

THE J.R.S. BIODIVERSITY FOUNDATION

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

DECEMBER 31, 2011 AND 2010

THE J.R.S. BIODIVERSITY FOUNDATION

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
The J.R.S. Biodiversity Foundation
Philadelphia, Pennsylvania

We have audited the accompanying statements of financial position of The J.R.S. Biodiversity Foundation as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The J.R.S. Biodiversity Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming the opinion on the financial statements referred to above taken as a whole. The accompanying supplemental information of functional expenses and grant awards presented on pages 11 and 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tait, Weller & Baker LLP

Philadelphia, Pennsylvania
May 7, 2012

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

	ASSETS	<u>2011</u>	<u>2010</u>
Interest and dividends receivable		\$ 53,826	\$ 79,958
Accounts receivable - other		2,835	-
Prepaid expenses and other current assets		16,365	14,495
Investments, at value (<i>Notes 2 and 3</i>)		<u>41,644,233</u>	<u>44,248,049</u>
Total assets		<u>\$ 41,717,259</u>	<u>\$ 44,342,502</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accrued expenses		\$ 28,625	\$ 54,377
Grants payable		<u>920,576</u>	<u>135,575</u>
Total liabilities		<u>949,201</u>	<u>189,952</u>
NET ASSETS			
Unrestricted		<u>40,768,058</u>	<u>44,152,550</u>
Total net assets		<u>40,768,058</u>	<u>44,152,550</u>
Total liabilities and net assets		<u>\$ 41,717,259</u>	<u>\$ 44,342,502</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
REVENUE		
Investment income (<i>Note 2</i>)		
Interest and dividends (net of investment management and advisory fees of \$292,287 in 2011 and \$222,958 in 2010)	\$ 863,013	\$ 1,255,530
Net realized and unrealized (loss)/gain on long-term investments	(1,429,930)	2,465,785
Other income	<u>1,048</u>	<u>5,098</u>
Total revenue	<u>(565,869)</u>	<u>3,726,413</u>
EXPENSES (<i>Note 4</i>)		
Program grants	2,096,838	226,973
Other program activities	<u>377,416</u>	<u>309,535</u>
Total program services	2,474,254	536,508
Management and general	<u>344,369</u>	<u>323,850</u>
Total expenses	<u>2,818,623</u>	<u>860,358</u>
Change in unrestricted net assets	(3,384,492)	2,866,055
NET ASSETS		
Beginning of year	<u>44,152,550</u>	<u>41,286,495</u>
End of year	<u>\$ 40,768,058</u>	<u>\$ 44,152,550</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
INCREASE (DECREASE) IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ (3,384,492)	\$ 2,866,055
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Net realized and unrealized gain on long-term investments	1,429,930	(2,465,785)
(Increase) decrease in:		
Interest and dividends receivable	26,132	5,870
Accounts receivable - other	(2,835)	-
Prepaid and other current assets	(1,870)	(3,648)
Increase (decrease) in:		
Accounts payable and accrued expenses	(25,752)	24,979
Grant payable	<u>785,001</u>	<u>(621,435)</u>
Net cash used in operating activities	<u>(1,173,886)</u>	<u>(193,964)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	19,594,688	26,390,308
Purchases of investments	<u>(18,420,802)</u>	<u>(26,196,344)</u>
Net cash provided by investing activities	<u>1,173,886</u>	<u>193,964</u>
Net change in cash	-	-
<i>Cash and cash equivalents</i>		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

The J.R.S. Biodiversity Foundation (“**J.R.S.**” or the “**Foundation**”), has a mission “to enhance knowledge and promote the understanding of biological diversity and sustainability of life on earth”. The Foundation is an ongoing enterprise working to accomplish its mission by issuing grants to charitable endeavors capable of performing scientific, environmental and educational work consistent with biological diversity projects promoting the Foundation’s goals.

The Foundation is currently concentrating its efforts on supporting interdisciplinary activities primarily carried out via collaborations in developing countries and economies in transition. The Foundation’s Board of Trustees (“**Board**”) has a special interest in identifying practical opportunities for funding, taking particular note of the limited funds available for scientific, environmental and educational work in the broad area of biological diversity. Further, the Board believes it can validly move into the niche of biodiversity informatics by sponsoring scientific meetings and field visits, especially in developing countries to take forward and make concrete the ideas generated by the Board. Finally, the Board also recognizes the need to bring biology and information technology specialists together in international educational meetings and considers that this is a valuable focus in the projects the Foundation chooses to support.

The Foundation is classified as a private foundation in accordance with Section 501(c) (3) of the Internal Revenue Code.

BASIS OF ACCOUNTING AND REPORTING

The accompanying financial statements are prepared on the accrual basis of accounting.

ACCOUNTING ESTIMATES

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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.

SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 7, 2012 have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

The Foundation occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification (“**ASC**”) 825, “**Financial Instruments**”, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

CASH AND CASH EQUIVALENTS

The Foundation considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. All cash and cash equivalents are included in Investments in the Statements of Financial Position as they are considered a portion of the long-term investments (*See Note 2*).

INVESTMENTS

Marketable securities are stated at market (*See Note 2*). The Foundation's investment objective is to utilize sound investment practices that emphasize investment fundamentals with a focus on long-term capital appreciation. In order to achieve the Foundation's return objectives and risk parameters, the Foundation maintains an asset allocation mix within minimum/maximum percentage targets. The target composition of the Foundation's investments is broadly characterized as an allocation between equity securities, debt securities, alternative investments, and cash and cash equivalents of 50% / 30% / 10% / 10% for 2011 and 2010.

NET ASSETS

For accounting and reporting purposes, the Foundation classifies its resources into three net asset categories according to externally (donor) imposed restrictions. As of December 31, 2011 and 2010, the Foundation has only unrestricted net assets, which are available for the support of operations and whose use is not externally restricted.

PROGRAM GRANTS

Program grants are recognized when the Board of Directors has approved the grants and the grantees have executed their grant agreements. Funding of grants which have multiple grant payments are subject to grantee compliance with the terms of their grant agreement. Although subject to various compliance requirements, the Foundation considers the grants to be unconditional and records as previously mentioned.

TAX STATUS

The Foundation is exempt from income taxes under Section 501(c) of the Internal Revenue Code. The Foundation pays excise taxes on its investment income.

The Foundation has reviewed the tax positions for each of the open tax years (2008 – 2010) or expected to be taken in the Foundation's 2011 tax return and has concluded that there are not significant uncertain tax positions that would require recognition in the financial statements.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2011 and 2010 is as follows:

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 3,000,623	\$ 3,000,122	\$ 4,232,146	\$ 4,232,146
U.S. Treasury Notes	3,872,622	4,015,993	7,422,766	7,449,424
U.S. Government Agencies	4,963,889	5,127,991	4,082,528	4,240,080
Corporate Bonds	1,042,864	1,046,998	1,813,696	1,837,734
Mutual Funds				
Fixed Income	6,258,575	6,305,461	5,442,978	5,580,598
Equities	3,077,950	3,319,279	2,414,038	2,813,040
Alternative Investments	2,614,403	2,580,928	1,366,699	1,452,264
Common Stock	15,880,038	16,219,713	14,480,906	16,616,226
Preferred Stock	21,052	27,748	21,052	26,537
	<u>\$ 40,732,014</u>	<u>\$ 41,644,233</u>	<u>\$ 41,276,809</u>	<u>\$ 44,248,049</u>

	<u>2011</u>	<u>2010</u>
Unrealized Appreciation/(Depreciation) in Investments		
End of Year	\$ 912,219	\$ 2,971,240
Beginning of Year	<u>2,971,240</u>	<u>970,939</u>
Change in Unrealized Appreciation	(2,059,021)	2,000,301
Realized Net Gain for the Year	<u>629,091</u>	<u>465,484</u>
Net (Loss) Gain on Investments	(1,429,930)	2,465,785
Interest and Dividends (Net of investment management and advisory fees of \$292,287 in 2011; \$222,958 in 2010)	<u>863,013</u>	<u>1,255,530</u>
Total Return	<u>\$ (566,917)</u>	<u>\$ 3,721,315</u>

	<u>Fair Value</u>	<u>Outstanding Capital Commitments</u>
Hedge funds – tactical strategies ^(a)	\$ 1,915,578	\$ 223,750
Hedge funds – events driven ^(b)	642,552	-
Trust – gold ^(c)	<u>22,798</u>	<u>-</u>
Total alternative investments	<u>\$ 2,580,928</u>	<u>\$ 223,750</u>

(a) The funds consist of investments primarily in hedge funds, private equity portfolios and commodity pools. The funds' underlying securities are valued based on a mark-to-market basis, or where no market prices is available, they are valued by the Fund Manager.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

Redemptions on these funds may be made daily, monthly or quarterly depending on the funds with notice periods ranging from 1 to 45 days. One of the funds amounting to \$254,194 has suspended the rights to withdraw funds as the General Partner has undertaken the orderly wind-down of the fund and distributions will be made on a pro rata basis upon the liquidation of the fund's assets. A fund purchased during 2011 has a restricted period related to redemptions for 1 year from the date of purchase. Subsequent to the 1 year anniversary of the purchase, redemptions may be made quarterly subject to the approval of the investment manager. In addition, an investment in a Trust purchased in 2011 is not subject to redemptions until the Trust is liquidated which, at the earliest, is 1 year after the Trust's principal investment fund is liquidated. The principal investment fund has a term of 10 years from the date of the first investment which occurred in 2011.

- (b) The principal investment objective of the 2 events-driven hedge funds is to achieve maximum total return, including capital appreciation, principally by employing event-driven arbitrage strategies and investing in various corporate debt instruments. The funds' underlying securities are valued based on a mark-to-market basis, or where no market prices is available, they are valued by the Fund Manager.

Redemptions for one of the funds may be made annually with 95 days notice. The fund has additional redemption restrictions limiting redemptions to 10% of the fund's aggregate net asset value for the initial annual redemption period (December 31, 2011) and 25% of the fund's aggregate net asset value for annual redemptions subsequent to 2011. In the event that the redemption requests submitted exceed the aggregate redemption limits, the fund will affect redemptions on a pro rata basis based on each investor's ownership interest of the fund. Redemptions for the other fund may be made quarterly with 45 days notice subject to certain limitations on aggregate redemption amounts.

- (c) The Trust enables investors to invest in the gold market through the purchase of investment securities. The underlying investments of the Trust are the price of gold bullion on the London PM Fix. Redemptions may be made monthly.

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Foundation utilized various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Foundation's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value the Foundation's assets that are carried at fair value as of December 31, 2011 and 2010 is as follows:

	2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 3,000,122	\$ -	\$ -	\$ 3,000,122
U.S. Treasury Notes	-	4,015,993	-	4,015,993
U.S. Government Agencies	-	5,127,991	-	5,127,991
Corporate Bonds	-	1,046,998	-	1,046,998
Mutual Funds				
Fixed Income	6,305,461	-	-	6,305,461
Equities	3,319,279	-	-	3,319,279
Alternative Investments	-	1,701,618	879,310	2,580,928
Common Stock	16,219,713	-	-	16,219,713
Preferred Stock	27,748	-	-	27,748
	<u>\$ 28,872,323</u>	<u>\$ 11,892,600</u>	<u>\$ 879,310</u>	<u>\$ 41,644,233</u>

	2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 4,232,146	\$ -	\$ -	\$ 4,232,146
U.S. Treasury Notes	-	7,449,424	-	7,449,424
U.S. Government Agencies	-	4,240,080	-	4,240,080
Corporate Bonds	-	1,837,734	-	1,837,734
Mutual Funds				
Fixed Income	5,580,598	-	-	5,580,598
Equities	2,813,040	-	-	2,813,040
Alternative Investments	-	883,403	568,861	1,452,264
Common Stock	16,616,226	-	-	16,616,226
Preferred Stock	26,537	-	-	26,537
	<u>\$ 29,268,547</u>	<u>\$ 14,410,641</u>	<u>\$ 568,861</u>	<u>\$ 44,248,049</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2011 or 2010.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Balance, January 1,	\$ 568,861	\$ 621,224
Purchases	376,243	-
Return of capital	-	(133,985)
Unrealized gains (losses)	<u>(65,794)</u>	<u>81,622</u>
Balance, December 31,	<u>\$ 879,310</u>	<u>\$ 568,861</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2011 and 2010

(4) EMPLOYEE RETIREMENT PLAN

The Foundation has a tax-deferred annuity plan which qualifies under Section 403(b) of the Internal Revenue Code. The plan will match an employee's contribution up to 6% of eligible compensation. The Foundation contributed \$12,000 and \$11,375 for the years ended December 31, 2011 and 2010, respectively.

SUPPLEMENTAL INFORMATION

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011 with summarized information for 2010

	2011		2010	
	Other Program Activity	Management And General	Total	
Salaries	\$ 100,000	\$ 100,000	\$ 200,000	\$ 189,584
Payroll taxes	4,761	4,761	9,522	9,580
Benefits	9,815	9,816	19,631	18,352
Professional Services				
Accounting	-	26,767	26,767	26,289
Consulting	71,799	-	71,799	4,420
Legal	-	6,519	6,519	3,000
Grant monitoring	32,458		32,458	30,912
Symposium	26,197		26,197	33,792
Travel	109,719	109,718	219,437	251,306
Insurance	-	16,217	16,217	19,991
Offsite storage	-	1,828	1,828	1,493
Office supplies and expenses	-	1,277	1,277	578
Contracted services	16,667	-	16,667	-
Office rent	6,000	6,000	12,000	12,000
Website design	-	3,774	3,774	4,066
Telephone	-	4,556	4,556	3,365
Excise tax	-	45,105	45,105	19,107
Other expenses	-	8,031	8,031	5,550
Total expenses	\$ 377,416	\$ 344,369	\$ 721,785	\$ 633,385

THE J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2011

<u>Program Grants</u>	<u>2011</u>
Field Museum of Natural History	\$ 50,000
Albertine Rift Conservation Society	196,075
Guanacaste Dry Forest Conservation Fund	200,000
National Institute of Biodiversity (INBio)	182,319
IPÊ - Instituto de Pesquisas Ecológicas	199,983
Museo Historia Natural Noel Kempff Mercado	190,750
National Land Use Planning Commission	199,375
REBIOMA - Wildlife Conservation Society	200,000
South African Institute for Aquatic Biodiversity	198,000
Universidad Nacional de Colombia	197,778
University of Pretoria	197,568
ACHEST	30,000
Tulane University	9,990
African Conservation Fund (2 grants)	<u>45,000</u>
Total Program Grants Expenses	<u>\$ 2,096,838</u>