

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2015 AND 2014**

BIOONE

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of BioOne, which comprise the statements of financial position as of December 31, 2015 and 2014, 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.

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, 2015 and 2014, 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.

May 9, 2016

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BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS

| | <u>2015</u> | <u>2014</u> |
|---|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 758,951 | \$ 620,303 |
| Investments, short-term | 2,445,195 | 3,394,859 |
| Accounts receivable, net of subscription reserves in the amount of \$4,947 and \$510 at December 31, 2015 and 2014, respectively | 3,858,869 | 3,213,013 |
| Prepaid expenses | <u>27,180</u> | <u>35,741</u> |
| Total current assets | <u>7,090,195</u> | <u>7,263,916</u> |
| OTHER ASSETS | | |
| Certificate of deposit | 17,565 | 25,014 |
| Investments, long-term | 3,160,919 | 3,173,826 |
| Trademark | <u>19,720</u> | <u>19,720</u> |
| Total other assets | <u>3,198,204</u> | <u>3,218,560</u> |
| TOTAL ASSETS | <u>\$ 10,288,399</u> | <u>\$ 10,482,476</u> |

LIABILITIES AND NET ASSETS

| | | |
|--|-----------------------------|-----------------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 369,807 | \$ 404,166 |
| Accrued vacation | 71,582 | 61,637 |
| Royalty payable | 3,303,167 | 3,280,982 |
| Surplus share payable | 897,548 | 892,969 |
| Deferred subscription income, net of discounts and commissions | 5,086,566 | 4,916,576 |
| Deferred income - other | <u>14,019</u> | <u>10,190</u> |
| Total current liabilities | <u>9,742,689</u> | <u>9,566,520</u> |
| NET ASSETS - UNRESTRICTED | | |
| Board Designated: | | |
| Operating Reserve Fund | 485,563 | 852,668 |
| OA Sustainability Fund | <u>35,147</u> | <u>63,288</u> |
| Total net assets - unrestricted | 520,710 | 915,956 |
| NET ASSETS - TEMPORARILY RESTRICTED | | |
| Temporarily restricted | <u>25,000</u> | <u>-</u> |
| Total net assets | <u>545,710</u> | <u>915,956</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 10,288,399</u> | <u>\$ 10,482,476</u> |

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | 2015 | | | 2014 |
|---|--------------------------|---------------------------|--------------------------|--------------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUE | | | | |
| Subscription sales | \$ 10,606,418 | \$ - | \$ 10,606,418 | \$ 10,605,384 |
| Ancillary revenue | 43,872 | - | 43,872 | 77,388 |
| Contributions in-kind | 119,434 | - | 119,434 | 139,385 |
| Interest and dividends | 57,893 | - | 57,893 | 99,798 |
| Miscellaneous income | <u>187,708</u> | <u>-</u> | <u>187,708</u> | <u>168,000</u> |
| Total revenue | <u>11,015,325</u> | <u>-</u> | <u>11,015,325</u> | <u>11,089,955</u> |
| EXPENSES | | | | |
| Program Services: | | | | |
| BioOne.1 | 5,751,568 | - | 5,751,568 | 5,812,115 |
| BioOne.2 | 2,409,052 | - | 2,409,052 | 2,444,032 |
| BioOne Open Access | 119,422 | - | 119,422 | 92,524 |
| Education | <u>13,412</u> | <u>-</u> | <u>13,412</u> | <u>16,687</u> |
| Total program services | <u>8,293,454</u> | <u>-</u> | <u>8,293,454</u> | <u>8,365,358</u> |
| Management and General | <u>1,119,107</u> | <u>-</u> | <u>1,119,107</u> | <u>1,070,950</u> |
| Total expenses | <u>9,412,561</u> | <u>-</u> | <u>9,412,561</u> | <u>9,436,308</u> |
| Total operating surplus before other items | 1,602,764 | - | 1,602,764 | 1,653,647 |
| Surplus share | (897,548) | - | (897,548) | (892,969) |
| Foreign currency loss | (19,104) | - | (19,104) | (5,770) |
| Elementa costs, net | (1,012,273) | 25,000 | (987,273) | (1,195,380) |
| Bad debt expense | (4,437) | - | (4,437) | (36,847) |
| Investment loss | <u>(64,648)</u> | <u>-</u> | <u>(64,648)</u> | <u>64,957</u> |
| Changes in net assets | (395,246) | 25,000 | (370,246) | (412,362) |
| Net assets at beginning of year | <u>915,956</u> | <u>-</u> | <u>915,956</u> | <u>1,328,318</u> |
| NET ASSETS AT END OF YEAR | \$ <u>520,710</u> | \$ <u>25,000</u> | \$ <u>545,710</u> | \$ <u>915,956</u> |

BIOONE

STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

| | BioOne.1 | BioOne.2 | BioOne Open Access | Education | Total Program Services | Management and General | Elementa (Note 7) | Total |
|--|---------------------|-------------------|--------------------------|-------------------|------------------------------|---------------------------|----------------------|---------------------|
| REVENUE | | | | | | | | |
| Subscription sales | \$ 7,518,191 | \$ 3,088,227 | \$ - | \$ - | \$ 10,606,418 | \$ - | \$ - | \$ 10,606,418 |
| Ancillary revenue | 29,997 | 13,875 | - | - | 43,872 | - | - | 43,872 |
| Contributions in-kind | 90,870 | 17,376 | 1,555 | - | 109,801 | 9,633 | - | 119,434 |
| Interest and dividends (Note 2) | - | - | - | - | - | 57,893 | - | 57,893 |
| Miscellaneous income | - | - | 14,850 | 4,500 | 19,350 | 168,358 | - | 187,708 |
| Total revenue | 7,639,058 | 3,119,478 | 16,405 | 4,500 | 10,779,441 | 235,884 | - | 11,015,325 |
| EXPENSES | | | | | | | | |
| Royalty expenses | 2,361,769 | 941,399 | - | - | 3,303,168 | - | - | 3,303,168 |
| Discounts and commissions | 2,855,523 | 1,230,469 | - | - | 4,085,992 | - | - | 4,085,992 |
| Technology expenses | 533,627 | 236,917 | 119,422 | - | 889,966 | 195 | - | 890,161 |
| Personnel expenses (Note 7) | - | - | - | - | - | 706,288 | - | 706,288 |
| Professional contract services | - | - | - | - | - | 131,343 | - | 131,343 |
| General and administrative | 649 | 267 | - | - | 916 | 234,078 | - | 234,994 |
| Travel and meetings | - | - | - | 13,412 | 13,412 | 47,203 | - | 60,615 |
| Total expenses | 5,751,568 | 2,409,052 | 119,422 | 13,412 | 8,293,454 | 1,119,107 | - | 9,412,561 |
| Total operating surplus before other items | 1,887,490 | 710,426 | (103,017) | (8,912) | 2,485,987 | (883,223) | - | 1,602,764 |
| Surplus share | (641,824) | (255,724) | - | - | (897,548) | - | - | (897,548) |
| Foreign currency loss | - | - | - | - | - | (19,104) | - | (19,104) |
| Elementa costs, net | - | - | - | - | - | - | (987,273) | (987,273) |
| Bad debt expense | - | - | - | - | - | (4,437) | - | (4,437) |
| Investment loss (Note 2) | - | - | - | - | - | (64,648) | - | (64,648) |
| CHANGE IN NET ASSETS | \$ 1,245,666 | \$ 454,702 | \$ (103,017) | \$ (8,912) | \$ 1,588,439 | \$ (971,412) | \$ (987,273) | \$ (370,246) |

See accompanying notes to financial statements.

BIOONE

**STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | BioOne.1 | BioOne.2 | BioOne Open Access | Education | Total Program Services | Management and General | Elementa (Note 7) | Total |
|--|---------------------|-------------------|--------------------------|--------------------|------------------------------|---------------------------|-----------------------|---------------------|
| REVENUE | | | | | | | | |
| Subscription sales | \$ 7,558,280 | \$ 3,047,104 | \$ - | \$ - | \$ 10,605,384 | \$ - | \$ - | \$ 10,605,384 |
| Ancillary revenue | 57,243 | 20,145 | - | - | 77,388 | - | - | 77,388 |
| Contributions in-kind | 98,911 | 18,476 | 1,537 | 300 | 119,224 | 20,161 | - | 139,385 |
| Interest and dividends (Note 2) | - | - | - | - | - | 99,798 | - | 99,798 |
| Miscellaneous income | - | - | - | 3,000 | 3,000 | 165,000 | - | 168,000 |
| Total revenue | 7,714,434 | 3,085,725 | 1,537 | 3,300 | 10,804,996 | 284,959 | - | 11,089,955 |
| EXPENSES | | | | | | | | |
| Royalty expenses | 2,376,160 | 904,823 | - | - | 3,280,983 | - | - | 3,280,983 |
| Discounts and commissions | 2,919,909 | 1,277,717 | - | - | 4,197,626 | - | - | 4,197,626 |
| Technology expenses | 514,888 | 260,936 | 92,416 | - | 868,240 | 3,832 | - | 872,072 |
| Personnel expenses (Note 7) | - | - | - | - | - | 671,991 | - | 671,991 |
| Professional contract services | 579 | 312 | 108 | - | 999 | 131,765 | - | 132,764 |
| General and administrative | 579 | 244 | - | - | 823 | 210,366 | - | 211,189 |
| Travel and meetings | - | - | - | 16,687 | 16,687 | 52,996 | - | 69,683 |
| Total expenses | 5,812,115 | 2,444,032 | 92,524 | 16,687 | 8,365,358 | 1,070,950 | - | 9,436,308 |
| Total operating surplus before other items | 1,902,319 | 641,693 | (90,987) | (13,387) | 2,439,638 | (785,991) | - | 1,653,647 |
| Surplus share | (646,392) | (246,577) | - | - | (892,969) | - | - | (892,969) |
| Foreign currency loss | - | - | - | - | - | (5,770) | - | (5,770) |
| Elementa costs, net | - | - | - | - | - | - | (1,195,380) | (1,195,380) |
| Bad debt expense | - | - | - | - | - | (36,847) | - | (36,847) |
| Investment gain (Note 2) | - | - | - | - | - | 64,957 | - | 64,957 |
| CHANGE IN NET ASSETS | \$ 1,255,927 | \$ 395,116 | \$ (90,987) | \$ (13,387) | \$ 1,546,669 | \$ (763,651) | \$ (1,195,380) | \$ (412,362) |

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

| | <u>2015</u> | <u>2014</u> |
|--|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ (370,246) | \$ (412,362) |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: | | |
| Unrealized loss (gain) | 64,648 | (64,957) |
| Bad debt expense | 4,437 | 36,847 |
| (Increase) decrease in: | | |
| Accounts receivable, net of subscription reserves | (650,293) | (331,523) |
| Prepaid expenses | 8,561 | 11,434 |
| Certificate of deposit | 7,449 | (128) |
| Increase (decrease) in: | | |
| Accounts payable | (34,359) | 17,790 |
| Accrued vacation | 9,945 | 1,173 |
| Royalty payable | 22,185 | 166,579 |
| Surplus share payable | 4,579 | 429 |
| Deferred subscription income, net of discounts and commissions | 169,990 | 195,801 |
| Deferred income - other | <u>3,829</u> | <u>10,190</u> |
| Net cash used by operating activities | <u>(759,275)</u> | <u>(368,727)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (2,202,077) | (2,469,002) |
| Proceeds from sale investments | <u>3,100,000</u> | <u>3,000,000</u> |
| Net cash provided by investing activities | <u>897,923</u> | <u>530,998</u> |
| Net increase in cash and cash equivalents | 138,648 | 162,271 |
| Cash and cash equivalents at beginning of year | <u>620,303</u> | <u>458,032</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 758,951</u> | <u>\$ 620,303</u> |

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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. BioOne 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 and environmental 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.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, BioOne maintains cash balances in excess of the FDIC insurance limits to meet its obligations. Management believes the risk in these situations to be minimal.

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 2015 and 2014 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2015 and 2014, BioOne has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

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.

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. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

Fair value measurement (continued) -

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, 2015 and 2014.

- *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, 2015 and 2014, uncollectable receivables of \$3,978 and approximately \$38,520, respectively, were charged to bad debt. In 2015, they added \$4,437 to the reserve of uncollectable receivables. In 2014, they removed \$1,673 from the reserve of uncollectable receivables.

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 Royalty Shares 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 user accesses to that content, excluding member, administrative, and machine-automated "bot" usage. Royalty expense payable at year-end represents amounts owed to participating publishers and not paid as of year-end; royalty shares for 2015 will be paid on March 31, 2016. Royalty payable at December 31, 2015 and 2014, was \$3,303,167 and \$3,280,982, respectively.

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 of \$4,241,231 and \$3,432,952 at December 31, 2015 and 2014, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

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

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.

Temporarily restricted net assets include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of BioOne and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

There were no permanently restricted net assets at December 31, 2015 and 2014.

Board designated funds -

The Board of Directors has created an Operating Reserve Fund (ORF). The general purpose of the 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 the ORF, the Board of Directors designated two 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 OA collection sustainable. The amount designated to the fund is equal to the Board approved budget for expenses relating to the OA collection. In 2013, the BioOne Board voted that new open access titles joining the OA collection would pay a per-published-page fee, with the aim that eventually the collection would be self-sustaining. As new titles are added and existing, renewing titles are transferred to this model, the Board intends for the OA collection budget, and thus the OA Sustainability Fund, to diminish over time.

The Capital Reserve Fund was established by the Board of Directors in 2010. The general purpose of the fund is to ensure that BioOne can meet the needs of its stakeholders by being able to invest in technology and infrastructure to remain competitive in the digital publishing industry. The target amount 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.

Beginning in 2012, BioOne's new journal, Elementa: Science of the Anthropocene, is being funded from the Capital Reserve Fund and, following the CRF's depletion, the Operating Reserve Fund.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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

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.

Shared expense allocations for each content collection ("BioOne.1", "BioOne.2", and "BioOne OA") are made based on each collection's annual content contribution (i.e., % of total pages contributed to the database).

For 2015 and 2014, allocations are as follows:

| | 2015 | 2014 |
|--------------------|-------------|-------------|
| BioOne. 1 | 58.75 % | 57.93 % |
| BioOne. 2 | 25.97 % | 31.22 % |
| BioOne Open Access | 15.28 % | 7.54 % |

Foreign currency translation -

The U.S. dollar ("dollars") is the functional currency for BioOne's operations worldwide. Transactions in currencies other than U.S. dollars are translated into dollars at the rates of exchange in effect during the month of the transaction.

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, 2015:

| | 2015 | | |
|---|---------------------|---------------------|---------------------|
| | Short-Term | Long-Term | Total |
| Cash | \$ - | \$ 1,118 | \$ 1,118 |
| Mutual fund - U.S. Treasury money market fund | 2,445,195 | - | 2,445,195 |
| Fixed Income Taxable Intermediate Bond Inflation Strategy | - | 927,721 | 927,721 |
| Global Fixed Income | - | 299,082 | 299,082 |
| U.S. Equity Strategic | - | 323,986 | 323,986 |
| International Equity | - | 441,529 | 441,529 |
| Emerging Market | - | 148,746 | 148,746 |
| Real Asset Securities | - | 25,869 | 25,869 |
| Dynamic Asset Allocation | - | 57,624 | 57,624 |
| | - | 935,244 | 935,244 |
| TOTAL INVESTMENTS | \$ 2,445,195 | \$ 3,160,919 | \$ 5,606,114 |

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

2. INVESTMENTS (Continued)

Investments consisted of the following at December 31, 2014:

| | 2014 | | |
|---|---------------------|---------------------|---------------------|
| | Short-Term | Long-Term | Total |
| Bonds | \$ - | \$ 3,439 | \$ 3,439 |
| Mutual Fund - U.S. Treasury money market fund | 3,394,859 | - | 3,394,859 |
| Fixed Income Taxable Intermediate | - | 925,113 | 925,113 |
| Bond Inflation Strategy | - | 302,616 | 302,616 |
| Global Fixed Income | - | 321,865 | 321,865 |
| U.S. Equity Strategic | - | 444,161 | 444,161 |
| International Equity | - | 144,324 | 144,324 |
| Emerging Market | - | 29,900 | 29,900 |
| Real Asset Securities | - | 53,351 | 53,351 |
| Dynamic Asset Allocation | - | 949,057 | 949,057 |
| TOTAL INVESTMENTS | \$ 3,394,859 | \$ 3,173,826 | \$ 6,568,685 |

Included in investment (loss) income are the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|---------------------------------------|-------------------|-------------------|
| Interest and dividends | \$ 57,893 | \$ 99,798 |
| Unrealized (loss) gain | (64,648) | 64,957 |
| TOTAL INVESTMENT (LOSS) INCOME | \$ (6,755) | \$ 164,755 |

3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense for the years ended December 31, 2015 and 2014 totaled \$17,872 and \$16,443, 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, 2015 and 2014, the balance of the letter was \$17,565 and \$25,014, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2015 and 2014:

| | 2015 | 2014 |
|----------|------------------|-------------|
| Elementa | \$ 25,000 | \$ - |

6. RETIREMENT PLAN

BioOne provides retirement benefits to its employees through a defined contribution plan covering all full-time, permanent employees. BioOne contributes 15% percent of gross wages.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

6. RETIREMENT PLAN (Continued)

Contributions to the plan during the years ended December 31, 2015 and 2014 were \$114,132 and \$89,804, respectively.

7. ELEMENTA

In 2012, BioOne started development of a new online publishing program: Elementa: Science of the Anthropocene (Elementa). Launched in December 2013, Elementa is the product of BioOne's collaboration with five university partners.

As Elementa's founder, BioOne provides the capital funding, project leadership, marketing and overall project coordination. The Dartmouth College Library is playing a unique role in this partnership, hosting the programming and production staff that maintain and develop the Elementa publishing infrastructure. The other founding university affiliates—the Georgia Institute of Technology, the University of Colorado Boulder, the University of Michigan, and the University of Washington—contribute to Elementa's success as centers for the six knowledge domains that currently comprise the journal. This collaboration ensures that BioOne keeps its focus on the publication of timely, high-quality research, to advance the intellectual agenda of science. Net costs for development in 2015 and 2014 were \$987,273 and \$1,195,380, respectively.

Revenues and expenses were broken out as follows:

| | <u>2015</u> | <u>2014</u> |
|--------------------------------|----------------------------|------------------------------|
| Revenue: | | |
| Contributions in-kind | \$ 3,849 | \$ 4,505 |
| Article processing fee | 69,350 | 19,500 |
| Donations | 120,000 | - |
| Other income | <u>65</u> | <u>-</u> |
| Total revenue | <u>193,264</u> | <u>24,005</u> |
| Expenses: | | |
| Foreign currency loss | - | 29 |
| Discounts and commissions | 37,597 | 7,897 |
| Technology expenses | 35,857 | 32,023 |
| Personnel expenses | 166,200 | 159,908 |
| Professional contract services | 774,306 | 810,920 |
| General and administrative | 137,732 | 154,659 |
| Bad debt expense | 3,978 | - |
| Travel and meetings | <u>24,867</u> | <u>53,949</u> |
| Total expenses | <u>1,180,537</u> | <u>1,219,385</u> |
| ELEMENTA COSTS, NET | <u>\$ (987,273)</u> | <u>\$ (1,195,380)</u> |

8. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through May 9, 2016, the date the financial statements were issued.