

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015, 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, 2016 and 2015, 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 30, 2017

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BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 463,102	\$ 758,951
Investments, short-term	2,647,192	2,445,195
Accounts receivable, net in the amounts of \$4,394 and \$4,947 at December 31, 2016 and 2015, respectively	4,034,104	3,858,869
Prepaid expenses	<u>62,183</u>	<u>27,180</u>
Total current assets	<u>7,206,581</u>	<u>7,090,195</u>
OTHER ASSETS		
Certificate of deposit	15,616	17,565
Investments, long-term	3,325,545	3,160,919
Trademark	<u>-</u>	<u>19,720</u>
Total other assets	<u>3,341,161</u>	<u>3,198,204</u>
TOTAL ASSETS	<u>\$ 10,547,742</u>	<u>\$ 10,288,399</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 254,707	\$ 369,807
Accrued vacation	77,271	71,582
Royalty payable	3,372,984	3,303,167
Surplus share payable	943,012	897,548
Deferred subscription income, net	5,144,429	5,086,566
Deferred income - other	<u>-</u>	<u>14,019</u>
Total current liabilities	<u>9,792,403</u>	<u>9,742,689</u>
NET ASSETS - UNRESTRICTED		
Board Designated:		
Operating Reserve Fund	755,339	485,563
OA Sustainability Fund	<u>-</u>	<u>35,147</u>
Total net assets - unrestricted	755,339	520,710
NET ASSETS - TEMPORARILY RESTRICTED		
Temporarily restricted	<u>-</u>	<u>25,000</u>
Total net assets	<u>755,339</u>	<u>545,710</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,547,742</u>	<u>\$ 10,288,399</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Unrestricted</u>	
	<u>2016</u>	<u>2015</u>
REVENUE		
Subscription sales	\$ 11,583,287	\$ 10,606,418
Ancillary revenue	44,947	43,872
Contributions in-kind	110,962	119,434
Interest and dividends	83,938	57,893
Miscellaneous income	<u>179,469</u>	<u>187,708</u>
Total revenue	<u>12,002,603</u>	<u>11,015,325</u>
EXPENSES		
Program Services:		
BioOne.1	5,918,469	5,751,568
BioOne.2	3,207,328	2,409,052
BioOne Open Access	57,682	119,422
Education	<u>-</u>	<u>13,412</u>
Total program services	<u>9,183,479</u>	<u>8,293,454</u>
Management and General	<u>1,104,558</u>	<u>1,119,107</u>
Total expenses	<u>10,288,037</u>	<u>9,412,561</u>
Total operating surplus before other items	<u>1,714,566</u>	<u>1,602,764</u>
Surplus share	(943,012)	(897,548)
Foreign currency loss	(6,929)	(19,104)
Elementa costs, net	(634,797)	(987,273)
Bad debt expense	(8,697)	(4,437)
Investment gain (loss)	<u>88,498</u>	<u>(64,648)</u>
Changes in net assets	209,629	(370,246)
Net assets at beginning of year	<u>545,710</u>	<u>915,956</u>
NET ASSETS AT END OF YEAR	<u>\$ 755,339</u>	<u>\$ 545,710</u>

BIOONE

**STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services				Total Program Services	Management and General	Elementa (Note 7)	Total
	BioOne.1	BioOne.2	BioOne Open Access	Education				
REVENUE								
Subscription sales	\$ 7,687,270	\$ 3,896,017	\$ -	\$ -	\$ 11,583,287	\$ -	\$ -	\$ 11,583,287
Ancillary revenue	31,920	13,027	-	-	44,947	-	-	44,947
Contributions in-kind	85,911	15,221	2,064	-	103,196	7,766	52,039	163,001
Interest and dividends (Note 2)	-	-	-	-	-	83,938	-	83,938
Article processing fee	-	-	-	-	-	-	80,253	80,253
Contributions	-	-	-	-	-	-	32,500	32,500
Gain on sale of trademark	-	-	-	-	-	-	180,280	180,280
Miscellaneous income	-	-	14,344	-	14,344	165,125	-	179,469
Total revenue	7,805,101	3,924,265	16,408	-	11,745,774	256,829	345,072	12,347,675
EXPENSES								
Royalty expenses	2,357,265	1,015,719	-	-	3,372,984	-	-	3,372,984
Discounts and commissions	3,035,492	1,889,950	-	-	4,925,442	-	38,884	4,964,326
Technology expenses	521,138	300,931	57,589	-	879,658	5,634	23,942	909,234
Personnel expenses (Note 7)	-	-	-	-	-	725,412	172,146	897,558
Professional contract services	-	-	-	-	-	104,451	672,989	777,440
General and administrative	4,574	728	93	-	5,395	233,503	64,787	303,685
Travel and meetings	-	-	-	-	-	35,558	7,121	42,679
Total expenses	5,918,469	3,207,328	57,682	-	9,183,479	1,104,558	979,869	11,267,906
Total operating surplus before other items	1,886,632	716,937	(41,274)	-	2,562,295	(847,729)	(634,797)	1,079,769
Surplus share	(658,874)	(284,138)	-	-	(943,012)	-	-	(943,012)
Foreign currency loss	-	-	-	-	-	(6,929)	-	(6,929)
Bad debt expense	-	-	-	-	-	(8,697)	-	(8,697)
Investment gain (Note 2)	-	-	-	-	-	88,498	-	88,498
CHANGE IN NET ASSETS	\$ 1,227,758	\$ 432,799	\$ (41,274)	\$ -	\$ 1,619,283	\$ (774,857)	\$ (634,797)	\$ 209,629

See accompanying notes to financial statements.

BIOONE

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

	Program Services				Total Program Services	Management and General	Elementa (Note 7)	Total
	BioOne.1	BioOne.2	BioOne Open Access	Education				
REVENUE								
Subscription sales	\$7,518,191	\$3,088,227	\$ -	\$ -	\$10,606,418	\$ -	\$ -	\$ 10,606,418
Ancillary revenue	29,997	13,027	-	-	43,024	-	-	43,024
Contributions in-kind	90,870	15,221	1,555	-	107,646	9,633	-	117,279
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	3,116,475	16,405	4,500	10,776,438	235,884	-	11,012,322
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	707,423	(103,017)	(8,912)	2,482,984	(883,223)	-	1,599,761
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	\$ 451,699	\$ (103,017)	\$ (8,912)	\$ 1,585,436	\$ (971,412)	\$ (987,273)	\$ (373,249)

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 209,629	\$ (370,246)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Unrealized (gain) loss	(88,498)	64,648
Bad debt expense	8,697	4,437
(Increase) decrease in:		
Accounts receivable, net	(183,932)	(650,293)
Prepaid expenses	(35,003)	8,561
Trademark	19,720	-
Increase (decrease) in:		
Accounts payable	(115,100)	(34,359)
Accrued vacation	5,689	9,945
Royalty payable	69,817	22,185
Surplus share payable	45,464	4,579
Deferred subscription income, net	57,863	169,990
Deferred (loss) income - other	(14,019)	3,829
Net cash used by operating activities	(19,673)	(766,724)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,878,125)	(2,194,628)
Proceeds from sale investments	1,601,949	3,100,000
Net cash (used) provided by investing activities	(276,176)	905,372
Net (decrease) increase in cash and cash equivalents	(295,849)	138,648
Cash and cash equivalents at beginning of year	758,951	620,303
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 463,102	\$ 758,951

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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, and excluding money market funds held by investment managers in the amounts of \$7,368 and \$1,118 for the years ended December 31, 2016 and 2015.

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 2016 and 2015 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2016 and 2015, 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, 2016 AND 2015

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, 2016 AND 2015

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, 2016 and 2015.

- *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 from subscriptions are charged to bad debt expense on a quarterly basis. For the years ended December 31, 2016 and 2015, allowance for doubtful accounts were \$4,394 and approximately \$4,947, respectively.

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 2016 will be paid on March 31, 2017. Royalty payable at December 31, 2016 and 2015, was \$3,372,984 and \$3,303,167, 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 \$5,144,429 and \$4,241,231 at December 31, 2016 and 2015, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

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, 2016 and 2015.

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. In 2012, BioOne's new journal, *Elementa: Science of the Anthropocene*, was funded from the Capital Reserve Fund and following the CRF's depletion, the Operating Reserve Fund. In 2016, *Elementa* was sold.

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.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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

Subscription and ancillary revenues (continued) -

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.

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.

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 2016 and 2015, allocations are as follows:

	2016	2015
BioOne. 1	57.78 %	58.75 %
BioOne. 2	35.49 %	25.97 %
BioOne Open Access	6.73 %	15.28 %

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. At December 31, 2016, per their investment strategy, investments consisted of the following:

	2016		
	Short-Term	Long-Term	Total
Cash	\$ -	\$ 7,368	\$ 7,368
Mutual Fund - U.S. Treasury Money Market Fund	2,647,192	-	2,647,192
Fixed Income Taxable Intermediate	-	965,861	965,861
Bond Inflation Strategy	-	318,355	318,355
Global Fixed Income	-	342,685	342,685
U.S. Equity Strategic	-	473,557	473,557
International Equity	-	146,637	146,637
Emerging Market	-	28,564	28,564
Real Asset Securities	-	66,664	66,664
Dynamic Asset Allocation	-	975,854	975,854
TOTAL INVESTMENTS	\$ 2,647,192	\$ 3,325,545	\$ 5,972,737

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

2. INVESTMENTS (Continued)

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	<u>\$ 2,445,195</u>	<u>\$ 3,160,919</u>	<u>\$ 5,606,114</u>

Included in investment income (loss) are the following at December 31, 2016 and 2015:

	2016	2015
Interest and dividends	\$ 83,938	\$ 57,893
Unrealized gain (loss)	<u>88,498</u>	<u>(64,648)</u>
TOTAL INVESTMENT INCOME (LOSS)	<u>\$ 172,436</u>	<u>\$ (6,755)</u>

3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense for the years ended December 31, 2016 and 2015 totaled \$18,264 and \$17,872, respectively.

4. LETTER OF CREDIT

BioOne was required by the Government of Brazil to obtain a letter of guarantee for its subscription through CAPES. BioOne purchased a certificate of deposit in lieu of the letter of credit. As of December 31, 2016 and 2015, the balance of the letter was \$15,616 and \$17,565, respectively.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2016 and 2015:

	2016	2015
Elementa	<u>\$ -</u>	<u>\$ 25,000</u>

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, 2016 AND 2015**

6. RETIREMENT PLAN (Continued)

Contributions to the plan during the years ended December 31, 2016 and 2015 were \$101,721 and \$114,132, 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 was the product of BioOne's collaboration with five university partners.

In August 2016, BioOne signed an asset purchase agreement with University of California Press for the sale of the Elementa trademark. In the document, the assignment and bill of sale were effective January 1, 2017.

Net costs for development in 2016 and 2015 were \$634,797 and \$987,273, respectively.

Revenues and expenses were broken out as follows:

	2016	2015
Revenue:		
Contributions in-kind	\$ 52,039	\$ 3,849
Article processing fee	80,253	69,350
Donations	32,500	120,000
Other income	180,280	65
Total revenue	345,072	193,264
Expenses:		
Discounts and commissions	38,884	37,597
Technology expenses	23,942	35,857
Personnel expenses	172,146	166,200
Professional contract services	672,989	774,306
General and administrative	64,787	137,732
Bad debt expense	-	3,978
Travel and meetings	7,121	24,867
Total expenses	979,869	1,180,537
ELEMENTA COSTS, NET	\$ (634,797)	\$ (987,273)

8. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through May 30, 2017, the date the financial statements were issued.