Board. Contributions for the years ended December 31, 2021 and 2020 was \$430,524 and \$279,242, respectively, which are included in payroll taxes and benefits in the accompanying financial statements.

**NOTE 11 – LEASES**

The Fund leases space in Massachusetts, Washington D.C. and New York under various operating lease agreements. The leases require monthly payments ranging from \$2,635 to \$7,309, and expire at various dates through August 2026.

Future minimum lease payments under these agreements for the years ending December 31 are as follows:

2022	\$	250,244
2023		252,554
2024		258,868
2025		265,339
2026		157,015
	\$	<u>1,184,020</u>

**Headquarters**

280 Trumbull Street, 24th Floor  
Hartford, CT 06103  
860.522.3111

---

One Hamden Center  
2319 Whitney Avenue, Suite 2A  
Hamden, CT 06518  
203.397.2525

14 Bobala Road, 3rd Floor  
Holyoke, MA 01040  
413.536.3970

---

**WAdvising.com**