

FINANCIAL STATEMENTS



BioOne

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

BIOONE

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CPAs & ADVISORS

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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2019 and 2018, 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.

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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 are 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".

April 27, 2020

BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,076,560	\$ 269,311
Investments, short-term	3,763,056	3,444,249
Accounts receivable of allowance for doubtful accounts in the amounts of \$2,219 and \$6,051 at December 31, 2019 and 2018, respectively	3,944,085	4,272,352
Prepaid expenses	<u>41,742</u>	<u>34,636</u>
Total current assets	<u>8,825,443</u>	<u>8,020,548</u>
OTHER ASSETS		
Certificate of deposit	17,108	15,616
Investments, long-term	3,908,864	3,447,880
Intangible asset, net of accumulated amortization in the amount of \$98,080 and \$0 at December 31, 2019 and 2018, respectively	<u>392,320</u>	<u>490,400</u>
Total other assets	<u>4,318,292</u>	<u>3,953,896</u>
TOTAL ASSETS	<u>\$ 13,143,735</u>	<u>\$ 11,974,444</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 271,045	\$ 164,041
Accrued vacation	39,528	76,143
Royalty payable	3,534,095	3,566,194
Surplus share payable	962,346	938,063
Deferred subscription income, net	<u>5,294,114</u>	<u>5,196,658</u>
Total liabilities	<u>10,101,128</u>	<u>9,941,099</u>
NET ASSETS		
Board designated:		
Operating Reserve Fund	1,282,194	1,182,306
Capital Reserve Fund	<u>1,760,413</u>	<u>851,039</u>
Total net assets	<u>3,042,607</u>	<u>2,033,345</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,143,735</u>	<u>\$ 11,974,444</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>Without Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
REVENUE		
Subscription sales	\$ 11,788,601	\$ 11,856,697
Publication stipend	180,000	180,000
Interest and dividends, net	140,982	121,289
Open Access	38,764	43,487
Ancillary revenue	29,668	26,486
In-kind contributions	7,076	90,066
Miscellaneous	<u>3,266</u>	<u>6,769</u>
Total revenue	<u>12,188,357</u>	<u>12,324,794</u>
EXPENSES		
Program Services:		
BioOne.1	5,722,663	5,798,980
BioOne.2	3,244,790	3,407,367
BioOne Open Access	43,699	54,196
Career Center	9,504	11,672
Education	<u>5,500</u>	<u>5,000</u>
Total program services	<u>9,026,156</u>	<u>9,277,215</u>
Management and General	<u>1,558,291</u>	<u>1,372,468</u>
Total expenses	<u>10,584,447</u>	<u>10,649,683</u>
Total operating surplus before other items	<u>1,603,910</u>	<u>1,675,111</u>
OTHER ITEMS		
Surplus share	(962,346)	(938,063)
Foreign currency (loss) gain	(1,123)	5,420
Unrelated business income tax	(1)	(445)
Bad debt expense	(6,272)	(6,222)
Unrealized gain (loss) on investments	372,058	(256,887)
Realized gain on investments	<u>3,036</u>	<u>-</u>
Total other items	<u>(594,648)</u>	<u>(1,196,197)</u>
Changes in net assets	1,009,262	478,914
Net assets at beginning of year	<u>2,033,345</u>	<u>1,554,431</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,042,607</u>	<u>\$ 2,033,345</u>

BIOONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services					Total Program Services	Management and General	Total Expenses
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
Royalty expenses	\$ 2,371,156	\$ 1,162,940	\$ -	\$ -	\$ -	\$ 3,534,096	\$ -	\$ 3,534,096
Discounts and commissions	2,872,149	1,905,830	-	-	-	4,777,979	-	4,777,979
Technology expenses	472,391	173,085	43,284	-	-	688,760	5,900	694,660
Personnel expenses	-	-	-	-	-	-	941,028	941,028
Professional contract services	-	-	-	-	-	-	135,674	135,674
General and administrative	6,967	2,935	415	9,504	-	19,821	403,997	423,818
Travel and meetings	-	-	-	-	5,500	5,500	79,088	84,588
Sub-total	5,722,663	3,244,790	43,699	9,504	5,500	9,026,156	1,565,687	10,591,843
Less: Items included in other items:								
Surplus share	(596,655)	(365,691)	-	-	-	(962,346)	-	(962,346)
Unrelated business income tax	-	-	-	-	-	-	(1)	(1)
Foreign currency loss	-	-	-	-	-	-	(1,123)	(1,123)
Bad debt expense	-	-	-	-	-	-	(6,272)	(6,272)
TOTAL	\$ 5,126,008	\$ 2,879,099	\$ 43,699	\$ 9,504	\$ 5,500	\$ 8,063,810	\$ 1,558,291	\$ 9,622,101

See accompanying notes to financial statements.

BIOONE

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

	Program Services					Total Program Services	Management and General	Total Expenses
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
Royalty expenses	\$ 3,026,703	\$ 1,477,554	\$ -	\$ -	\$ -	\$ 4,504,257	\$ -	\$ 4,504,257
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	282,774	294,467
Travel and meetings	-	-	-	-	5,000	5,000	70,137	75,137
Sub-total	6,380,579	3,763,831	54,196	11,672	5,000	10,215,278	1,384,555	11,599,833
Less: Items included in other items:								
Surplus share	(581,599)	(356,464)	-	-	-	(938,063)	-	(938,063)
Unrelated business income tax	-	-	-	-	-	-	(445)	(445)
Foreign currency loss	-	-	-	-	-	-	(5,420)	(5,420)
Bad debt expense	-	-	-	-	-	-	(6,222)	(6,222)
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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,009,262	\$ 478,914
Adjustments to reconcile changes in net assets to . net cash provided by operating activities:		
Amortization	98,080	-
Unrealized (gain) loss	(372,058)	256,887
Realized gain	(3,036)	-
Bad debt expense	6,272	6,222
Decrease (increase) in:		
Accounts receivable	321,995	108,410
Prepaid expenses	(7,106)	7,555
Increase (decrease) in:		
Accounts payable	107,004	785
Accrued vacation	(36,615)	21,115
Royalty payable	(32,099)	153,250
Surplus share payable	24,283	(7,498)
Deferred subscription income, net	<u>97,456</u>	<u>(90,990)</u>
Net cash provided by operating activities	<u>1,213,438</u>	<u>934,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(404,697)	(471,289)
Purchase of intangible asset	-	(323,734)
Purchase of certificate of deposit	<u>(1,492)</u>	<u>-</u>
Net cash used by investing activities	<u>(406,189)</u>	<u>(795,023)</u>
Net increase in cash and cash equivalents	807,249	139,627
Cash and cash equivalents at beginning of year	<u>269,311</u>	<u>129,684</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,076,560</u>	<u>\$ 269,311</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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 of Not-for-Profit Entities*. As such, net asset are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net assets categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. There were no net assets with donor restrictions at December 31, 2019 and 2018.

New accounting pronouncements adopted -

During 2019, BioOne adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way BioOne recognized revenue; however, the presentation and disclosures of revenue have been enhanced. BioOne has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

New accounting pronouncements adopted (continued) -

Also during 2019, BioOne adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. BioOne adopted the ASU using a modified prospective basis.

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 \$2,438 and \$6,301 for the years ended December 31, 2019 and 2018, 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 presented net of investment expenses paid to external investment advisors in the accompanying Statements of Activities and Changes in Net Assets Realized and unrealized gains and losses are included in investment gain in the accompanying Statements of Activities and Changes in Net Assets and Statements of Functional Expenses.

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.

As a result of the spread of COVID-19, economic uncertainties have arisen. The global financial markets have declined and the fair value of the investment portfolio of BioOne has decreased by approximately 6% as of the date of the audit report.

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, 2019 and 2018, allowance for doubtful accounts totaled \$2,219 and \$6,051, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

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. The intangible asset is being amortized using the straight-line method over five years.

In-kind contributions -

In-kind contributions consists primarily of digital conversion and 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.

Revenues -

Revenue received for subscriptions are stated at gross amounts, inclusive of discounts and commissions, and are recognized as earned once the performance obligations are met which is in the year the subscription is available. The transaction price is determined based on cost and/or sales price. Any amount received in advance of the subscription year is recorded as deferred subscription income. At December 31, 2019 and 2018, deferred subscription income, net of discounts and commissions consisted of \$5,294,114 and \$5,196,658, respectively.

Ancillary revenues are derived from pay-per-view purchases and copyright permission fees and are recognized once the performance obligations met which is at the time revenues for related transactions are reported to BioOne. The transaction price is determined based on cost and/or sales price. Ancillary revenue received by BioOne is passed directly to the earning publisher annually with the revenue share. Publication stipends are received for internal staffing costs. These fees are received and recorded based on when the performance obligations are met which is monthly.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Revenues (continued) -

Open Access income is received from publishers in BioOne's Open Access collection and services are provided throughout the annual period. Revenue is recognized once the performance obligation is met which is over a period of time in the year of participation.

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 2019 were paid on March 31, 2020. Royalty payable at December 31, 2019 and 2018, was \$3,534,095 and \$3,566,194, respectively.

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, 2019 and 2018, allocations are as follows:

	<u>2019</u>	<u>2018</u>
BioOne.1	68.24 %	49.95 %
BioOne.2	27.36 %	45.31 %
BioOne Open Access	4.40 %	4.74 %

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. Accordingly, no provision for income taxes has been made in the accompanying 2018 financial statements. BioOne is not a private foundation.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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

Uncertain tax positions -

For the years ended December 31, 2019 and 2018, 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.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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 non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

BioOne plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

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. 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, 2019 AND 2018**

2. INVESTMENTS (Continued)

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, 2019 and 2018. 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.

At December 31, 2019 and 2018, per BioOne's investment strategy, investments consisted of the following and are classified under Level 1 hierarchy:

	2019	2018
Short-term:		
Mutual Fund:		
U.S. Treasury Money Market Fund	\$ <u>3,763,056</u>	\$ <u>3,444,249</u>
Long-term:		
Cash	2,438	6,301
Mutual Funds:		
Fixed Income Taxable Intermediate	618,908	571,128
Bond Inflation Strategy	426,923	393,915
Global Fixed Income	616,944	573,483
U.S. Equity Strategic	706,653	546,690
International Equity	266,018	221,164
Emerging Market	34,219	27,445
Real Asset Securities	100,951	87,259
Dynamic Asset Allocation	<u>1,135,810</u>	<u>1,020,495</u>
Total long-term	<u>3,908,864</u>	<u>3,447,880</u>
TOTAL INVESTMENTS	\$ <u>7,671,920</u>	\$ <u>6,892,129</u>

Included in investment income (loss) are the following at December 31, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 149,379	\$ 129,512
Management fees	<u>(8,397)</u>	<u>(8,223)</u>
Investment income, net	140,982	121,289
Unrealized gain (loss)	372,058	(256,887)
Realized gain	<u>3,036</u>	<u>-</u>
TOTAL INVESTMENT INCOME (LOSS), NET	\$ <u>516,076</u>	\$ <u>(135,598)</u>

3. LEASE COMMITMENT

BioOnen sub-leases office space under an annual written agreement. Rent expense, included in general and administrative on the Statements of Functional Expenses for the years ended December 31, 2019 and 2018 totaled \$21,181 and \$19,279, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

4. LETTER OF CREDIT

BioOne was required by the Government of Brazil to obtain a letter of credit for its subscription through CAPES. BioOne originally purchased a certificate of deposit in 2009 in the amount \$18,545 to secure the letter of credit. As of December 31, 2019 and 2018, the balance of the letter was \$17,108 and \$15,616, respectively. 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's balance at December 31, 2019 and 2018 was \$1,282,194 and \$1,182,306, respectively. The balance of the capital reserve fund at December 31, 2019 and 2018 was \$1,760,413 and \$851,039, 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. Contributions to the Plan during the years ended December 31, 2019 and 2018 were \$101,455 and \$102,359, respectively. These are included in personnel expenses on the Statements of 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,076,560	\$ 269,311
Investments	7,671,920	6,892,129
Accounts receivable, net of allowance for doubtful accounts	3,944,085	4,272,352
Operating reserve fund	(1,282,194)	(1,182,306)
Capital reserve fund	<u>(1,760,413)</u>	<u>(851,039)</u>
TOTAL FINANCIAL ASSETS AVAILABLE FOR USE FOR GENERAL PURPOSES WITHIN ONE YEAR	<u>\$ 9,649,958</u>	<u>\$ 9,400,447</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

7. LIQUIDITY (Continued)

In the event of an unanticipated liquidity need, BioOne draws from its Board designated funds. Please see Note 5 for a description of their Board designated funds.

8. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through April 27, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The global financial markets have declined and the fair value of the investment portfolio of BioOne has declined by approximately 6% as of the date of the audit report. Other potential financial or operational impacts from COVID-19 are unknown at this time.

SUPPLEMENTAL INFORMATION

BIOONE

**SCHEDULE OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services					Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
REVENUE								
Subscription sales	\$ 7,572,729	\$ 4,215,872	\$ -	\$ -	\$ -	\$ 11,788,601	\$ -	\$ 11,788,601
Publishing stipend	-	-	-	-	-	-	180,000	180,000
In-kind contributions	-	-	-	-	-	-	7,076	7,076
Interest and dividends, net	-	-	-	-	-	-	140,982	140,982
Open Access	-	-	38,764	-	-	38,764	-	38,764
Ancillary revenue	21,396	8,272	-	-	-	29,668	-	29,668
Miscellaneous	-	-	-	150	-	150	3,116	3,266
Total revenue	<u>7,594,125</u>	<u>4,224,144</u>	<u>38,764</u>	<u>150</u>	<u>-</u>	<u>11,857,183</u>	<u>331,174</u>	<u>12,188,357</u>
EXPENSES								
Royalty expenses	2,371,156	1,162,940	-	-	-	3,534,096	-	3,534,096
Discounts and commissions	2,872,149	1,905,830	-	-	-	4,777,979	-	4,777,979
Technology expenses	472,391	173,085	43,284	-	-	688,760	5,900	694,660
Personnel expenses	-	-	-	-	-	-	941,028	941,028
Professional contract services	-	-	-	-	-	-	135,674	135,674
General and administrative	6,967	2,935	415	9,504	-	19,821	396,601	416,422
Travel and meetings	-	-	-	-	5,500	5,500	79,088	84,588
Total expenses	<u>5,722,663</u>	<u>3,244,790</u>	<u>43,699</u>	<u>9,504</u>	<u>5,500</u>	<u>9,026,156</u>	<u>1,558,291</u>	<u>10,584,447</u>
Total operating surplus before other items	<u>1,871,462</u>	<u>979,354</u>	<u>(4,935)</u>	<u>(9,354)</u>	<u>(5,500)</u>	<u>2,831,027</u>	<u>(1,227,117)</u>	<u>1,603,910</u>
OTHER ITEMS								
Surplus share	(596,655)	(365,691)	-	-	-	(962,346)	-	(962,346)
Foreign currency loss	-	-	-	-	(30)	(30)	(1,093)	(1,123)
Unrelated business income tax	-	-	-	-	-	-	(1)	(1)
Bad debt expense	-	-	-	-	-	-	(6,272)	(6,272)
Realized gain on Investments	-	-	-	-	-	-	3,036	3,036
Unrealized gain on investments	-	-	-	-	-	-	372,058	372,058
CHANGE IN NET ASSETS	<u>\$ 1,274,807</u>	<u>\$ 613,663</u>	<u>\$ (4,935)</u>	<u>\$ (9,354)</u>	<u>\$ (5,530)</u>	<u>\$ 1,868,651</u>	<u>\$ (859,389)</u>	<u>\$ 1,009,262</u>

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
In-kind contributions	65,748	15,474	679	-	-	81,901	8,165	90,066
Interest and dividends, net	-	-	-	-	-	-	121,289	121,289
Open Access	-	-	43,487	-	-	43,487	-	43,487
Ancillary revenue	20,768	5,718	-	-	-	26,486	-	26,486
Miscellaneous	-	-	-	637	-	637	6,133	6,770
Total revenue	<u>7,823,992</u>	<u>4,140,413</u>	<u>44,166</u>	<u>637</u>	<u>-</u>	<u>12,009,208</u>	<u>315,587</u>	<u>12,324,795</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>(11,035)</u>	<u>(5,000)</u>	<u>2,731,993</u>	<u>(1,056,881)</u>	<u>1,675,112</u>
OTHER ITEMS								
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>\$ (11,035)</u>	<u>\$ (5,000)</u>	<u>\$ 1,793,930</u>	<u>\$ (1,315,015)</u>	<u>\$ 478,915</u>