

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Functional Activities on pages 17 - 18 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

May 6, 2019

BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 269,311	\$ 129,684
Investments, short-term	3,444,249	3,058,749
Accounts receivable, net of allowance for doubtful accounts in the amounts of \$6,051 and \$4,489 at December 31, 2018 and 2017, respectively	4,272,352	4,386,984
Prepaid expenses	<u>34,636</u>	<u>42,191</u>
Total current assets	<u>8,020,548</u>	<u>7,617,608</u>
OTHER ASSETS		
Certificate of deposit	15,616	15,616
Investments, long-term	3,447,880	3,618,978
Intangible asset	<u>490,400</u>	<u>166,666</u>
Total other assets	<u>3,953,896</u>	<u>3,801,260</u>
TOTAL ASSETS	<u>\$ 11,974,444</u>	<u>\$ 11,418,868</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 164,041	\$ 163,256
Accrued vacation	76,143	55,028
Royalty payable	3,566,194	3,412,944
Surplus share payable	938,063	945,561
Deferred subscription income, net	<u>5,196,658</u>	<u>5,287,648</u>
Total current liabilities	<u>9,941,099</u>	<u>9,864,437</u>
NET ASSETS		
Board designated:		
Operating Reserve Fund	1,182,306	1,182,306
Capital Reserve Fund	<u>851,039</u>	<u>372,125</u>
Total net assets	<u>2,033,345</u>	<u>1,554,431</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,974,444</u>	<u>\$ 11,418,868</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>Without Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
REVENUE		
Subscription sales	\$ 11,856,697	\$ 11,742,066
Publication stipend	180,000	180,000
Contributions in-kind	90,066	90,476
Interest and dividends, net	121,289	80,480
Ancillary revenue	26,486	37,589
Open Access income	43,487	25,940
Career Center	635	-
Miscellaneous income	<u>6,134</u>	<u>221</u>
Total revenue	<u>12,324,794</u>	<u>12,156,772</u>
EXPENSES		
Program Services:		
BioOne.1	5,798,980	5,943,551
BioOne.2	3,407,367	3,340,602
BioOne Open Access	54,196	27,666
Career Center	11,672	30
Education	<u>5,000</u>	<u>-</u>
Total program services	<u>9,277,215</u>	<u>9,311,849</u>
Management and General	<u>1,372,468</u>	<u>1,319,824</u>
Total expenses	<u>10,649,683</u>	<u>10,631,673</u>
Total operating surplus before other items	<u>1,675,111</u>	<u>1,525,099</u>
OTHER ITEMS		
Surplus share	(938,063)	(945,561)
Foreign currency gain	5,420	804
Unrelated business income tax	(445)	-
Bad debt expense	(6,222)	(6,052)
Unrealized (loss) gain on investments	<u>(256,887)</u>	<u>224,802</u>
Total other items	<u>(1,196,197)</u>	<u>(726,007)</u>
Changes in net assets	478,914	799,092
Net assets at beginning of year	<u>1,554,431</u>	<u>755,339</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,033,345</u>	<u>\$ 1,554,431</u>

BIOONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services					Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
Royalty expenses	\$ 2,445,104	\$ 1,121,090	\$ -	\$ -	\$ -	\$ 3,566,194	\$ -	\$ 3,566,194
Discounts and commissions	2,888,802	1,888,477	-	-	-	4,777,279	-	4,777,279
Technology expenses	462,489	395,455	53,951	5,000	-	916,895	1,093	917,988
Personnel expenses	-	-	-	-	-	-	906,752	906,752
Professional contract services	-	-	-	154	-	154	123,799	123,953
General and administrative	2,585	2,345	245	6,518	-	11,693	270,687	282,380
Travel and meetings	-	-	-	-	5,000	5,000	70,137	75,137
TOTAL	\$ 5,798,980	\$ 3,407,367	\$ 54,196	\$ 11,672	\$ 5,000	\$ 9,277,215	\$ 1,372,468	\$ 10,649,683

See accompanying notes to financial statements.

BIOONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services						Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Total Program Services	Management and General	
Royalty expenses	\$ 2,367,957	\$ 1,044,986	\$ -	\$ -	\$ 3,412,943	\$ -	\$ 3,412,943
Discounts and commissions	3,027,938	1,961,964	-	-	4,989,902	-	4,989,902
Technology expenses	547,169	333,413	27,646	-	908,228	9,680	917,908
Personnel expenses	-	-	-	-	-	867,710	867,710
Professional contract services	-	-	-	-	-	147,236	147,236
General and administrative	487	239	20	30	776	249,517	250,293
Travel and meetings	-	-	-	-	-	45,681	45,681
TOTAL	\$ 5,943,551	\$ 3,340,602	\$ 27,666	\$ 30	\$ 9,311,849	\$ 1,319,824	\$ 10,631,673

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 478,914	\$ 799,092
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss (gain)	256,887	(224,802)
Bad debt expense	6,222	6,052
Decrease (increase) in:		
Accounts receivable, net	108,410	(358,932)
Prepaid expenses	7,555	19,992
Intangible asset	(323,734)	(166,666)
Increase (decrease) in:		
Accounts payable	785	(91,451)
Accrued vacation	21,115	(22,243)
Royalty payable	153,250	39,960
Surplus share payable	(7,498)	2,549
Deferred subscription income, net	<u>(90,990)</u>	<u>143,219</u>
Net cash provided by operating activities	<u>610,916</u>	<u>146,770</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(471,289)</u>	<u>(480,188)</u>
Net cash used by investing activities	<u>(471,289)</u>	<u>(480,188)</u>
Net increase (decrease) in cash and cash equivalents	139,627	(333,418)
Cash and cash equivalents at beginning of year	<u>129,684</u>	<u>463,102</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 269,311</u></u>	<u><u>\$ 129,684</u></u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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 the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

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 \$6,301 and \$2,041 for the years ended December 31, 2018 and 2017, 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.

Investments -

Investments are recorded at their fair value in the accompanying Statements of Financial Position. Interest and dividends are shown net of investment expenses provided by external investment managers and allocated internal management costs. Realized and unrealized gains and losses are included in investment (loss) gain 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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, allowance for doubtful accounts were \$6,051 and \$4,489, respectively.

Intangible asset -

BioOne developed an on-line platform to host their digital subscriptions. Costs incurred “to develop or obtain software that allows for access to or conversion of old data by new systems” have been capitalized.

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.

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.

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.

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, 2018 AND 2017

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

Subscription and ancillary revenues (continued) -

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 \$5,196,658 and \$5,287,648 at December 31, 2018 and 2017, respectively.

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.

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 2018 will be paid on March 31, 2019. Royalty payable at December 31, 2018 and 2017, was \$3,566,194 and \$3,412,944, respectively.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets maybe subject to donor-imposed stipulations that are more restrictive than BioOne mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions at December 31, 2018 and 2017.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 the years ended December 31, 2018 and 2017, allocations are as follows:

	<u>2018</u>	<u>2017</u>
BioOne. 1	49.95 %	59.53 %
BioOne. 2	45.31 %	37.58 %
BioOne Open Access	4.74 %	2.89 %

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.

Income tax status -

BioOne is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Beginning January 1, 2018, it is subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees. The amount of the tax for the year ended December 31, 2018 totaled \$445, and is reflected under unrelated business income tax in the statement of functional activities. Accordingly, no provision for income taxes has been made in the accompanying 2017 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2018 and 2017, 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.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of Accounting Standards Update 2016-14.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

Reclassification (continued) -

Investment fees were reclassified from the expenses on the Statement of Activities to net against investment income.

New accounting pronouncements (not yet adopted) -

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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. BioOne has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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.

2. INVESTMENTS

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, 2018 AND 2017**

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.

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, 2018 and 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *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.

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

At December 31, 2018 and 2017, per BioOne's investment strategy, investments consisted of the following:

	2018	2017
Short term:		
Cash	\$ -	\$ 32
Mutual Fund:		
U.S. Treasury Money Market Fund	3,444,249	3,058,717
Total short term	3,444,249	3,058,749
Long term:		
Cash	6,301	2,041
Mutual funds:		
Fixed Income Taxable Intermediate	571,128	1,002,338
Bond Inflation Strategy	393,915	327,565
Global Fixed Income	573,483	353,364
U.S. Equity Strategic	546,690	571,921
International Equity	221,164	185,501
Emerging Market	27,445	37,980
Real Asset Securities	87,259	74,161
Dynamic Asset Allocation	1,020,495	1,064,107
Total long term	3,447,880	3,618,978
TOTAL INVESTMENTS	\$ 6,892,129	\$ 6,677,727

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

2. INVESTMENTS (Continued)

Included in investment (loss) income are the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 129,512	\$ 86,504
Management fees	<u>(8,223)</u>	<u>(6,024)</u>
Investment income, net	121,289	80,480
Unrealized (loss) gain	<u>(256,887)</u>	<u>224,802</u>
TOTAL INVESTMENT (LOSS) INCOME	<u>\$ (135,598)</u>	<u>\$ 305,282</u>

3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense, included in general and administrative on the Statement of Functional Activities for the years ended December 31, 2018 and 2017 totaled \$19,279 and \$19,738, respectively.

4. LETTER OF CREDIT

BioOne was required by the Government of Brazil to obtain a letter of credit for its subscription through CAPES. BioOne purchased a certificate of deposit in the amount \$18,545 to secure the letter of credit. As of December 31, 2018 and 2017, the balance of the letter was \$15,616. This asset is carried at fair value and is classified in accordance with FASB ASC 820 as Level 2.

5. BOARD DESIGNATED NET ASSETS

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 Capital Reserve Fund 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 Operating Reserve Fund and the Capital Reserve Fund include: realized earnings on investments, other income received not related to subscription sales and other sources that the Finance Committee may deem appropriate. The Operating Reserve Fund was completed for six months in 2017; its balance at December 31, 2018 and 2017 was \$1,182,306 and \$1,182,306, respectively. The balance of the capital reserve fund at December 31, 2018 and 2017 was \$851,039 and \$372,125, respectively.

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, 2018 AND 2017**

6. RETIREMENT PLAN (Continued)

Contributions to the Plan during the years ended December 31, 2018 and 2017 were \$102,359 and \$94,486, respectively. These are included in personnel expenses on the Statements of Functional Activities and Changes in Net Assets.

7. LIQUIDITY

Financial assets available for use within one year of the Statements of Financial Position, comprise the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 269,311	\$ 129,684
Investments	6,892,129	6,677,727
Accounts receivable, net of allowance for doubtful accounts	4,272,352	4,386,984
Less: Board designated financial assets	<u>(2,033,345)</u>	<u>(1,554,431)</u>
TOTAL FINANCIAL ASSETS AVAILABLE FOR USE FOR GENERAL PURPOSES WITHIN ONE YEAR	<u>\$ 9,400,447</u>	<u>\$ 9,639,964</u>

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 (see Note 5.)

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 (see Note 5.)

8. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through May 6, 2019, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

BIOONE

**SCHEDULE OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services					Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
REVENUE								
Subscription sales	\$ 7,737,476	\$ 4,119,221	\$ -	\$ -	\$ -	\$ 11,856,697	\$ -	\$ 11,856,697
Publishing stipend	-	-	-	-	-	-	180,000	180,000
Contributions in-kind	65,748	15,474	679	-	-	81,901	8,165	90,066
Interest and dividends, net	-	-	-	-	-	-	121,289	121,289
Ancillary revenue	20,768	5,718	-	-	-	26,486	-	26,486
Open Access income	-	-	43,487	-	-	43,487	-	43,487
Career Center	-	-	-	635	-	635	-	635
Miscellaneous income	-	-	-	1	-	1	6,133	6,134
Total revenue	<u>7,823,992</u>	<u>4,140,413</u>	<u>44,166</u>	<u>636</u>	<u>-</u>	<u>12,009,207</u>	<u>315,587</u>	<u>12,324,794</u>
EXPENSES								
Royalty expenses	2,445,104	1,121,090	-	-	-	3,566,194	-	3,566,194
Discounts and commissions	2,888,802	1,888,477	-	-	-	4,777,279	-	4,777,279
Technology expenses	462,489	395,455	53,951	5,000	-	916,895	1,093	917,988
Personnel expenses	-	-	-	-	-	-	906,752	906,752
Professional contract services	-	-	-	154	-	154	123,799	123,953
General and administrative	2,585	2,345	245	6,518	-	11,693	270,687	282,380
Travel and meetings	-	-	-	-	5,000	5,000	70,137	75,137
Total expenses	<u>5,798,980</u>	<u>3,407,367</u>	<u>54,196</u>	<u>11,672</u>	<u>5,000</u>	<u>9,277,215</u>	<u>1,372,468</u>	<u>10,649,683</u>
Total operating surplus before other items	<u>2,025,012</u>	<u>733,046</u>	<u>(10,030)</u>	<u>(11,036)</u>	<u>(5,000)</u>	<u>2,731,992</u>	<u>(1,056,881)</u>	<u>1,675,111</u>
Surplus share	(581,599)	(356,464)	-	-	-	(938,063)	-	(938,063)
Foreign currency gain	-	-	-	-	-	-	5,420	5,420
Unrelated business income tax	-	-	-	-	-	-	(445)	(445)
Bad debt expense	-	-	-	-	-	-	(6,222)	(6,222)
Unrealized loss on investments	-	-	-	-	-	-	(256,887)	(256,887)
CHANGE IN NET ASSETS	<u>\$ 1,443,413</u>	<u>\$ 376,582</u>	<u>\$ (10,030)</u>	<u>\$ (11,036)</u>	<u>\$ (5,000)</u>	<u>\$ 1,793,929</u>	<u>\$ (1,315,015)</u>	<u>\$ 478,914</u>

BIOONE

**SCHEDULE 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	\$ -	\$ -	\$ 11,742,066	\$ -	\$ 11,742,066
Publishing stipend	-	-	-	-	-	180,000	180,000
Contributions in-kind	69,259	15,905	1,917	-	87,081	3,395	90,476
Interest and dividends, net	-	-	-	-	-	80,480	80,480
Ancillary revenue	27,803	9,786	-	-	37,589	-	37,589
Open Access income	-	-	25,940	-	25,940	-	25,940
Miscellaneous income	-	-	-	-	-	221	221
Total revenue	<u>7,806,283</u>	<u>4,058,536</u>	<u>27,857</u>	<u>-</u>	<u>11,892,676</u>	<u>264,096</u>	<u>12,156,772</u>
EXPENSES							
Royalty expenses	2,367,957	1,044,986	-	-	3,412,943	-	3,412,943
Discounts and commissions	3,027,938	1,961,964	-	-	4,989,902	-	4,989,902
Technology expenses	547,169	333,413	27,646	-	908,228	9,680	917,908
Personnel expenses	-	-	-	-	-	867,710	867,710
Professional contract services	-	-	-	-	-	147,236	147,236
General and administrative	487	239	20	30	776	249,517	250,293
Travel and meetings	-	-	-	-	-	45,681	45,681
Total expenses	<u>5,943,551</u>	<u>3,340,602</u>	<u>27,666</u>	<u>30</u>	<u>9,311,849</u>	<u>1,319,824</u>	<u>10,631,673</u>
Total operating surplus before other items	<u>1,862,732</u>	<u>717,934</u>	<u>191</u>	<u>(30)</u>	<u>2,580,827</u>	<u>(1,055,728)</u>	<u>1,525,099</u>
Surplus share	(655,558)	(290,003)	-	-	(945,561)	-	(945,561)
Foreign currency gain	-	-	-	-	-	804	804
Bad debt expense	-	-	-	-	-	(6,052)	(6,052)
Unrealized gain on investments	-	-	-	-	-	224,802	224,802
CHANGE IN NET ASSETS	<u>\$ 1,207,174</u>	<u>\$ 427,931</u>	<u>\$ 191</u>	<u>\$ (30)</u>	<u>\$ 1,635,266</u>	<u>\$ (836,174)</u>	<u>\$ 799,092</u>