

PROTEUS FUND, INC.

Independent Auditors' Report
And Financial Statements

December 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Officers and Directors of
Proteus Fund, Inc.

Report on the Audit of the Financial Statements

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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, Proteus Fund, Inc. changed its method of accounting for leases in 2022 as required by the provisions of Financial Accounting Standards Board Accounting Standards Update Number 2016-02. Our opinion is not modified with respect to that matter.

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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Holyoke, Massachusetts
November 10, 2023

PROTEUS FUND, INC.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,621,818	\$ 31,472,518
Grants receivable - within one year	9,212,440	10,673,925
Prepaid expenses and other assets	324,349	179,333
Total Current Assets	<u>46,158,607</u>	<u>42,325,776</u>
Property and equipment, net	<u>51,356</u>	<u>59,649</u>
Other Assets		
Grants receivable - after one year	4,660,890	1,500,027
Note receivable - related party	200,000	100,000
Investments	2,816,337	3,229,680
Operating lease right-of-use assets	567,209	-
Total Other Assets	<u>8,244,436</u>	<u>4,829,707</u>
Total Assets	<u>\$ 54,454,399</u>	<u>\$ 47,215,132</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts and grants payable	\$ 7,412,877	\$ 2,821,418
Due to related party	772,156	984,865
Accrued expenses	587,062	738,380
Operating lease liabilities - due within one year	157,141	-
Paycheck Protection Program	10,546	476,363
Total Current Liabilities	<u>8,939,782</u>	<u>5,021,026</u>
Long-Term Liabilities		
Operating lease liabilities	461,062	-
Total Liabilities	<u>9,400,844</u>	<u>5,021,026</u>
Net Assets		
Without donor restrictions		
Operating	3,755,770	3,196,932
Board designated - Proteus Fund Reserve	2,000,000	1,600,000
	<u>5,755,770</u>	<u>4,796,932</u>
With donor restrictions	39,297,785	37,397,174
Total Net Assets	<u>45,053,555</u>	<u>42,194,106</u>
Total Liabilities and Net Assets	<u>\$ 54,454,399</u>	<u>\$ 47,215,132</u>

The accompanying notes are an integral part of the financial statements.

PROTEUS FUND, INC.
Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for Year Ended December 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Grants and contributions	\$ -	61,819,628	\$ 61,819,628	\$ 44,093,191
Administrative income	652,378	-	652,378	661,833
Other income	-	9,000	9,000	51,361
Net assets released from restrictions	59,538,867	(59,538,867)	-	-
Total Support and Revenue	60,191,245	2,289,761	62,481,006	44,806,385
Expenses				
Program	52,293,518	-	52,293,518	30,914,265
General and administration	4,783,735	-	4,783,735	3,232,536
Fundraising	2,578,291	-	2,578,291	1,604,162
Total Expenses	59,655,544	-	59,655,544	35,750,963
Non-Operating Revenue				
Paycheck Protection Program	-	-	-	1,280,675
Interest and dividends, net	425,906	42,042	467,948	128,668
Net realized and unrealized (loss)/gain	(2,769)	(431,192)	(433,961)	159,304
Total Non-Operating Revenue	423,137	(389,150)	33,987	1,568,647
Change in Net Assets	958,838	1,900,611	2,859,449	10,624,069
Net Assets - Beginning of Year	4,796,932	37,397,174	42,194,106	31,570,037
Net Assets - End of Year	\$ 5,755,770	\$ 39,297,785	\$ 45,053,555	\$ 42,194,106

The accompanying notes are an integral part of the financial statements.

PROTEUS FUND, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	2022			2021	
	Program	General and Administrative	Fundraising	Total	Total
Personnel					
Salaries	\$ 5,851,189	\$ 2,047,563	\$ 1,078,698	\$ 8,977,450	\$ 7,447,997
Payroll taxes and benefits	1,492,160	716,111	377,544	2,585,815	2,131,805
Total personnel	<u>7,343,349</u>	<u>2,763,674</u>	<u>1,456,242</u>	<u>11,563,265</u>	<u>9,579,802</u>
Grants	<u>36,963,346</u>	-	-	<u>36,963,346</u>	<u>19,250,278</u>
Other					
Consultants	6,228,859	768,809	500,178	7,497,846	5,293,750
Occupancy	60,993	368,893	29,565	459,451	361,207
Travel and conferences	1,456,268	359,691	559,235	2,375,194	385,129
Technology	92,838	128,326	12,005	233,169	401,825
Office expenses	80,780	131,743	12,990	225,513	172,613
Legal	7,024	125,400	-	132,424	193,832
Membership and subscriptions	29,110	29,652	1,255	60,017	61,826
Postage and printing	1,620	238	3,399	5,257	16,486
Accounting	-	22,274	-	22,274	21,381
Depreciation	-	8,293	-	8,293	7,055
Advertising and recruitment	29,331	76,742	3,422	109,495	5,779
Total other	<u>7,986,823</u>	<u>2,020,061</u>	<u>1,122,049</u>	<u>11,128,933</u>	<u>6,920,883</u>
Total expenses	<u>\$ 52,293,518</u>	<u>\$ 4,783,735</u>	<u>\$ 2,578,291</u>	<u>\$ 59,655,544</u>	<u>\$ 35,750,963</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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ 2,859,449	\$ 10,624,069
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities		
Depreciation	8,293	7,055
Net realized and unrealized gains loss/(gain)	433,961	(159,304)
Operating lease liability	50,994	-
Change in assets and liabilities:		
Grants receivable	(1,699,378)	(3,699,400)
Note receivable - related party	(100,000)	(100,000)
Prepaid expenses and other assets	(145,016)	(2,928)
Paycheck Protection Program	-	(1,280,675)
Accounts and grants payable	4,591,459	523,482
Due to related party	(212,709)	404,849
Accrued expenses	(151,318)	140,990
Net Cash Provided By Operating Activities	5,635,735	6,458,138
Cash Flows from Investing Activities		
Purchase of property and equipment	-	(37,152)
Proceeds from sales of investments	(465,817)	128,668
Purchases of investments	(20,618)	(1,134,886)
Net Cash Used In Investing Activities	(486,435)	(1,043,370)
Cash Flows from Financing Activities		
Payments on Paycheck Protection Program	-	(306,826)
Net Increase in Cash	5,149,300	5,107,942
Cash and cash equivalents - Beginning of Year	31,472,518	26,364,576
Cash and cash equivalents - End of Year	\$ 36,621,818	\$ 31,472,518
Supplemental Disclosure of Noncash Information		
Operating right-of-use assets upon ASC 842 implementation	\$ 703,141	
Operating lease liability upon ASC 842 implementation	\$ 701,239	

The accompanying notes are an integral part of the financial statements.

PROTEUS FUND, INC.
Notes to the Financial Statements
December 31, 2022 and 2021

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.

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)* - The amendments in this update require lessees to recognize, on the statement of financial position, assets and liabilities for the rights and obligations created by leases. The guidance was effective for the Fund on January 1, 2022. The adoption requires either a modified retrospective transition where the lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented, or a cumulative effect adjustment as of the date of adoption. The Fund adopted this new guidance on January 1, 2022 and as a result, recorded lease right-of-use assets and lease liabilities of approximately \$703,000 through a cumulative effect adjustment as of that date. In July 2018, the FASB issued ASU No. 2018-11, which provided a practical expedient package for lessees. The Fund elected to use the expedient package and did not reassess whether any existing contracts contain leases; did not reassess the lease classification for existing leases; and did not reassess initial direct costs for any existing leases.

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, 2022 and 2021.

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

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

Leases

The Fund has entered into various operating leases for real estate on terms expected to expire beginning in 2026. The Fund recognizes a right-of-use asset and a lease liability on its statements of financial position for operating leases with terms greater than one year and monthly lease payments greater than Fund's capitalization threshold of \$5,000, or leases with a purchase option that the Fund is reasonably certain to exercise. Operating leases that do not meet these criteria are not capitalized and the related lease payments are expensed as they are made.

Right-of-use assets represent the Fund's right to use an underlying asset for the lease term and lease liabilities represent the Fund's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Fund's leases do not provide an implicit rate, the Fund uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The right-of-use asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Fund will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

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.

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

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.

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.

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

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, 2021, from which the summarized information was derived.

Reclassifications

The prior year's financial statements have been reclassified to conform with the current year's presentation. The reclassification has no effect on the previously reported change in net assets for the year ended December 3, 2021.

Subsequent Events

The Fund has evaluated events that have occurred subsequent to December 31, 2022 through November 10, 2023, the date these financial statements were available to be issued.

During May 2023, the board of directors of Proteus Fund voted unanimously to approve a plan to convert the note receivable due from Proteus Action League into a (c)4 grant. See note 4.

During November 2023, Proteus Fund repaid the outstanding amount due to Proteus Action League.

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>2022</u>	<u>2021</u>
Financial asset at year end:		
Cash and cash equivalents	\$ 36,621,818	\$ 31,472,518
Grants receivable	13,873,330	12,173,952
Investments	<u>2,816,337</u>	<u>3,229,680</u>
	<u>53,311,485</u>	<u>46,876,150</u>
Less amount not available to be used within twelve months:		
Net assets with board restrictions - Proteus Fund Reserve	(2,000,000)	(1,600,000)
Net assets with donor restrictions	<u>(39,297,785)</u>	<u>(37,397,174)</u>
	<u>(41,297,785)</u>	<u>(38,997,174)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 12,013,700</u>	<u>\$ 7,878,976</u>

The Fund has net assets with board restrictions of \$2,000,000 as of December 31, 2022, 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>2022</u>	<u>2021</u>
Current grants receivable	\$ 9,212,440	\$ 10,673,925
Long-term grants receivable	<u>4,660,890</u>	<u>1,500,027</u>
Total grants receivable	<u>\$ 13,873,330</u>	<u>\$ 12,173,952</u>

The present value of long-term grants receivable is estimated by discounting future cash flows using a risk-free return ranging between 3.88% and 1.76% at December 31, 2022 and 2021.

Future collections of long-term grants receivable are as follows at December 31, 2022:

December 31, 2024	\$ 4,010,890
December 31, 2025	<u>650,000</u>
	<u>\$ 4,660,890</u>

NOTE 4 – NOTE RECEIVABLE – RELATED PARTY

On December 9, 2021, The Fund entered into an agreement to provide Proteus Action League advances up to \$300,000. The outstanding balance bears interest at 3% with an original maturity date of December 9, 2024. The outstanding balance is \$200,000 and \$100,000 at December 31, 2022 and 2021, respectively. The note receivable was converted into a grant and forgiven subsequent to year end.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 61,592	\$ 61,592
Leasehold improvements	<u>69,369</u>	<u>69,369</u>
	130,961	130,961
Less: accumulated depreciation	<u>79,605</u>	<u>71,312</u>
Property and equipment, net	<u>\$ 51,356</u>	<u>\$ 59,649</u>

NOTE 6 – INVESTMENTS

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

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 378,679	\$ -	\$ -	\$ 378,679
Domestic equities	508,575	-	-	508,575
Fixed income	-	763,912	-	763,912
Bonds	-	938,971	-	938,971
Exchange traded funds	98,892	-	-	98,892
International equities	127,308	-	-	127,308
Total Investments	<u>\$ 1,113,454</u>	<u>\$ 1,702,883</u>	<u>\$ -</u>	<u>\$ 2,816,337</u>

NOTE 6 – INVESTMENTS – (CONTINUED)

	2021			
	Level 1	Level 2	Level 3	Total
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>

NOTE 7 – 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 included it as income on the statement of activities for the year ended December 31, 2021. The remaining balance of \$783,189 is required to be repaid to the SBA. The outstanding balance was \$10,546 and \$476,363 for the years ended December 31, 2022 and 2021, respectively.

NOTE 8 – 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:

	2022	2021
Fiscal sponsorships	\$ 21,463,748	\$ 25,267,020
Donor collaborations	12,506,817	10,824,671
Donor advised funds	5,327,220	1,305,483
	<u>\$ 39,297,785</u>	<u>\$ 37,397,174</u>

Net assets released from donor time and purpose restrictions are as follows for the year ended December 31, 2022:

Fiscal sponsorships	\$ 26,543,701
Donor collaborations	10,686,542
Donor advised funds	22,308,624
	<u>\$ 59,538,867</u>

NOTE 9 – 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.

Three donor contributions represented 21% of total support and revenue for the year ended December 31, 2022 and four donor contributions represented 46% of grants receivable at December 31, 2022.

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.

NOTE 10 – 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, 2022, two (2) of PAL’s nine (9) board members are also Board members of Proteus’s 12-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 \$661,250 and \$783,502 to PAL during 2022 and 2021, respectively. The Fund incurred \$772,156 and \$984,865 at December 31, 2022 and 2021, respectively, in grants payable to PAL. The Fund entered into an agreement with PAL to provide advances as described in note 4.

NOTE 11 – 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, 2022 and 2021 was \$615,334 and \$430,524, respectively, which are included in payroll taxes and benefits in the accompanying financial statements.

NOTE 12 – LEASES

The Fund evaluated current contracts to determine which met the criteria of a lease. The Fund has used its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate the lease liabilities as of January 1, 2022 was 4.50%.

The Fund leases space under non-cancelable operating leases for office and program space. Total rent expense under these leases was \$272,869 and \$164,403 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the weighted-average remaining lease term for the Fund’s operating leases was approximately four years.

Cash paid for operating leases for the years ended December 31, 2022 and 2021 was \$114,379 and \$164,403, respectively. There were no noncash investing and financing transactions related to leasing.

NOTE 12 – LEASES – (CONTINUED)

Future minimum lease payments are expected to be as follows for the year ended December 31:

2023	\$	182,462
2024		186,092
2025		186,092
2026		117,311
Total undiscounted cash flows		<u>671,957</u>
Present value of lease liability		<u>(53,754)</u>
Total lease liabilities	\$	<u><u>618,203</u></u>

The right-of-use assets and lease liabilities are as follows as of December 31:

	<u>2022</u>
Operating lease-right-of-use assets	<u>\$ 567,209</u>
Operating lease liability	<u>\$ 618,203</u>

The following summarizes the supplemental cash flow information for the year end December 31:

	<u>2022</u>
Cash paid for amounts included in the measurement of lease liability	
Operating cash flows from operating lease	<u>\$ 114,379</u>

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