

THE J.R.S. BIODIVERSITY FOUNDATION

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

DECEMBER 31, 2014 AND 2013

THE J.R.S. BIODIVERSITY FOUNDATION

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1-2
FINANCIAL STATEMENTS	
<i>Statements of Financial Position,</i> December 31, 2014 and 2013	3
<i>Statements of Activities and Changes in Net Assets,</i> For the years ended December 31, 2014 and 2013	4
<i>Statements of Cash Flows,</i> For the years ended December 31, 2014 and 2013	5
<i>Notes to Financial Statements</i>	6
SUPPLEMENTAL INFORMATION	
<i>Statement of Functional Expenses,</i> For the year ended December 31, 2014 with summarized information for 2013	13
<i>Statement of Grant Awards,</i> For the year ended December 31, 2014	14

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, 2014 and 2013, 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, 2014 and 2013, 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
Philadelphia, Pennsylvania**

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 13 and 14 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 1, 2015**

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS		
	<u>2014</u>	<u>2013</u>
Interest and dividends receivable	\$ 65,666	\$ 15,909
Prepaid expenses and other current assets	29,737	16,920
Investments, at value (<i>Notes 2 and 3</i>)	<u>44,721,260</u>	<u>45,228,743</u>
Total assets	<u>\$ 44,816,663</u>	<u>\$ 45,261,572</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 54,948	\$ 67,759
Grants payable (<i>Note 4</i>)	<u>2,729,737</u>	<u>2,466,443</u>
Total liabilities	<u>2,784,685</u>	<u>2,534,202</u>
NET ASSETS		
Unrestricted	<u>42,031,978</u>	<u>42,727,370</u>
Total net assets	<u>42,031,978</u>	<u>42,727,370</u>
Total liabilities and net assets	<u>\$ 44,816,663</u>	<u>\$ 45,261,572</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE		
Investment income (<i>Note 2</i>)		
Interest and dividends	\$ 760,052	\$ 947,091
Net realized and unrealized gain on long-term investments	1,264,125	3,464,254
Other income	<u>20,203</u>	<u>1,022</u>
Total revenue	<u>2,044,380</u>	<u>4,412,367</u>
EXPENSES		
Program grants	2,121,763	1,077,296
Other program activities	<u>242,274</u>	<u>223,494</u>
Total program services	2,364,037	1,300,790
Management and general	<u>375,735</u>	<u>383,770</u>
Total expenses	<u>2,739,772</u>	<u>1,684,560</u>
Change in unrestricted net assets	(695,392)	2,727,807
NET ASSETS		
Beginning of year	<u>42,727,370</u>	<u>39,999,563</u>
End of year	<u>\$ 42,031,978</u>	<u>\$ 42,727,370</u>

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
INCREASE (DECREASE) IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ (695,392)	\$ 2,727,807
<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	(1,264,125)	(3,464,254)
(Increase) decrease in:		
Interest and dividends receivable	(49,757)	16,895
Prepaid and other current assets	(12,817)	(657)
Increase (decrease) in:		
Accounts payable and accrued expenses	(12,811)	7,261
Grant payable	<u>263,294</u>	<u>(235,894)</u>
Net cash used in operating activities	<u>(1,771,608)</u>	<u>(948,842)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sale of investments	26,839,136	22,943,012
Purchases of investments	<u>(25,067,528)</u>	<u>(21,994,170)</u>
Net cash provided by investing activities	<u>1,771,608</u>	<u>948,842</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, 2014 and 2013

(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.

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*).

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 and 2013

INVESTMENTS

Marketable securities are stated at market (*See Note 2*). The Foundation records its investments in securities at fair value with the resulting gains and losses reported in the statement of activities. The fair value of investments traded on a securities exchange is determined based on quoted market prices.

Investments also include alternative investment of limited partnership interests in publicly-traded securities, private equity, and real estate partnerships, and other funds whose underlying investments are comprised of other funds, partnerships and trusts. These funds invest in securities and other investments that include both publicly traded investments as well as other investments that do not have readily ascertainable market values. These investments include arbitrage, distressed companies, leveraged buy outs and mergers, and derivatives. Certain of these investments also are subject to withdrawal restrictions. The general partners of these limited partnerships and other funds that hold investments which do not have readily ascertainable market values provide valuations based on a variety of factors including comparable investments in transactions and operating performance of the underlying companies. The limited partnerships that invest in these other funds use the prices provided by these general managers. The Foundation's management may consider other factors in assessing fair value of these investments.

Due to the level of risk associated with certain of these investments, it is possible that changes in the values of investment securities could occur in the near term and that such changes could affect the investment balances.

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

As of December 31, 2014 and 2013, 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 (2011 – 2013) or expected to be taken in the Foundation's 2014 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, 2014 and 2013

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2014 and 2013 is as follows:

	2014		2013	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 1,635,834	\$ 1,635,833	\$ 3,413,943	\$ 3,413,943
U.S. Treasury Notes	697,564	715,724	3,324,943	3,071,331
U.S. Government Agencies	3,125,381	3,138,746	1,853,114	1,807,127
Corporate Bonds	3,510,872	3,501,716	-	-
Mutual Funds				
Fixed Income	4,776,852	4,720,528	10,594,268	10,692,645
Equities	9,473,103	11,624,770	7,299,401	8,802,090
Alternative Investments	1,040,305	1,049,541	1,112,451	1,127,472
Alternative Investments	1,494,187	1,490,420	2,263,088	2,565,816
Common Stock	12,102,639	14,884,125	10,984,352	13,748,319
Municipal Bonds	<u>1,962,862</u>	<u>1,959,857</u>	<u>-</u>	<u>-</u>
	<u>\$ 39,819,599</u>	<u>\$ 44,721,260</u>	<u>\$ 40,845,560</u>	<u>\$ 45,228,743</u>

	<u>2014</u>	<u>2013</u>
Unrealized Appreciation in Investments		
End of Year	\$ 4,901,661	\$ 4,383,183
Beginning of Year	<u>4,383,183</u>	<u>2,744,298</u>
Change in Unrealized Appreciation	518,478	1,638,885
Realized Net Gain for the Year	<u>745,647</u>	<u>1,825,369</u>
Net Gain on Investments	1,264,125	3,464,254
Interest and Dividends		
(Net of investment management and advisory fees of \$302,862 in 2014; \$335,143 in 2013)	<u>760,052</u>	<u>947,091</u>
Total Return	<u>\$ 2,024,177</u>	<u>\$ 4,411,345</u>

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 J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 and 2013

	<u>Fair Value</u>	<u>Outstanding Capital Commitments</u>
Hedge funds – tactical strategies ^(a)	\$ 1,030,382	\$ 76,250
Hedge funds – events driven ^(b)	<u>460,038</u>	<u>-</u>
Total alternative investments	<u>\$ 1,490,420</u>	<u>\$ 76,250</u>

- (a) The funds consist of investments in hedge funds, private equity portfolios, equity and debt securities 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.

Redemptions on these funds as of June 30, 2014 are as follows:

GSO Mezzanine Finance Trust – The principal investment fund has a term of 10 years from the date of the first investment which occurred in 2011. The Trust with a market value of \$89,628 is scheduled to terminate 1 year after the investment fund which would result in a scheduled termination for January 2022 unless in accordance with the Partnership agreement the fund is terminated early or is extended.

OZOFII Access LTD – Redemptions on this fund with a market value of \$639,192 may be made at the end of any calendar quarter with 45 days' notice subject to certain limitations on aggregate redemption amounts.

The Endowment TEI Fund - Redemptions on this fund with a market value of \$146,489 are subject to the approval of the Fund's Board. The Endowment TEI Fund is invested in a Master Fund and is subject to the limitations of the Master Fund's redemption policies.

SMC Reserve Fund II – This fund with a market value of \$155,073 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. The Fund's liquidation is subject to the limitations of the Fund's underlying investments.

- (b) The principal investment objective of the events-driven hedge fund is to achieve maximum total return investing primarily through global investments in 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 in Marathon Access Ltd. with a market value of \$460,038 may be made quarterly with 45 days' notice subject to certain limitations on aggregate redemption amounts.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 and 2013

(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 summary of inputs used to value the Foundation's assets that are carried at fair value as of December 31, 2014 and 2013 is as follows:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,635,833	\$ -	\$ -	\$ 1,635,833
U.S. Treasury Notes	715,724	-	-	715,724
U.S. Government Agencies	-	3,138,746	-	3,138,746
Corporate Bonds	-	3,501,716	-	3,501,716
Mutual Funds				
Fixed Income	4,720,528	-	-	4,720,528
Equities	11,624,770	-	-	11,624,770
Alternative Investments	1,049,541	-	-	1,049,541
Alternative Investments	-	1,099,230	391,190	1,490,420
Common Stock	14,884,125	-	-	14,884,125
Municipal Bonds	-	1,959,857	-	1,959,857
	<u>\$ 34,630,521</u>	<u>\$ 9,699,549</u>	<u>\$ 391,190</u>	<u>\$ 44,721,260</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 and 2013

	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	<u>13,748,319</u>	<u>-</u>	<u>-</u>	<u>13,748,319</u>
	<u>\$ 40,855,800</u>	<u>\$ 3,367,054</u>	<u>\$ 1,005,889</u>	<u>\$ 45,228,743</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2014 or 2013.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Balance, January 1,	\$ 1,005,889	\$ 890,273
Purchases	235,380	17,500
Sales	(1,031,255)	-
Realized gains	216,729	-
Unrealized (losses) gains	<u>(35,553)</u>	<u>98,116</u>
Balance, December 31,	<u>\$ 391,190</u>	<u>\$ 1,005,889</u>

(4) GRANTS PAYABLE

The fair value of grants payable as of December 31, 2014 and 2013 using a discount rate of 3.25% are as follows:

	<u>2014</u>	<u>2013</u>
Payable in one year	\$ 1,865,754	\$ 1,611,274
Payable in two years	780,196	883,896
Payable in three years	<u>112,810</u>	<u>-</u>
Total grants payable	2,758,760	2,495,170
Less: discount to present value (3.25%)	<u>(29,023)</u>	<u>(28,727)</u>
Net grants payable	<u>\$ 2,729,737</u>	<u>\$ 2,466,443</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2014 and 2013

(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 \$10,640 and \$10,500 for the years ended December 31, 2014 and 2013, respectively.

(6) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance June 1, 2015 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, 2014 with summarized information for 2013

	2014			2013
	Other Program Activity	Management And General	Total	Total
Salaries	\$ 96,144	\$ 96,144	\$ 192,288	\$ 175,000
Payroll taxes	5,487	5,487	10,974	9,891
Benefits	11,639	11,639	23,278	22,232
Professional Services				
Accounting	-	29,963	29,963	36,130
Consulting	-	41,520	41,520	284
Legal	-	3,005	3,005	9,969
Grant Monitoring	8,158	-	8,158	-
Symposium	8,178	-	8,178	22,291
Travel	106,592	106,592	213,184	184,751
Insurance	-	17,508	17,508	17,894
Offsite storage	-	1,816	1,816	2,113
Office supplies and expenses	-	826	826	2,386
Contracted services	-	-	-	3,972
Office rent	6,076	6,076	12,152	10,532
Website design	-	5,972	5,972	10,156
Communications	-	726	726	25,572
Telephone	-	3,621	3,621	3,199
Excise tax	-	14,185	14,185	54,865
Other expenses	-	30,655	30,655	16,027
Total expenses	\$ 242,274	\$ 375,735	\$ 618,009	\$ 607,264

THE J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2014

<u>Program Grants</u>	<u>2014</u>
African Conservation Centre US	\$ 359,600
African Technology Policy Studies	50,050
California Academy of Sciences	180,000
Conservation International Foundation	42,800
COSTECH	75,000
Foundation & Friends Royal Botanic	160,700
IPAR-Rwanda	49,400
Meso-American Reef Fund	30,000
South African National Biodiversity Institute	150,000
Tulane Bart	106,950
U Ghana	230,230
Ucd'V Gaiani Venezuela	100,000
UNAM Medellin Bats	162,500
University of Abomey-Calavi-Ganglo	150,000
Wildlife Conservation Society	202,929
Zoological Society of San Diego	<u>71,900</u>
	2,122,059
Less: discount to present value	<u>(296)</u>
Total Program Grants Expenses	<u>\$ 2,121,763</u>