

THE J.R.S. BIODIVERSITY FOUNDATION

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

DECEMBER 31, 2013 AND 2012

THE J.R.S. BIODIVERSITY FOUNDATION

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying financial statements of The J.R.S. Biodiversity Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 J.R.S. Biodiversity Foundation as of December 31, 2013 and 2012, 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.

**Board of Trustees
The J.R.S. Biodiversity Foundation**

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses and grant awards on pages 12 and 13 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 audit 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
June 16, 2014**

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2013 And 2012

	ASSETS	<u>2013</u>	<u>2012</u>
Interest and dividends receivable		\$ 15,909	\$ 32,804
Prepaid expenses and other current assets		16,920	16,263
Investments, at value (<i>Notes 2 and 3</i>)		<u>45,228,743</u>	<u>42,713,331</u>
Total assets		<u>\$ 45,261,572</u>	<u>\$ 42,762,398</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accrued expenses		\$ 67,759	\$ 60,498
Grants payable (<i>Note 4</i>)		<u>2,466,443</u>	<u>2,702,337</u>
Total liabilities		<u>2,534,202</u>	<u>2,762,835</u>
NET ASSETS			
Unrestricted		<u>42,727,370</u>	<u>39,999,563</u>
Total net assets		<u>42,727,370</u>	<u>39,999,563</u>
Total liabilities and net assets		<u>\$ 45,261,572</u>	<u>\$ 42,762,398</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

For The Years Ended December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
REVENUE		
Investment income (<i>Note 2</i>)		
Interest and dividends	\$ 947,091	\$ 953,237
Net realized and unrealized gain on long-term investments	3,464,254	3,066,513
Other income	<u>1,022</u>	<u>865</u>
Total revenue	<u>4,412,367</u>	<u>4,020,615</u>
EXPENSES		
Program grants	1,077,296	3,996,620
Other program activities	<u>223,494</u>	<u>466,799</u>
Total program services	1,300,790	4,463,419
Management and general	<u>383,770</u>	<u>325,691</u>
Total expenses	<u>1,684,560</u>	<u>4,789,110</u>
Change in unrestricted net assets	2,727,807	(768,495)
NET ASSETS		
Beginning of year	<u>39,999,563</u>	<u>40,768,058</u>
End of year	<u>\$ 42,727,370</u>	<u>\$ 39,999,563</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2013 And 2012

	<u>2013</u>	<u>2012</u>
INCREASE (DECREASE) IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ 2,727,807	\$ (768,495)
<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	(3,464,254)	(3,066,513)
(Increase) decrease in:		
Interest and dividends receivable	16,895	21,022
Accounts receivable - other	-	2,835
Prepaid and other current assets	(657)	102
Increase (decrease) in:		
Accounts payable and accrued expenses	7,261	31,873
Grant payable	<u>(235,894)</u>	<u>1,781,761</u>
Net cash used in operating activities	<u>(948,842)</u>	<u>(1,997,415)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	22,943,012	20,576,163
Purchases of investments	<u>(21,994,170)</u>	<u>(18,578,748)</u>
Net cash provided by investing activities	<u>948,842</u>	<u>1,997,415</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, 2013 And 2012

(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.

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, 2013 And 2012

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%.

GRANTS PAYABLE

Unconditional grants are recorded as expense when approved. Grants subject to certain conditions are recorded as expense in the year in which the conditions are substantially met or the possibility that the conditions will not be met is remote, as determined by management. Grants payable within one year are recorded at their fair value at the date of authorization. Grants payable in more than one year are recorded at the present value of their future cash flows, using a risk free rate of return.

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, 2013 and 2012, the Foundation has only unrestricted net assets, which are available for the support of operations and whose use is not externally restricted.

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 (2010 – 2012) or expected to be taken in the Foundation's 2013 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, 2013 And 2012

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2013 and 2012 is as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 3,413,943	\$ 3,413,943	\$ 4,219,168	\$ 4,219,168
U.S. Treasury Notes	3,324,943	3,071,331	3,651,946	3,650,891
U.S. Government Agencies	1,853,114	1,807,127	4,265,687	4,351,512
Corporate Bonds	-	-	418,549	420,012
Mutual Funds				
Fixed Income	10,594,268	10,692,645	6,386,079	6,975,608
Equities	7,299,401	8,802,090	4,086,682	4,603,611
Alternative Investments	1,112,451	1,127,472	-	-
Alternative Investments	2,263,088	2,565,816	2,309,517	2,302,635
Common Stock	10,984,352	13,748,319	14,612,719	16,164,565
Preferred Stock	-	-	18,686	25,329
	<u>\$ 40,845,560</u>	<u>\$ 45,228,743</u>	<u>\$ 39,969,033</u>	<u>\$ 42,713,331</u>
			<u>2013</u>	<u>2012</u>
Unrealized Appreciation/(Depreciation) in Investments				
End of Year			\$ 4,383,183	\$ 2,744,298
Beginning of Year			<u>2,744,298</u>	<u>912,219</u>
Change in Unrealized Appreciation			1,638,885	1,832,079
Realized Net Gain for the Year			<u>1,825,369</u>	<u>1,234,434</u>
Net Gain on Investments			3,464,254	3,066,513
Interest and Dividends (Net of investment management and advisory fees of \$335,143 in 2013; \$284,395 in 2012)			<u>947,091</u>	<u>953,237</u>
Total Return			<u>\$ 4,411,345</u>	<u>\$ 4,019,750</u>
			<u>Fair Value</u>	<u>Outstanding Capital Commitments</u>
Hedge funds – tactical strategies ^(a)			\$ 1,662,737	\$ 180,000
Hedge funds – events driven ^(b)			<u>903,079</u>	<u>-</u>
Total alternative investments			<u>\$ 2,565,816</u>	<u>\$ 180,000</u>

(a) The funds consist of investments 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, 2013 And 2012

Redemptions on these funds may be made monthly, quarterly or annually depending on the funds with notice periods ranging from 1 to 45 days. One of the funds amounting to \$233,823 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. 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 fund's 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 96 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, 2012) and 25% of the fund's aggregate net asset value for annual redemptions subsequent to 2012. 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.

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

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

The summary of inputs used to value the Foundation's assets that are carried at fair value as of December 31, 2013 and 2012 is as follows:

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 3,413,943	\$ -	\$ -	\$ 3,413,943
U.S. Treasury Notes	3,071,331	-	-	3,071,331
U.S. Government Agencies	-	1,807,127	-	1,807,127
Mutual Funds				
Fixed Income	10,692,645	-	-	10,692,645
Equities	8,802,090	-	-	8,802,090
Alternative Investments	1,127,472	-	-	1,127,472
Alternative Investments	-	1,559,927	1,005,889	2,565,816
Common Stock	13,748,319	-	-	13,748,319
Preferred Stock	-	-	-	-
	<u>\$ 40,855,800</u>	<u>\$ 3,367,054</u>	<u>\$ 1,005,889</u>	<u>\$ 45,228,743</u>

	2012			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 4,219,168	\$ -	\$ -	\$ 4,219,168
U.S. Treasury Notes	3,650,891	-	-	3,650,891
U.S. Government Agencies	-	4,351,512	-	4,351,512
Corporate Bonds	-	420,012	-	420,012
Mutual Funds				
Fixed Income	6,975,608	-	-	6,975,608
Equities	4,603,611	-	-	4,603,611
Alternative Investments	-	1,412,362	890,273	2,302,635
Common Stock	16,164,565	-	-	16,164,565
Preferred Stock	25,329	-	-	25,329
	<u>\$ 35,639,172</u>	<u>\$ 6,183,886</u>	<u>\$ 890,273</u>	<u>\$ 42,713,331</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2013 or 2012.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value as of December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance, January 1,	\$ 890,273	\$ 879,310
Purchases	17,500	30,821
Unrealized gain (losses)	<u>98,116</u>	<u>(19,858)</u>
Balance, December 31,	<u>\$ 1,005,889</u>	<u>\$ 890,273</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2013 And 2012

(4) GRANTS PAYABLE

The fair value of grants payable as of December 31, 2013 and 2012 using a discount rate of 3.25% are as follows:

	<u>2013</u>	<u>2012</u>
Payable in one year	\$ 1,611,274	\$ 1,959,477
Payable in two years	<u>883,896</u>	<u>767,003</u>
Total grants payable	2,495,170	2,726,480
Less: discount to present value (3.25%)	<u>(28,727)</u>	<u>(24,143)</u>
Net grants payable	<u>\$ 2,466,443</u>	<u>\$ 2,702,337</u>

(5) 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 \$10,500 for each of the years ended December 31, 2013 and 2012, respectively.

(6) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, June 16, 2014, have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For The Year Ended December 31, 2013 With Summarized Information For 2012

	<u>2013</u>			<u>2012</u>
	<u>Other Program Activity</u>	<u>Management And General</u>	<u>Total</u>	<u>Total</u>
Salaries	\$ 87,500	\$ 87,500	\$ 175,000	\$ 200,000
Payroll taxes	4,946	4,945	9,891	9,966
Benefits	11,116	11,116	22,232	18,936
Professional Services				
Accounting	-	36,130	36,130	30,829
Consulting	-	284	284	83,162
Legal	-	9,969	9,969	3,000
Grant Monitoring	-	-	-	32,303
Symposium	22,291	-	22,291	14,035
Travel	92,375	92,376	184,751	265,770
Insurance	-	17,894	17,894	15,229
Offsite storage	-	2,113	2,113	1,662
Office supplies and expenses	-	2,386	2,386	1,045
Contracted services	-	3,972	3,972	83,333
Office rent	5,266	5,266	10,532	13,260
Website design	-	10,156	10,156	7,947
Communications	-	25,572	25,572	-
Telephone	-	3,199	3,199	2,736
Excise tax	-	54,865	54,865	2,732
Other expenses	-	16,027	16,027	6,545
Total expenses	<u>\$ 223,494</u>	<u>\$ 383,770</u>	<u>\$ 607,264</u>	<u>\$ 792,490</u>

THE J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2013

<u>Program Grants</u>	<u>2013</u>
ACHEST	\$ 6,910
Albertine Rift Conversation Society	100,000
CyberTracker Conservation	60,000
Guanacaste Dry Forest Conservation Fund	200,000
IPÊ - Instituto de Pesquisas Ecológicas	65,000
Museo Historia Natural Noel Kempff Mercado	189,970
REBIOMA - Wildlife Conservation Society	120,000
Universidad Nacional de Colombia	170,000
University of Pretoria	145,000
Office National pour l'Environment	<u>25,000</u>
	1,081,880
Less: discount to present value	<u>(4,584)</u>
Total Program Grants Expenses	<u>\$ 1,077,296</u>