THE J.R.S. BIODIVERSITY FOUNDATION

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2012 AND 2011

THE J.R.S. BIODIVERSITY FOUNDATION

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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 financial statements of The J.R.S. Biodiversity Foundation (a nonprofit organization) which comprise the statements of financial position as of December 31, 2012 and 2011, 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, 2012 and 2011, 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 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
May 10, 2013

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 And 2011

ASSETS

	2012	2011
Interest and dividends receivable	$ 32,804	$ 53,826
Accounts receivable - other	-	2,835
Prepaid expenses and other current assets	16,263	16,365
Investments, at value ***(Notes 2 and 3)***	42,713,331	41,644,233
Total assets	$ 42,762,398	$ 41,717,259

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Accrued expenses	$ 60,498	$ 28,625
Grants payable ***(Note 4)***	2,702,337	920,576
Total liabilities	2,762,835	949,201
NET ASSETS		
Unrestricted	39,999,563	40,768,058
Total net assets	39,999,563	40,768,058
Total liabilities and net assets	$ 42,762,398	$ 41,717,259

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

For The Years Ended December 31, 2012 And 2011

	2012	2011
REVENUE		
Investment income ***(Note 2)***		
Interest and dividends	$ 953,237	$ 863,013
Net realized and unrealized (loss)/gain on long-term investments	3,066,513	(1,429,930)
Other income	865	1,048
Total revenue	4,020,615	(565,869)
EXPENSES		
Program grants	3,996,620	2,096,838
Other program activities	466,799	377,416
Total program services	4,463,419	2,474,254
Management and general	325,691	344,369
Total expenses	4,789,110	2,818,623
Change in unrestricted net assets	(768,495)	(3,384,492)
NET ASSETS		
Beginning of year	40,768,058	44,152,550
End of year	$ 39,999,563	$ 40,768,058

THE J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2012 And 2011

	2012	2011
INCREASE (DECREASE) IN CASH		
Cash flows from operating activities		
Net change in net assets	$ (768,495)	$ (3,384,492)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net realized and unrealized gain on long-term investments	(3,066,513)	1,429,930
(Increase) decrease in:		
Interest and dividends receivable	21,022	26,132
Accounts receivable - other	2,835	(2,835)
Prepaid and other current assets	102	(1,870)
Increase (decrease) in:		
Accounts payable and accrued expenses	31,873	(25,752)
Grant payable	1,781,761	785,001
Net cash provided by (used in) operating activities	(1,997,415)	(1,173,886)
Cash flows from investing activities		
Proceeds from sale of investments	20,576,163	19,594,688
Purchases of investments	(18,578,748)	(18,420,802)
Net cash provided by investing activities	1,997,415	1,173,886
Net change in cash	-	-
Cash and cash equivalents		
Beginning of year	-	-
End of year	$ -	$ -

(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)***.

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, 2012 and 2011, 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 (2009 – 2011) or expected to be taken in the Foundation's 2012 tax return and has concluded that there are not significant uncertain tax positions that would require recognition in the financial statements.

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2012 and 2011 is as follows:

	2012		2011	
	Cost	**Market**	**Cost**	**Market**
Cash and Cash Equivalents	$ 4,219,168	$ 4,219,168	$ 3,000,623	$ 3,000,122
U.S. Treasury Notes	3,651,946	3,650,891	3,872,622	4,015,993
U.S. Government Agencies	4,265,687	4,351,512	4,963,889	5,127,991
Corporate Bonds	418,549	420,012	1,042,864	1,046,998
Mutual Funds				
Fixed Income	6,386,079	6,975,608	6,258,575	6,305,461
Equities	4,086,682	4,603,611	3,077,950	3,319,279
Alternative Investments	2,309,517	2,302,635	2,614,403	2,580,928
Common Stock	14,612,719	16,164,565	15,880,038	16,219,713
Preferred Stock	18,686	25,329	21,052	27,748
	$ 39,969,033	$ 42,713,331	$ 40,732,014	$ 41,644,233

	2012	2011
Unrealized Appreciation/(Depreciation) in Investments		
End of Year	$ 2,744,298	$ 912,219
Beginning of Year	912,219	2,971,240
Change in Unrealized Appreciation	1,832,079	(2,059,021)
Realized Net Gain for the Year	1,234,434	629,091
Net (Loss) Gain on Investments	3,066,513	(1,429,930)
Interest and Dividends (Net of investment management and advisory fees of $284,395 in 2012; $292,287 in 2011)	953,237	863,013
Total Return	$ 4,019,750	$ (566,917)

	Fair Value	Outstanding Capital Commitments
Hedge funds – tactical strategies [(a)]	$ 1,614,208	$197,250
Hedge funds – events driven [(b)]	688,427	-
Total alternative investments	$ 2,302,635	$197,250

(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.

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 summary of inputs used to value the Foundation's assets that are carried at fair value as of December 31, 2012 and 2011 is as follows:

	2012			
	Level 1	**Level 2**	**Level 3**	**Total**
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
	$ 35,639,172	$ 6,183,886	$890,273	$ 42,713,331

	2011			
	Level 1	**Level 2**	**Level 3**	**Total**
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
	$ 32,888,316	$ 7,876,607	$879,310	$41,644,233

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2012 or 2011.

The changes in investments measured at fair value for which the Foundation used Level 3 inputs to determine fair value as of December 31, 2012 and 2011 are as follows:

	2012	**2011**
Balance, January 1,	$ 879,310	$ 568,861
Purchases	30,821	376,243
Unrealized losses	(19,858)	(65,794)
Balance, December 31,	$ 890,273	$ 879,310

(4) GRANTS PAYABLE

The fair value of grants payable as of December 31, 2012 and 2011 using a discount rate of 3.15% are as follows:

	2012	2011
Payable in one year	$ 1,959,477	$ 920,576
Payable in two years	767,003	-
Total grants payable	2,726,480	920,576
Less: discount to present value (3.25%)	(24,143)	-
Net grants payable	$ 2,702,337	$ 920,576

(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 $12,000 for each of the years ended December 31, 2012 and 2011, respectively.

(6) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance, May 10, 2013 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, 2012 With Summarized Information For 2011

	2012			2011
	Other Program Activity	**Management And General**	**Total**	**Total**
Salaries	$ 100,000	$ 100,000	$ 200,000	$ 200,000
Payroll taxes	4,983	4,983	9,966	9,522
Benefits	9,468	9,468	18,936	19,631
Professional Services				
Accounting	-	30,829	30,829	26,767
Consulting	83,162	-	83,162	71,799
Legal	-	3,000	3,000	6,519
Grant monitoring	32,303	-	32,303	32,458
Symposium	14,035	-	14,035	26,197
Travel	132,885	132,885	265,770	219,437
Insurance	-	15,229	15,229	16,217
Offsite storage	-	1,662	1,662	1,828
Office supplies and expenses	-	1,045	1,045	1,277
Contracted services	83,333	-	83,333	16,667
Office rent	6,630	6,630	13,260	12,000
Website design	-	7,947	7,947	3,774
Telephone	-	2,736	2,736	4,556
Excise tax	-	2,732	2,732	45,105
Other expenses	-	6,545	6,545	8,031
Total expenses	$ 466,799	$ 325,691	$ 792,490	$ 721,785

THE J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2012

Program Grants	**2012**
CAB International	$ 200,431
Colorado State University	184,867
CyberTracker Conservation	134,400
Elephant Voices	296,712
Instituto Von Humboldt	197,950
MesoAmerican Reef Fund	140,000
National Museum of Bloemfontein	200,000
New York Botanical Garden	199,870
Office National Pourl-Environment	210,000
SANBI	250,000
Stellenbosch University	295,900
Universidad de Los Andes	153,670
University of Bergen	300,000
University of Ghana	209,496
University of Kansas Center for Research – Biodiversity	426,873
University of Kansas Center for Research – Lira Noriega	9,900
Wildlife Conservation Network	70,600
Universidad Central de Venezuela	101,744
Global Biodiversity Information Facility	25,000
Tulane University	35,550
Wildlife Conservation Society-Bats	81,620
University of Pretoria	86,000
Zoological Society of San Diego	94,655
Field Museum for Natural History	115,525
	4,020,763
Less: discount to present value	(24,143)
Total Program Grants Expenses	$ 3,996,620