

# **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

# BIOONE

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
BioOne  
Washington, D.C.

### Report on the Financial Statements

We have audited the accompanying financial statements of BioOne (a non-profit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

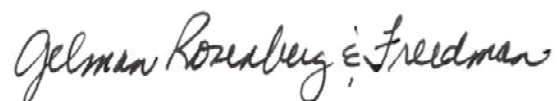
4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFPCA.COM

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioOne as of December 31, 2012 and 2011, 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

Bethesda, Maryland  
April 29, 2013

## BIOONE

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2012 AND 2011

## ASSETS

	<u>2012</u>	<u>2011</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 836,071	\$ 554,817
Investments, short-term (Note 2)	6,992,458	5,068,286
Accounts receivable, net of subscription reserves	2,816,978	3,036,653
Prepaid expenses	<u>79,305</u>	<u>17,973</u>
Total current assets	<u>10,724,812</u>	<u>8,677,729</u>
<b>OTHER ASSETS</b>		
Letter of credit (Note 4)	24,886	18,842
Investments, long-term (Note 2)	<u>-</u>	<u>796,523</u>
Total other assets	<u>24,886</u>	<u>815,365</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,749,698</u></b>	<b><u>\$ 9,493,094</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Royalty expense payable	\$ 2,962,934	\$ 2,782,000
Accounts payable	389,860	199,785
Surplus share payable	812,618	746,129
Accrued vacation	48,807	36,946
Deferred subscription income, net of discounts and commissions	<u>4,588,254</u>	<u>4,374,768</u>
Total current liabilities	<u>8,802,473</u>	<u>8,139,628</u>
<b>NET ASSETS - Unrestricted</b>		
Undesignated	-	71,641
Board-designated Operating Reserve Fund (Note 5)	1,003,310	890,000
Board-designated Capital Reserve Fund (Note 5)	891,412	319,909
Board-designated OA Sustainability Fund (Note 5)	<u>52,503</u>	<u>71,916</u>
Total net assets	<u>1,947,225</u>	<u>1,353,466</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,749,698</u></b>	<b><u>\$ 9,493,094</u></b>

See accompanying notes to financial statements.

## BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>Unrestricted</u>	
	<u>2012</u>	<u>2011</u>
<b>REVENUE</b>		
Subscription sales	\$ 10,123,986	\$ 8,157,805
Ancillary revenue	46,686	37,530
Contributions in-kind	131,321	131,486
Interest and dividends (Note 2)	93,866	72,195
Miscellaneous income	<u>168,000</u>	<u>168,000</u>
Total revenue	<u>10,563,859</u>	<u>8,567,016</u>
<b>EXPENSES</b>		
Program Services:		
BioOne.1	5,776,503	4,583,668
BioOne.2	2,272,174	1,634,541
BioOne Open Access	48,301	50,170
UniBio	-	6,405
Education	<u>13,371</u>	<u>14,017</u>
Total program services	<u>8,110,349</u>	<u>6,288,801</u>
Management and General	<u>1,052,445</u>	<u>991,786</u>
Total expenses	<u>9,162,794</u>	<u>7,280,587</u>
Total operating surplus before surplus share, foreign currency loss and investment gain (loss)	1,401,065	1,286,429
Surplus share	(812,618)	(746,129)
Foreign currency loss	(7,849)	(1,343)
Elementa costs	(97,251)	-
Investment gain (loss) (Note 2)	<u>110,412</u>	<u>(16,908)</u>
Changes in net assets	593,759	522,049
Unrestricted net assets at beginning of year	<u>1,353,466</u>	<u>831,417</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,947,225</u></b>	<b><u>\$ 1,353,466</u></b>

See accompanying notes to financial statements.

## BIOONE

**STATEMENT OF FUNCTIONAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>BioOne.1</b>	<b>BioOne.2</b>	<b>BioOne Open Access</b>	<b>Education</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total</b>
<b>REVENUE</b>							
Subscription sales	\$ 7,346,578	\$ 2,777,408	\$ -	\$ -	\$ 10,123,986	\$ -	\$ 10,123,986
Ancillary revenue	37,710	8,976	-	-	46,686	-	46,686
Contributions in-kind	95,772	21,089	2,051	-	118,912	12,409	131,321
Interest and dividends (Note 2)	-	-	-	-	-	93,866	93,866
Miscellaneous income	-	-	-	3,000	3,000	165,000	168,000
Total revenue	<u>7,480,060</u>	<u>2,807,473</u>	<u>2,051</u>	<u>3,000</u>	<u>10,292,584</u>	<u>271,275</u>	<u>10,563,859</u>
<b>EXPENSES</b>							
Royalty expenses	2,226,711	736,223	-	-	2,962,934	-	2,962,934
Discounts and commissions	2,967,167	1,322,356	-	-	4,289,523	-	4,289,523
Technology expenses	577,722	212,019	47,955	-	837,696	5,305	843,001
Personnel expenses	-	-	-	-	-	650,402	650,402
Professional contract services	-	-	-	-	-	187,721	187,721
General and administrative	4,903	1,576	346	-	6,825	176,362	183,187
Travel and meetings	-	-	-	13,371	13,371	32,655	46,026
Total expenses	<u>5,776,503</u>	<u>2,272,174</u>	<u>48,301</u>	<u>13,371</u>	<u>8,110,349</u>	<u>1,052,445</u>	<u>9,162,794</u>
Total operating surplus before surplus share, foreign currency loss, elementa costs and investment gain	1,703,557	535,299	(46,250)	(10,371)	2,182,235	(781,170)	1,401,065
Surplus share	(609,960)	(202,658)	-	-	(812,618)	-	(812,618)
Foreign currency loss	-	-	-	-	-	(7,849)	(7,849)
Elementa costs	-	-	-	-	-	(97,251)	(97,251)
Investment gain (Note 2)	-	-	-	-	-	110,412	110,412
<b>CHANGE IN NET ASSETS</b>	<u><b>\$ 1,093,597</b></u>	<u><b>\$ 332,641</b></u>	<u><b>\$ (46,250)</b></u>	<u><b>\$ (10,371)</b></u>	<u><b>\$ 1,369,617</b></u>	<u><b>\$ (775,858)</b></u>	<u><b>\$ 593,759</b></u>

See accompanying notes to financial statements.

## BIOONE

STATEMENT OF FUNCTIONAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	BioOne.1	BioOne.2	BioOne Open Access	UniBio	Education	Total Program Services	Management and General	Total
<b>REVENUE</b>								
Subscription sales	\$ 6,176,804	\$ 1,974,596	\$ -	\$ 6,405	\$ -	\$ 8,157,805	\$ -	\$ 8,157,805
Ancillary revenue	29,161	8,369	-	-	-	37,530	-	37,530
Contributions in-kind	92,638	20,772	1,328	-	-	114,738	16,748	131,486
Interest and dividends (Note 2)	-	-	-	-	-	-	72,195	72,195
Miscellaneous income	-	-	-	-	3,000	3,000	165,000	168,000
Total revenue	<u>6,298,603</u>	<u>2,003,737</u>	<u>1,328</u>	<u>6,405</u>	<u>3,000</u>	<u>8,313,073</u>	<u>253,943</u>	<u>8,567,016</u>
<b>EXPENSES</b>								
Royalty expenses	2,165,196	616,804	-	5,252	-	2,787,252	-	2,787,252
Discounts and commissions	1,903,142	757,111	-	1,153	-	2,661,406	(15,859)	2,645,547
Technology expenses	514,668	260,339	50,170	-	-	825,177	-	825,177
Personnel expenses	-	-	-	-	-	-	569,172	569,172
Professional contract services	-	-	-	-	-	-	138,702	138,702
General and administrative	662	287	-	-	84	1,033	253,404	254,437
Travel and meetings	-	-	-	-	13,933	13,933	46,367	60,300
Total expenses	<u>4,583,668</u>	<u>1,634,541</u>	<u>50,170</u>	<u>6,405</u>	<u>14,017</u>	<u>6,288,801</u>	<u>991,786</u>	<u>7,280,587</u>
Total operating surplus before surplus share, foreign currency loss, elementa costs and investment loss	1,714,935	369,196	(48,842)	-	(11,017)	2,024,272	(737,843)	1,286,429
Surplus share	(580,699)	(165,430)	-	-	-	(746,129)	-	(746,129)
Foreign currency loss	-	-	-	-	-	-	(1,343)	(1,343)
Elementa costs	-	-	-	-	-	-	-	-
Investment loss (Note 2)	-	-	-	-	-	-	(16,908)	(16,908)
<b>CHANGE IN NET ASSETS</b>	<u><b>\$ 1,134,236</b></u>	<u><b>\$ 203,766</b></u>	<u><b>\$ (48,842)</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (11,017)</b></u>	<u><b>\$ 1,278,143</b></u>	<u><b>\$ (756,094)</b></u>	<u><b>\$ 522,049</b></u>

See accompanying notes to financial statements.



## BIOONE

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 593,759	\$ 522,049
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	-	746
Unrealized loss	37,876	29,140
Realized gain	(148,288)	(12,232)
Bad debt expense	968	67,163
(Increase) decrease in:		
Accounts receivable, net of subscription reserves	218,707	(43,482)
Prepaid expenses	(61,332)	(4,854)
Letter of credit	(6,044)	-
Increase (decrease) in:		
Royalty expense payable	180,934	194,645
Accounts payable	190,075	(4,668)
Surplus share payable	66,489	55,668
Accrued vacation	11,861	2,642
Deferred subscription income, net of discounts and commissions	<u>213,486</u>	<u>205,802</u>
Net cash provided by operating activities	<u>1,298,491</u>	<u>1,012,619</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(4,158,230)	(2,941,052)
Proceeds from sale investments	<u>3,140,993</u>	<u>1,710,073</u>
Net cash used by investing activities	<u>(1,017,237)</u>	<u>(1,230,979)</u>
Net increase (decrease) in cash and cash equivalents	281,254	(218,360)
Cash and cash equivalents at beginning of year	<u>554,817</u>	<u>773,177</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 836,071</u></b>	<b><u>\$ 554,817</u></b>

See accompanying notes to financial statements.

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

##### Organization -

BioOne was incorporated on August 23, 1999 as a not-for-profit corporation under the statutes of the District of Columbia.

BioOne sees sustainable scholarly publishing as an inherently collaborative enterprise connecting authors, nonprofit publishers, academic institutions, research libraries, and research funders in the common goal of maximizing access to critical research. The organization explores economic models and strategic partnerships that balance the needs of all stakeholders, and currently demonstrates this balance by offering financially sustainable information services in the biological sciences. BioOne supports best practices that increase operational effectiveness and technological standards that integrate its content with a global network of scholarly exchange.

##### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

##### Cash and cash equivalents -

BioOne considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, BioOne maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provided temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). BioOne maintained a portion of its cash balance at a financial institution in a non-interest bearing account; thereby, all of this cash balance was protected by the FDIC under this Act. Beginning January 1, 2013, funds deposited in non-interest bearing accounts will no longer receive unlimited deposit insurance coverage. Bank deposit accounts at one institution will be insured by the FDIC up to a limit of \$250,000.

##### Contributions in-kind -

In-kind contributions consists primarily of digital conversion and discounts on accounting services. All in-kind contributions have been recorded at their fair value as of the date of gift or service.

##### Income tax status -

BioOne is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying 2012 financial statements. BioOne is not a private foundation.

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the years ended December 31, 2012 and 2011, BioOne has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements. The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

##### Fixed assets -

Fixed assets consist of office computer equipment and software, and are stated at cost. Equipment and software costing more than \$3,000 is capitalized and depreciated using the straight-line method over the estimated useful lives of the respective assets, generally three years for equipment and software.

##### Investments -

Investments are recorded at their fair value in the accompanying Statements of Financial Position. Realized and unrealized gains and losses are included in investment gain (loss) in the accompanying Statements of Activities and Changes in Net Assets and Statements of Functional Activities.

##### Risks and uncertainties -

BioOne invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

##### Fair value measurement -

BioOne adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

BioOne accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

In accordance with FASB ASC 820, *Fair Value Measurement*, BioOne has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market BioOne has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2012 and 2011.

- *Money market funds* - Fair value is equal to the reported net asset value of the fund.
- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

Accounts receivable -

Accounts receivable are recognized at their net realizable value and consist primarily of subscription sales revenue reported by sales agents but not yet remitted to BioOne. BioOne utilizes the allowance method to establish a reserve for uncollectable accounts receivable. The reserve is calculated monthly based on receivables over 120 days old. Management of BioOne also performs a monthly review to determine receivables that are not collectable based on established criteria. These uncollectable receivables are charged to bad debt expense on a quarterly basis. For the years ended December 31, 2012 and 2011, uncollectable receivables of \$0 and approximately \$67,000 respectively, were charged to bad debt. In 2012, they added an additional \$967 to the reserve of uncollectable receivables.

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

##### Royalty payable and related expense -

BioOne pays royalties to participating publishers based on contractually specified percentages of net subscription and ancillary revenue earnings. Royalty expenses include 50% of net subscription sales earned in the current calendar year for BioOne.1 and BioOne.2 and 100% of net ancillary revenues reported in the current calendar year for pay-per-view sales and copyright permission fees.

Distribution of subscription sales is based on the publisher's pro-rata shares of 1) cumulative number of pages contributed to the database and 2) annual number of royalty-eligible accesses to that content. Royalty expense payable at year-end represents amounts owed to participating publishers and not paid as of year-end.

##### Surplus payable and related expense -

For any fiscal year in which BioOne realizes an operating surplus, BioOne's Board of Directors may, at its discretion, elect to distribute a portion of that surplus to its participating publishers. Surplus share payable at year-end represents the discretionary amounts authorized by the Board for that year.

##### Deferred subscription income -

Deferred subscription income is recognized in monthly installments as subscription fulfillment occurs, with unearned amounts recorded as deferred income. Deferred subscription income is reported net of discounts and commissions.

##### Net asset classification -

The financial statements are presented in accordance with generally accepted accounting principles, which require BioOne to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of BioOne and include both internally designated and undesignated resources.

There were no temporarily or permanently restricted net assets at December 31, 2012 and 2011.

##### Subscription and ancillary revenues -

Subscriptions are stated at gross amounts, inclusive of discounts and commissions and are recognized as earned, in the period the subscription is fulfilled. Ancillary revenues are derived from pay-per-view purchases and copyright permission fees and are recognized at the time revenues for related transactions are reported to BioOne.

##### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets.

**BIOONE**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Functional allocation of expenses (continued) -

Accordingly, certain costs have been allocated among the programs and supporting services benefited, primarily shared technology costs which have been allocated based on the amount of content contributed to the database by collection in the calendar year.

For 2012 and 2011, allocations are as follows:

	<b>2012</b>	<b>2011</b>
BioOne. 1	71.87 %	63.41 %
BioOne. 2	22.20 %	30.45 %
BioOne Open Access	5.93 %	6.14 %

**2. INVESTMENTS**

Investments are carried at fair value and are all classified in accordance with FASB ASC 820 as Level 1. Investments consisted of the following at December 31, 2012:

	<b>2012</b>		
	<b>Short-Term</b>	<b>Long-Term</b>	<b>Total</b>
Cash	\$ 326,662	\$ -	\$ 326,662
Mutual fund - U.S. Treasury money market fund	2,222	-	2,222
Mutual fund - One year fixed income	4,400,204	-	4,400,204
Mutual fund - Equities	664,920	-	664,920
Mutual fund - Bond fund	1,598,450	-	1,598,450
<b>TOTAL INVESTMENTS</b>	<b>\$ 6,992,458</b>	<b>\$ -</b>	<b>\$ 6,992,458</b>

Investments consisted of the following at December 31, 2011:

	<b>2011</b>		
	<b>Short-Term</b>	<b>Long-Term</b>	<b>Total</b>
Cash	\$ 373,938	\$ -	\$ 373,938
Bonds	103,171	-	103,171
Mutual fund - U.S. Treasury money market fund	2,222	-	2,222
Mutual fund - One year fixed income	2,893,769	-	2,893,769
Mutual fund - Equities	-	796,523	796,523
Mutual fund - Bond fund	1,039,306	-	1,039,306
Stocks	655,880	-	655,880
<b>TOTAL INVESTMENTS</b>	<b>\$ 5,068,286</b>	<b>\$ 796,523</b>	<b>\$ 5,864,809</b>

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 2. INVESTMENTS (Continued)

Included in investment income are the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 93,866	\$ 72,195
Unrealized loss	(37,876)	(29,140)
Realized gain	<u>148,288</u>	<u>12,232</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 204,278</u></b>	<b><u>\$ 55,287</u></b>

#### 3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense for the years ended December 31, 2012 and 2011 totaled \$20,143 and \$20,992, respectively.

#### 4. LETTER OF CREDIT

BioOne was required by the Government of Brazil to obtain a letter of guarantee for its subscription through CAPES. As of December 31, 2012 and 2011, the balance of the letter was \$24,886 and \$18,842, respectively.

#### 5. BOARD DESIGNATED FUNDS

The Board of Directors has created an Operating Reserve Fund (ORF). The general purpose of ORF is to help ensure the long-term financial stability of BioOne and allow BioOne to respond to varying economic conditions and changes affecting its financial position and ability to carry out its mission. The target amount to be attained is six months of current annual operating expense.

Along with ORF, the Board of Directors has designated two new funds in 2011 to support specific missions of the organization. The Open Access (OA) Sustainability Fund is an outgrowth of BioOne's strategic plan initiative to make the existing Open Access collection sustainable. The amount designated to the fund is equal to the Board approved budget for the Open Access Program. Once the Board of Directors has decided on the dollar amount of the surplus share and funded the rest of the Board designated funds, any remaining funds may be allocated to the OA Sustainability Fund.

The Capital Reserve Fund was established by the Board of Directors in November 2010. The general purpose of the fund is to ensure that BioOne can meet the needs of its stakeholders by being able to purchase technology and infrastructure to remain competitive in the digital publishing industry. The target amount to be attained for the Capital Reserve Fund is \$1,000,000 and should be funded, in whole or in part, only after (1) the Board-designated OA Sustainability Fund has been funded with the required annual minimum needed to cover the given year's budgeted OA expenses and (2) the Board-designated Operating Reserve Fund has been fully funded.

Sources of future funding for the Capital Reserve Fund and the Operating Reserve Fund include: realized earnings on investments, other income received not related to subscription sales and other sources the Finance Committee may deem appropriate.

## BIOONE

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 6. ELEMENTA

In 2012, BioOne started development of a new online publishing program: Elementa: Science of the Anthropocene (see Subsequent Events Note 7 for details). Scheduled to launch in July 2013, Elementa was created in collaboration with five universities. Costs for development in 2012 were \$97,251.

#### 7. SUBSEQUENT EVENT

Subsequent to year end, BioOne entered into an agreement with Dartmouth College Library (in addition to earlier agreements with the Georgia Institute of Technology, the University of Colorado Boulder, the University of Michigan, and the University of Washington) to establish a new publishing program entitled, Elementa: Science of the Anthropocene, a campus-based, open-access publication for research into anthropogenic influences on Earth systems. BioOne will create, capitalize, manage, promote, and publicize Elementa. As a core founding partner, Dartmouth College Library will perform certain responsibilities of the Program, including production and hosting services. The other founding university affiliates will contribute to the Program's success in a variety of ways, as centers for the six knowledge domains comprising Elementa.

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through April 29, 2013, the date the financial statements were issued.