

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2017 AND 2016**

BIOONE

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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, 2017 and 2016, 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, 2017 and 2016, 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 17, 2018

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

BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 129,684	\$ 463,102
Investments, short-term	3,058,749	2,647,192
Accounts receivable, net of allowance for doubtful accounts in the amounts of \$4,489 and \$4,394 at December 31, 2017 and 2016, respectively	4,386,984	4,034,104
Prepaid expenses	<u>42,191</u>	<u>62,183</u>
Total current assets	<u>7,617,608</u>	<u>7,206,581</u>
OTHER ASSETS		
Certificate of deposit	15,616	15,616
Investments, long-term	3,618,978	3,325,545
Intangible asset	<u>166,666</u>	<u>0</u>
Total other assets	<u>3,801,260</u>	<u>3,341,161</u>
TOTAL ASSETS	<u>\$ 11,418,868</u>	<u>\$ 10,547,742</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 163,256	\$ 254,707
Accrued vacation	55,028	77,271
Royalty payable	3,412,944	3,372,984
Surplus share payable	945,561	943,012
Deferred subscription income, net	<u>5,287,648</u>	<u>5,144,429</u>
Total current liabilities	<u>9,864,437</u>	<u>9,792,403</u>
NET ASSETS - UNRESTRICTED		
Board Designated:		
Operating Reserve Fund	1,182,306	755,339
Capital Reserve Fund	<u>372,125</u>	<u>0</u>
Total net assets	<u>1,554,431</u>	<u>755,339</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,418,868</u>	<u>\$ 10,547,742</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>Unrestricted</u>	
	<u>2017</u>	<u>2016</u>
REVENUE		
Subscription sales	\$ 11,742,066	\$ 11,583,287
Publication stipend	180,000	0
Contributions in-kind	90,476	110,962
Interest and dividends	86,504	83,938
Ancillary revenue	37,589	44,947
Open Access income	25,940	0
Miscellaneous income	<u>221</u>	<u>179,469</u>
Total revenue	<u>12,162,796</u>	<u>12,002,603</u>
EXPENSES		
Program Services:		
BioOne.1	5,943,551	5,918,469
BioOne.2	3,340,602	3,207,328
BioOne Open Access	27,666	57,682
Career Center	<u>30</u>	<u>0</u>
Total program services	<u>9,311,849</u>	<u>9,183,479</u>
Management and General	<u>1,325,848</u>	<u>1,104,558</u>
Total expenses	<u>10,637,697</u>	<u>10,288,037</u>
Total operating surplus before other items	<u>1,525,099</u>	<u>1,714,566</u>
OTHER ITEMS		
Surplus share	(945,561)	(943,012)
Foreign currency gain (loss)	804	(6,929)
Elementa costs, net	0	(634,797)
Bad debt expense	(6,052)	(8,697)
Unrealized gain on investments	<u>224,802</u>	<u>88,498</u>
Total other items	<u>(726,007)</u>	<u>(1,504,937)</u>
Changes in net assets	799,092	209,629
Net assets at beginning of year	<u>755,339</u>	<u>545,710</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,554,431</u>	<u>\$ 755,339</u>

BIOONE

STATEMENT OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services				Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center			
REVENUE							
Subscription sales	\$7,709,221	\$4,032,845	\$0	\$0	\$11,742,066	\$0	\$11,742,066
Ancillary revenue	27,803	9,786	0	0	37,589	0	37,589
Contributions in-kind	69,259	15,905	1,917	0	87,081	3,395	90,476
Open Access income	0	0	25,940	0	25,940	0	25,940
Interest and dividends	0	0	0	0	0	86,504	86,504
Miscellaneous income	0	0	0	0	0	221	221
Publishing stipend	0	0	0	0	0	180,000	180,000
Total revenue	7,806,283	4,058,536	27,857	0	11,892,676	270,120	12,162,796
EXPENSES							
Royalty expenses	2,367,957	1,044,986	0	0	3,412,943	0	3,412,943
Discounts and commissions	3,027,938	1,961,964	0	0	4,989,902	0	4,989,902
Technology expenses	547,169	333,413	27,646	0	908,228	9,680	917,908
Personnel expenses	0	0	0	0	0	867,710	867,710
Professional contract services	0	0	0	0	0	147,236	147,236
General and administrative	487	239	20	30	776	255,541	256,317
Travel and meetings	0	0	0	0	0	45,681	45,681
Total expenses	5,943,551	3,340,602	27,666	30	9,311,849	1,325,848	10,637,697
Total operating surplus before other items	1,862,732	717,934	191	(30)	2,580,827	(1,055,728)	1,525,099
Surplus share	(655,558)	(290,003)	0	0	(945,561)	0	(945,561)
Foreign currency gain	0	0	0	0	0	804	804
Bad debt expense	0	0	0	0	0	(6,052)	(6,052)
Unrealized gain on investments	0	0	0	0	0	224,802	224,802
CHANGE IN NET ASSETS	\$1,207,174	\$427,931	\$191	(\$30)	\$1,635,266	(\$836,174)	\$799,092

See accompanying notes to financial statements.

BIOONE

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

	Program Services				Total Program Services	Management and General	Elementa	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center				
REVENUE								
Subscription sales	\$7,687,270	\$3,896,017	\$0	\$0	\$11,583,287	\$0	\$0	\$11,583,287
Ancillary revenue	31,920	13,027	0	0	44,947	0	0	44,947
Contributions in-kind	85,911	15,221	2,064	0	103,196	7,766	52,039	163,001
Interest and dividends	0	0	0	0	0	83,938	0	83,938
Article processing fee	0	0	0	0	0	0	80,253	80,253
Contributions	0	0	0	0	0	0	32,500	32,500
Gain on sale of trademark	0	0	0	0	0	0	180,280	180,280
Miscellaneous income	0	0	14,344	0	14,344	165,125	0	179,469
Total revenue	7,805,101	3,924,265	16,408	0	11,745,774	256,829	345,072	12,347,675
EXPENSES								
Royalty expenses	2,357,265	1,015,719	0	0	3,372,984	0	0	3,372,984
Discounts and commissions	3,035,492	1,889,950	0	0	4,925,442	0	38,884	4,964,326
Technology expenses	521,138	300,931	57,589	0	879,658	5,634	23,942	909,234
Personnel expenses	0	0	0	0	0	725,412	172,146	897,558
Professional contract services	0	0	0	0	0	104,451	672,989	777,440
General and administrative	4,574	728	93	0	5,395	233,503	64,787	303,685
Travel and meetings	0	0	0	0	0	35,558	7,121	42,679
Total expenses	5,918,469	3,207,328	57,682	0	9,183,479	1,104,558	979,869	11,267,906
Total operating surplus before other items	1,886,632	716,937	(41,274)	0	2,562,295	(847,729)	(634,797)	1,079,769
Surplus share	(658,874)	(284,138)	0	0	(943,012)	0	0	(943,012)
Foreign currency loss	0	0	0	0	0	(6,929)	0	(6,929)
Bad debt expense	0	0	0	0	0	(8,697)	0	(8,697)
Unrealized gain on investments	0	0	0	0	0	88,498	0	88,498
CHANGE IN NET ASSETS	\$1,227,758	\$432,799	(\$41,274)	\$0	\$1,619,283	(\$774,857)	(\$634,797)	\$209,629

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 799,092	\$ 209,629
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Unrealized gain	(224,802)	(88,498)
Bad debt expense	6,052	8,697
(Increase) decrease in:		
Accounts receivable, net	(358,932)	(183,932)
Prepaid expenses	19,992	(35,003)
Trademark	0	19,720
Intangible asset	(166,666)	0
(Decrease) increase in:		
Accounts payable	(91,451)	(115,100)
Accrued vacation	(22,243)	5,689
Royalty payable	39,960	69,817
Surplus share payable	2,549	45,464
Deferred subscription income, net	143,219	57,863
Deferred income (loss) - other	<u>0</u>	<u>(14,019)</u>
Net cash provided (used) by operating activities	<u>146,770</u>	<u>(19,673)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(480,188)	(1,878,125)
Proceeds from sale investments	<u>0</u>	<u>1,601,949</u>
Net cash used by investing activities	<u>(480,188)</u>	<u>(276,176)</u>
Net decrease in cash and cash equivalents	(333,418)	(295,849)
Cash and cash equivalents at beginning of year	<u>463,102</u>	<u>758,951</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 129,684</u>	<u>\$ 463,102</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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 \$2,073 and \$7,368 for the years ended December 31, 2017 and 2016, respectively.

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 that benefit BioOne.1, BioOne.2 and BioOne Open Access. 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 2017 and 2016 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, 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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

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.

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

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, 2017 and 2016, allowance for doubtful accounts were \$4,489 and approximately \$4,394, 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 2017 will be paid on March 31, 2018. Royalty payable at December 31, 2017 and 2016, was \$3,412,944 and \$3,372,984, 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 \$5,287,648 and \$5,144,429 at December 31, 2017 and 2016, respectively.

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Net asset classification (continued) -

There were no temporarily or permanently restricted net assets at December 31, 2017 and 2016.

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 the Capital Reserve Fund 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 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.

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.

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).

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

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

Functional allocation of expenses (continued) -

For the years ended December 31, 2017 and 2016, allocations are as follows:

	<u>2017</u>	<u>2016</u>
BioOne. 1	59.53 %	57.78 %
BioOne. 2	37.58 %	35.49 %
BioOne Open Access	2.89 %	6.73 %

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of BioOne's financial statements, it is not expected to alter BioOne's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. BioOne has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

BioOne plans to adopt the new ASUs at the respective required implementation dates.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

2. INVESTMENTS

Investments are carried at fair value and are all classified in accordance with FASB ASC 820 as Level 1.

At December 31, 2017, per BioOne's investment strategy, investments consisted of the following:

	2017		
	Short-Term	Long-Term	Total
Cash	\$ 32	\$ 2,041	\$ 2,073
Mutual Fund - U.S. Treasury Money Market Fund	3,058,717	0	3,058,717
Fixed Income Taxable Intermediate Bond Inflation Strategy	0	1,002,338	1,002,338
Global Fixed Income	0	353,364	353,364
U.S. Equity Strategic	0	571,921	571,921
International Equity	0	185,501	185,501
Emerging Market	0	37,980	37,980
Real Asset Securities	0	74,161	74,161
Dynamic Asset Allocation	<u>0</u>	<u>1,064,107</u>	<u>1,064,107</u>
TOTAL INVESTMENTS	<u>\$ 3,058,749</u>	<u>\$ 3,618,978</u>	<u>\$ 6,677,727</u>

Investments consisted of the following at December 31, 2016:

	2016		
	Short-Term	Long-Term	Total
Cash	\$ 0	\$ 7,368	\$ 7,368
Mutual Fund - U.S. Treasury Money Market Fund	2,647,192	0	2,647,192
Fixed Income Taxable Intermediate Bond Inflation Strategy	0	965,861	965,861
Global Fixed Income	0	318,355	318,355
U.S. Equity Strategic	0	342,685	342,685
International Equity	0	473,557	473,557
Emerging Market	0	146,637	146,637
Real Asset Securities	0	28,564	28,564
Dynamic Asset Allocation	<u>0</u>	<u>66,664</u>	<u>66,664</u>
TOTAL INVESTMENTS	<u>\$ 2,647,192</u>	<u>\$ 3,325,545</u>	<u>\$ 5,972,737</u>

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2017 and 2016.

- *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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

2. INVESTMENTS (Continued)

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.

Included in investment income are the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 86,504	\$ 83,938
Unrealized gain	<u>224,802</u>	<u>88,498</u>
TOTAL INVESTMENT INCOME	<u>\$ 311,306</u>	<u>\$ 172,436</u>

3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense for the years ended December 31, 2017 and 2016 totaled \$19,738 and \$18,264, 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 to secure the letter of credit. As of December 31, 2017 and 2016, the balance of the letter was \$15,616 and \$15,616, respectively.

5. 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.

Contributions to the Plan during the years ended December 31, 2017 and 2016 were \$94,486 and \$101,721, respectively.

6. 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.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

6. ELEMENTA (Continued)

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.

There were no revenues or costs associated with Elementa for year ended December 31, 2017. Net costs for development in December 31, 2016 were \$634,797.

Revenues and expenses were broken out as follows:

	<u>2017</u>	<u>2016</u>
Revenue:		
Contributions in-kind	\$ 0	\$ 52,039
Article processing fee	0	80,253
Donations	0	32,500
Other income	<u>0</u>	<u>180,280</u>
Total revenue	<u>0</u>	<u>345,072</u>
Expenses:		
Discounts and commissions	0	38,884
Technology expenses	0	23,942
Personnel expenses	0	172,146
Professional contract services	0	672,989
General and administrative	0	64,787
Travel and meetings	<u>0</u>	<u>7,121</u>
Total expenses	<u>0</u>	<u>979,869</u>
ELEMENTA COSTS, NET	<u>\$ 0</u>	<u>\$ (634,797)</u>

7. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through May 17, 2018, the date the financial statements were issued.