

THE J.R.S. BIODIVERSITY FOUNDATION

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

DECEMBER 31, 2015 AND 2014

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, 2015 and 2014, 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, 2015 and 2014, 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
May 5, 2016**

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Interest and dividends receivable	\$ 74,691	\$ 65,666
Prepaid expenses and other current assets	41,096	29,737
Investments, at value <i>(Notes 2 and 3)</i>	41,447,982	44,721,260
Total assets	<u>\$ 41,563,769</u>	<u>\$ 44,816,663</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 28,860	\$ 54,948
Grants payable <i>(Note 4)</i>	1,080,379	2,729,737
Total liabilities	<u>1,109,239</u>	<u>2,784,685</u>
NET ASSETS		
Unrestricted	40,454,530	42,031,978
Total net assets	<u>40,454,530</u>	<u>42,031,978</u>
Total liabilities and net assets	<u>\$ 41,563,769</u>	<u>\$ 44,816,663</u>

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUE		
Investment income (<i>Note 2</i>)		
Interest and dividends	\$ 859,750	\$ 760,052
Net realized and unrealized (loss) gain on long-term investments	(1,864,827)	1,264,125
Grant refunds	153,362	-
Other income	7,643	20,203
Total revenue	<u>(844,072)</u>	<u>2,044,380</u>
EXPENSES		
Program grants	101,551	2,121,763
Other program activities	263,903	242,274
Total program activities	<u>365,454</u>	<u>2,364,037</u>
Management and general	367,922	375,735
Total expenses	<u>733,376</u>	<u>2,739,772</u>
Change in unrestricted net assets	(1,577,448)	(695,392)
NET ASSETS		
Beginning of year	<u>42,031,978</u>	<u>42,727,370</u>
End of year	<u>\$ 40,454,530</u>	<u>\$ 42,031,978</u>

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
INCREASE (DECREASE) IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ (1,577,448)	\$ (695,392)
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities</i>		
Net realized and unrealized loss (gain) on long-term investments	1,864,827	(1,264,125)
Increase in		
Interest and dividends receivable	(9,025)	(49,757)
Prepaid and other current assets	(11,359)	(12,817)
(Decrease) increase in		
Accounts payable and accrued expenses	(26,088)	(12,811)
Grants payable	(1,649,358)	263,294
Net cash used in operating activities	<u>(1,408,451)</u>	<u>(1,771,608)</u>
<i>Cash flows from investing activities</i>		
Purchases of investments	15,649,892	26,839,136
Proceeds from sales of investments	(14,241,441)	(25,067,528)
Net cash provided by investing activities	<u>1,408,451</u>	<u>1,771,608</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>	<u><u>\$ -</u></u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

(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 the Foundation’s goals.

The Foundation concentrates its efforts on supporting projects that enhance the value of biodiversity data, information, and knowledge in sub-Saharan Africa and Latin America. The Foundation’s Board of Trustees (“**Board**”) has an interest in the tools and processes used to collect, manage, and disseminate biodiversity data and information (“biodiversity informatics”) and to connect this knowledge to the people — the policymakers, scientists, conservationists, and the public — who make and influence decisions that are crucial to preserving biodiversity. The grants made by the Foundation support activities for: the creation of valuable biodiversity data; unrestricted and broad sharing of data; building the connections between data providers and knowledge users; strengthening the human and organizational capacity of the Foundation’s grantees and the broader field of Biodiversity Informatics; and raising awareness to grow the networks and partnerships to achieve our goals.

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, 2015 and 2014

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 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. These investments are valued at the net asset value of the underlying holdings.

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 fair values.

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, 2015 and 2014, 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 (2012 – 2014) or expected to be taken in the Foundation's 2015 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, 2015 and 2014

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2015 and 2014 is as follows:

	2015		2014	
	Cost	Market	Cost	Market
Cash and Cash Equivalents	\$ 2,037,734	\$ 2,037,734	\$ 1,635,834	\$ 1,635,833
U.S. Treasury Notes	1,086,536	1,082,996	697,564	715,724
U.S. Government Agencies	2,570,799	2,562,454	3,125,381	3,138,746
Corporate Bonds	3,795,608	3,734,760	3,510,872	3,501,716
Mutual Funds				
Fixed Income	2,944,083	2,879,476	4,776,852	4,720,528
Equities	9,617,587	10,675,342	9,473,103	11,624,770
Alternative Investments	1,029,585	842,373	1,040,305	1,049,541
Alternative Investments	1,534,706	1,375,710	1,494,187	1,490,420
Common Stock	12,692,401	13,914,775	12,102,639	14,884,125
Municipal Bonds	<u>2,347,562</u>	<u>2,342,362</u>	<u>1,962,862</u>	<u>1,959,857</u>
	<u>\$ 39,656,601</u>	<u>\$ 41,447,982</u>	<u>\$ 39,819,599</u>	<u>\$ 44,721,260</u>

	2015	2014
Unrealized Appreciation in Investments		
End of Year	\$ 1,791,381	\$ 4,901,661
Beginning of Year	<u>4,901,661</u>	<u>4,383,183</u>
Change in Unrealized Appreciation	(3,110,280)	518,478
Realized Net Gain for the Year	<u>1,245,453</u>	<u>745,647</u>
Net Gain on Investments	(1,864,827)	1,264,125
Interest and Dividends		
(Net of investment management and advisory fees of \$295,440 in 2015; \$302,862 in 2014)	<u>859,750</u>	<u>760,052</u>
Total Return	<u>\$ (1,005,077)</u>	<u>\$ 2,024,177</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, 2015 and 2014

	<u>Fair Value</u>	<u>Outstanding Capital Commitments</u>
Hedge funds – tactical strategies ^(a)	\$ 974,962	\$ 6,250
Hedge funds – events driven ^(b)	<u>400,748</u>	<u>-</u>
Total alternative investments	<u>\$ 1,375,710</u>	<u>\$ 6,250</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 December 31, 2015 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 \$137,973 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 \$635,480 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 \$118,110 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 \$83,399 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 \$400,748 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, 2015 and 2014

(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, 2015 and 2014 is as follows:

	2015		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 2,037,734	\$ -	\$ 2,037,734
U.S. Treasury Notes	1,082,996	-	1,082,996
U.S. Government Agencies	-	2,562,454	2,562,454
Corporate Bonds	-	3,734,760	3,734,760
Mutual Funds			
Fixed Income	2,879,476	-	2,879,476
Equities	10,675,342	-	10,675,342
Alternative Investments	842,373	-	842,373
Common Stock	13,914,775	-	13,914,775
Municipal Bonds	-	2,342,362	2,342,362
	<u>\$ 31,432,696</u>	<u>\$ 8,639,576</u>	<u>\$ 40,072,272</u>
Alternative Investments reported at net asset value			<u>1,375,710</u>
Total Investments			<u>\$ 41,447,982</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

	2014		
	Level 1	Level 2	Total
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
Common Stock	14,884,125	-	14,884,125
Municipal Bonds	-	1,959,857	1,959,857
	<u>\$ 34,630,521</u>	<u>\$ 8,600,319</u>	43,230,840
Alternative Investments reported at net asset value			<u>1,490,420</u>
Total Investments			<u>\$ 44,721,260</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2015 and 2014.

(4) GRANTS PAYABLE

The fair value of grants payable as of December 31, 2015 and 2014 using a discount rate of 3.25% are as follows:

	2015	2014
Payable in one year	\$ 919,581	\$ 1,865,754
Payable in two years	166,200	780,196
Payable in three years	-	112,810
Total grants payable	1,085,781	2,758,760
Less: discount to present value (3.25%)	<u>(5,402)</u>	<u>(29,023)</u>
Net grants payable	<u>\$ 1,080,379</u>	<u>\$ 2,729,737</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 \$10,796 and \$10,640 for the years ended December 31, 2015 and 2014, respectively.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2015 and 2014

(6) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance May 5, 2016 have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015 with summarized information for 2014

	2015			2014
	Other Program Activity	Management And General	Total	Total
Salaries	\$ 98,506	\$ 98,506	\$ 197,012	\$ 192,288
Payroll taxes	5,632	5,632	11,264	10,974
Benefits	11,891	11,891	23,782	23,278
Trustee compensation	-	11,143	11,143	-
Professional services				
Accounting	-	33,500	33,500	29,963
Consulting	47,699	71,145	118,844	41,520
Legal	-	3,675	3,675	3,005
Grant Monitoring	3,973	-	3,973	8,158
Symposium	20,583	-	20,583	8,178
Travel	60,335	60,335	120,670	213,184
Insurance	-	8,327	8,327	17,508
Offsite storage	-	1,839	1,839	1,816
Office supplies and expenses	-	554	554	826
Office rent	6,210	6,210	12,420	12,152
Website design	6,030	6,030	12,060	5,972
Communications	3,044	3,044	6,088	726
Telephone	-	3,682	3,682	3,621
Excise tax	-	24,008	24,008	14,185
Other expenses	-	18,401	18,401	30,655
Total	\$ 263,903	\$ 367,922	\$ 631,825	\$ 618,009

J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2015

<u>Program Grants</u>	<u>2015</u>
NatureServe – Biodiversity Information Policy in Columbia, Ecuador, Peru & Bolivia	\$ 94,000
Ohio State University - Revitalizing Hexacorallians of the World	7,000
University of Florida - Digitizing Southwestern-African Herpetological Collections	139,150
Wildlife Conservation Society - Lemurs Portal Planning Grant	<u>29,000</u>
	<u>269,150</u>
 <u>Amended Grant Awards:</u>	
California Academy of Sciences	(101,000)
Office National pour l'Environnement	(14,000)
Universidad Central de Venezuela	<u>(76,220)</u>
	<u>(191,220)</u>
 Change in discount to present value	 <u>23,621</u>
Total Program Grants Expenses	<u>\$ 101,551</u>
 <u>Grants Payable:</u>	
Grants payable – December 31, 2014	\$ 2,729,737
Program grants (per above)	269,150
Amended grant awards (per above)	(191,220)
Grant payments	(1,750,909)
Change in discount (per above)	<u>23,621</u>
Grants payable – December 31, 2015	<u>\$ 1,080,379</u>