

THE J.R.S. BIODIVERSITY FOUNDATION

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

DECEMBER 31, 2018 AND 2017

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
Seattle, Washington**

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, 2018 and 2017, and the related statements of activities, cash flows for the years then ended and the statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Board of Trustees
The J.R.S. Biodiversity Foundation
Seattle, Washington**

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grant awards on page 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 9, 2019**

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Interest and dividends receivable	\$ 68,254	\$ 64,559
Prepaid expenses and other current assets	68,673	61,341
Investments, at value (<i>notes 2 and 3</i>)	42,474,140	46,444,300
Total assets	<u>\$ 42,611,067</u>	<u>\$ 46,570,200</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accrued expenses	\$ 31,232	\$ 47,123
Grants payable (<i>note 4</i>)	2,334,740	2,181,723
Total liabilities	<u>2,365,972</u>	<u>2,228,846</u>
NET ASSETS		
Without donor restrictions	40,245,095	44,341,354
Total net assets	<u>40,245,095</u>	<u>44,341,354</u>
Total liabilities and net assets	<u>\$ 42,611,067</u>	<u>\$ 46,570,200</u>

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE		
Investment income <i>(note 2)</i>		
Interest and dividends	\$ 755,050	\$ 679,159
Net realized and unrealized gain (loss) on long-term investments	(2,306,314)	5,139,407
Other income	433	3,368
Total revenue	<u>(1,550,831)</u>	<u>5,821,934</u>
EXPENSES		
Program grants	1,842,827	1,378,076
Other program activities	269,774	213,750
Total program activities	<u>2,112,601</u>	<u>1,591,826</u>
Management and general	432,827	365,354
Total expenses	<u>2,545,428</u>	<u>1,957,180</u>
Change in net assets without donor restrictions	(4,096,259)	3,864,754
NET ASSETS		
Beginning of year	44,341,354	40,476,600
End of year	<u>\$ 40,245,095</u>	<u>\$ 44,341,354</u>

J.R.S. BIODIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
INCREASE (DECREASE) IN CASH		
<i>Cash flows from operating activities</i>		
<i>Net change in net assets</i>	\$ (4,096,259)	\$ 3,864,754
<i>Adjustments to reconcile increase in net assets to net cash used in operating activities</i>		
Net realized and unrealized (gain) loss on long-term investments	2,306,314	(5,139,407)
Increase (Decrease) in		
Interest and dividends receivable	(3,695)	4,194
Prepaid and other current assets	(7,332)	(26,519)
Increase (Decrease) in		
Accounts payable and accrued expenses	(15,891)	(6,107)
Grants payable	153,017	624,776
Net cash used in operating activities	<u>(1,663,846)</u>	<u>(678,309)</u>
<i>Cash flows from investing activities</i>		
Proceeds from sales of investments	18,916,695	10,645,928
Purchases of investments	(17,252,849)	(9,967,619)
Net cash provided by investing activities	<u>1,663,846</u>	<u>678,309</u>
Net change in cash	-	-
<i>Cash and cash equivalents</i>		
Beginning of year	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>

J.R.S. BIODIVERSITY FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2018 with summarized information for 2017

	2018			2017
	Other Program Activity	Management And General	Total	Total
Salaries	\$ 138,330	\$ 138,330	\$ 276,660	\$ 199,644
Payroll taxes	8,616	8,616	17,232	11,232
Benefits	16,491	16,491	32,982	19,502
Trustee compensation	-	67,559	67,559	12,991
Professional services				
Accounting	-	34,575	34,575	34,058
Consulting	-	8,424	8,424	32,258
Legal	-	4,122	4,122	5,376
Symposium	20,112	-	20,112	11,479
Travel	70,188	70,188	140,376	145,656
Insurance	-	6,747	6,747	5,725
Offsite storage	-	2,949	2,949	2,053
Office supplies and expenses	-	205	205	273
Office rent	8,925	8,925	17,850	14,576
Website design	3,636	3,636	7,272	5,182
Communications	3,476	3,476	6,952	8,750
Telephone	-	3,514	3,514	4,200
Excise tax	-	28,727	28,727	45,938
Other expenses	-	26,343	26,343	20,211
Total	\$ 269,774	\$ 432,827	\$ 702,601	\$ 579,104

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

(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, 2018 and 2017

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, 2018 and 2017, the Foundation has only net assets without donor restrictions, 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 (2015 – 2017) or expected to be taken in the Foundation's 2018 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, 2018 and 2017

NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued Accounting Standards Update ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements for Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance include the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The ASU is effective for years beginning after December 15, 2017 and was adopted by JRS for the year ended December 31, 2018.

(2) INVESTMENTS

A summary of investments in marketable securities at December 31, 2018 and 2017 is as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Cash and Cash Equivalents	\$ 1,757,936	\$ 1,757,936	\$ 1,822,066	\$ 1,822,066
U.S. Treasury Notes	4,965,809	4,977,492	3,465,992	3,485,712
U.S. Government Agencies	3,322,246	3,253,116	3,180,238	3,147,417
Corporate Bonds	3,921,931	3,836,679	3,833,353	3,861,043
Mutual Funds				
Fixed Income	2,690,270	2,593,290	2,500,982	2,525,650
Equities	740,116	923,416	3,370,975	4,560,681
Alternative Investments	1,378,923	1,532,409	1,378,923	1,694,406
Alternative Investments	1,146,455	889,510	1,159,722	952,192
Common Stock	19,110,633	20,620,229	17,866,424	22,113,195
Municipal Bonds	2,100,759	2,090,063	2,285,032	2,281,938
	<u>\$ 41,135,078</u>	<u>\$ 42,474,140</u>	<u>\$ 40,863,707</u>	<u>\$ 46,444,300</u>

	<u>2018</u>	<u>2017</u>
Unrealized Appreciation in Investments		
End of Year	\$ 1,339,062	\$ 5,580,593
Beginning of Year	<u>5,580,593</u>	<u>2,097,303</u>
Change in Unrealized Appreciation	(4,241,531)	3,483,290
Realized Net Gain for the Year	<u>1,935,217</u>	<u>1,656,117</u>
Net Gain (Loss) on Investments	(2,306,314)	5,139,407
Interest and Dividends		
(Net of investment management and advisory fees of \$316,544 in 2018; \$291,708 in 2017)	<u>755,050</u>	<u>679,159</u>
Total Return	<u>\$ (1,551,264)</u>	<u>\$ 5,818,566</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 and 2017

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 as defined by the Board-approved Investment Policy Statement.

	<u>Fair Value</u>	<u>Outstanding Capital Commitments</u>
Hedge funds – tactical strategies ^(a)	\$ 889,510	\$ -
Total alternative investments	<u>\$ 889,510</u>	<u>\$ -</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, 2018 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 \$100,829 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 \$712,776 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 \$71,037 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 \$4,868 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.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 and 2017

(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, 2018 and 2017 is as follows:

	2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,757,936	\$ -	\$ 1,757,936
U.S. Treasury Notes	4,977,492	-	4,977,492
U.S. Government Agencies	-	3,253,116	3,253,116
Corporate Bonds	-	3,836,679	3,836,679
Mutual Funds			
Fixed Income	2,593,290	-	2,593,290
Equities	923,416	-	923,416
Alternative Investments	1,532,409	-	1,532,409
Common Stock	20,620,229	-	20,620,229
Municipal Bonds	-	2,090,063	2,090,063
	<u>\$ 32,404,772</u>	<u>\$ 9,179,858</u>	41,584,630
Alternative Investments reported at net asset value			<u>889,510</u>
Total Investments			<u>\$ 42,474,140</u>

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 and 2017

	2017		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 1,822,066	\$ -	\$ 1,822,066
U.S. Treasury Notes	3,485,712	-	3,485,712
U.S. Government Agencies	-	3,147,417	3,147,417
Corporate Bonds	-	3,861,043	3,861,043
Mutual Funds			
Fixed Income	2,525,650	-	2,525,650
Equities	4,560,681	-	4,560,681
Alternative Investments	1,694,406	-	1,694,406
Common Stock	22,113,195	-	22,113,195
Municipal Bonds	-	2,281,938	2,281,938
	<u>\$ 36,201,710</u>	<u>\$ 9,290,398</u>	45,492,108
Alternative Investments reported at net asset value			<u>952,192</u>
Total Investments			<u>\$ 46,444,300</u>

There were no transfers between Level 1 and Level 2 for the years ended December 31, 2018 and 2017.

(4) GRANTS PAYABLE

The fair value of grants payable as of December 31, 2018 and 2017 using a discount rate of 1.50% are as follows:

	<u>2018</u>	<u>2017</u>
Payable in one year	1,453,550	\$ 1,310,750
Payable in two years	681,240	724,100
Payable in three years and greater	<u>216,340</u>	<u>162,280</u>
Total grants payable	2,351,130	2,197,130
Less: discount to present value (1.50% for 2018 and 2017)	<u>(16,390)</u>	<u>(15,407)</u>
Net grants payable	<u>\$ 2,334,740</u>	<u>\$ 2,181,723</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 from 4% to 6% of eligible compensation. The Foundation contributed \$14,848 and \$11,232 for the years ended December 31, 2018 and 2017, respectively.

THE J.R.S. BIODIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS – (Continued)

December 31, 2018 and 2017

(6) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Foundation strives to maintain liquid financial assets available to meet general expenditures at a level that represents 100% of annual expenses for grants, other program activities and administrative expenses plus an amount that represents the next expected payments for semi-annual grant commitments approved by the Foundation's Grants Committee.

The following table reflects the Foundation's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions:

	<u>2018</u>
Financial Assets:	
Investments	\$42,474,140
Interest and dividends receivable	<u>68,254</u>
	42,542,394
Less: amounts not available to be used within one year:	
Investments in non liquid securities	<u>(889,510)</u>
Financial assets available to meet general expenditures	
Over the next twelve months	<u>\$41,652,884</u>

(7) SUBSEQUENT EVENTS

Subsequent events after the balance sheet date through the date that the financial statements were available for issuance May 9, 2019 have been evaluated in the preparation of the financial statements.

SUPPLEMENTAL INFORMATION

J.R.S. BIODIVERSITY FOUNDATION

SCHEDULE OF GRANT AWARDS

Year Ended December 31, 2018

<u>Program Grants</u>	<u>2018</u>
University of Abomey - Calavi	\$ 260,500
National Museum of Kenya	250,000
Dar es Salaam Institute of Technology	31,510
Tanzania Wildlife Research Institute	275,000
National Fisheries Resources Research	260,000
University of Oxford	279,800
University of Rwanda	64,500
Albertine Rift Conservation Society	285,000
African Conservation Centre	80,000
Global Biodiversity Information Facility	24,000
Society for the President of Natural History	8,500
National Museum Bloemfontein	10,000
Lilongwe University of Agriculture and Natural Resources	<u>15,000</u>
	1,843,810
Change in discount to present value	<u>(983)</u>
Total Program Grants Expenses	<u>\$ 1,842,827</u>
 <u>Grants Payable:</u>	
Grants payable – December 31, 2017	\$ 2,181,723
Program grants (per above)	1,843,810
Grant payments	(1,689,810)
Change in discount (per above)	<u>(983)</u>
Grants payable – December 31, 2018	<u>\$ 2,334,740</u>