

FINANCIAL STATEMENTS



BioOne

**FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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 30, 2021

BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 656,834	\$ 1,076,560
Investments, short-term	5,768,129	3,763,056
Accounts receivable net of allowance for doubtful accounts in the amounts of \$318 and \$2,219 at December 31, 2020 and 2019, respectively	524,358	1,015,267
Prepaid expenses	<u>46,560</u>	<u>41,742</u>
Total current assets	<u>6,995,881</u>	<u>5,896,625</u>
OTHER ASSETS		
Certificate of deposit	35,926	17,108
Investments, long-term	4,251,214	3,908,864
Intangible asset, net of accumulated amortization in the amount of \$196,160 and \$98,080 at December 31, 2020 and 2019, respectively	<u>294,240</u>	<u>392,320</u>
Total other assets	<u>4,581,380</u>	<u>4,318,292</u>
TOTAL ASSETS	<u>\$ 11,577,261</u>	<u>\$ 10,214,917</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ 84,817	\$ -
Accounts payable	203,966	271,045
Accrued vacation	57,299	39,528
Royalty payable	3,654,846	3,534,095
Surplus share payable	937,705	962,346
Deferred subscription income, net of discounts	<u>2,930,383</u>	<u>2,365,296</u>
Total current liabilities	7,869,016	7,172,310
LONG-TERM LIABILITIES		
Loan payable, net of current	<u>60,583</u>	<u>-</u>
Total liabilities	<u>7,929,599</u>	<u>7,172,310</u>
NET ASSETS		
Board designated:		
Operating Reserve Fund	1,400,000	1,282,194
Capital Reserve Fund	<u>2,247,662</u>	<u>1,760,413</u>
Total net assets	<u>3,647,662</u>	<u>3,042,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,577,261</u>	<u>\$ 10,214,917</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>Without Donor Restrictions</u>	
	<u>2020</u>	<u>2019</u>
REVENUE		
Subscription sales	\$ 12,067,122	\$ 11,788,601
Publication stipend	-	180,000
Interest and dividends, net	86,906	140,982
Open Access	56,937	38,764
Ancillary revenue	34,916	29,668
In-kind contributions	14,355	7,076
Miscellaneous	<u>323</u>	<u>3,266</u>
Total revenue	<u>12,260,559</u>	<u>12,188,357</u>
EXPENSES		
Program Services:		
BioOne.1	5,645,906	5,722,663
BioOne.2	3,411,593	3,244,790
BioOne Open Access	46,741	43,699
Career Center	6,001	9,504
Education	<u>5,800</u>	<u>5,500</u>
Total program services	<u>9,116,041</u>	<u>9,026,156</u>
Management and General	<u>1,835,673</u>	<u>1,558,291</u>
Total expenses	<u>10,951,714</u>	<u>10,584,447</u>
Total operating surplus before other items	<u>1,308,845</u>	<u>1,603,910</u>
OTHER ITEMS		
Surplus share	(937,705)	(962,346)
Foreign currency loss	(2,168)	(1,123)
Unrelated business income tax	-	(1)
Bad debt expense	(29,677)	(6,272)
Unrealized gain on investments	265,760	372,058
Realized gain on investments	<u>-</u>	<u>3,036</u>
Total other items	<u>(703,790)</u>	<u>(594,648)</u>
Changes in net assets	605,055	1,009,262
Net assets at beginning of year	<u>3,042,607</u>	<u>2,033,345</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,647,662</u>	<u>\$ 3,042,607</u>

BIOONE

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services					Total Program Services	Management and General	Total Expenses
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
Royalty expenses	\$ 2,392,415	\$ 1,262,431	\$ -	\$ -	\$ -	\$ 3,654,846	\$ -	\$ 3,654,846
Discounts and commissions	2,851,700	1,973,419	-	-	-	4,825,119	-	4,825,119
Technology expenses	400,896	175,230	46,710	-	-	622,836	48,003	670,839
Personnel expenses	-	-	-	-	-	-	1,087,151	1,087,151
Professional contract services	32	14	4	-	-	50	239,615	239,665
General and administrative	863	499	27	6,001	-	7,390	415,360	422,750
Travel and meetings	-	-	-	-	5,800	5,800	45,544	51,344
Sub-total	5,645,906	3,411,593	46,741	6,001	5,800	9,116,041	1,835,673	10,951,714
Add: Items included in other items:								
Surplus share	562,623	375,082	-	-	-	937,705	-	937,705
Foreign currency loss	-	-	-	-	-	-	2,168	2,168
Bad debt expense	-	-	-	-	-	-	29,677	29,677
TOTAL	\$ 6,208,529	\$ 3,786,675	\$ 46,741	\$ 6,001	\$ 5,800	\$ 10,053,746	\$ 1,867,518	\$ 11,921,264

See accompanying notes to financial statements.

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	396,601	416,422
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	1,558,291	10,584,447
Add: 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	\$ 6,319,318	\$ 3,610,481	\$ 43,699	\$ 9,504	\$ 5,500	\$ 9,988,502	\$ 1,565,687	\$ 11,554,189

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 605,055	\$ 1,009,262
Adjustments to reconcile changes in net assets to . net cash provided by operating activities:		
Amortization	98,080	98,080
Unrealized gain	(265,760)	(372,058)
Realized gain	-	(3,036)
Bad debt expense	29,677	6,272
Decrease (increase) in:		
Accounts receivable	461,232	321,995
Prepaid expenses	(4,818)	(7,106)
(Decrease) increase in:		
Accounts payable	(67,079)	107,004
Accrued vacation	17,771	(36,615)
Royalty payable	120,751	(32,099)
Surplus share payable	(24,641)	24,283
Deferred subscription income, net	<u>565,087</u>	<u>97,456</u>
Net cash provided by operating activities	<u>1,535,355</u>	<u>1,213,438</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,781,663)	(404,697)
Proceeds from sale investments	1,700,000	-
Purchase of certificate of deposit	<u>(18,818)</u>	<u>(1,492)</u>
Net cash used by investing activities	<u>(2,100,481)</u>	<u>(406,189)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>145,400</u>	<u>-</u>
Net cash provided by financing activities	<u>145,400</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(419,726)	807,249
Cash and cash equivalents at beginning of year	<u>1,076,560</u>	<u>269,311</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 656,834</u>	<u>\$ 1,076,560</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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 assets 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, 2020 and 2019.

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 \$13,135 and \$2,438 for the years ended December 31, 2020 and 2019, 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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

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.

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, 2020 and 2019, allowance for doubtful accounts totaled \$318 and \$2,219, respectively.

BioOne elected to change its accounting treatment for year-end audit purposes as it relates to recordation of accounts receivable and deferred revenue, by eliminating the amount of unpaid invoices in accounts receivable and the corresponding amount in deferred revenue that are attributed to future periods. To improve comparability between fiscal years, BioOne adjusted the accounts receivable and deferred revenue balances at December 31, 2019 to reflect this change. The adjustment has no impact on the change in net assets for the current and prior years. For internal operations, BioOne will continue to track all accounts receivable and deferred revenue on a monthly basis to ensure that management has the appropriate transparency into their subscription revenue.

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, BioOne Complete 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*.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Fair value measurement (continued) -

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 -

BioOne records the majority of their revenue classified as exchange transactions under Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended.

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, 2020 and 2019, deferred subscription income, net of discounts and commissions consisted of \$2,930,383 and \$2,365,296, respectively.

Ancillary revenues are derived from pay-per-view purchases and copyright permission fees and are recognized once the performance obligations are 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.

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

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

Royalty payable and related expense (continued) -

Royalty expenses include 50% of net subscription sales earned in the current calendar year for BioOne.1, BioOne.2 and BioOne Complete 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 2020 were paid on March 31, 2021. Royalty payable at December 31, 2020 and 2019, was \$3,654,846 and \$3,534,095, 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, 2020 and 2019, allocations are as follows:

	<u>2020</u>	<u>2019</u>
BioOne.1	64.25 %	68.24 %
BioOne.2	27.53 %	27.36 %
BioOne Open Access	8.23 %	4.40 %

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 2019 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2020 and 2019, 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, 2020 AND 2019

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.

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. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact BioOne's operations. The overall potential impact is unknown at this time.

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, 2020 AND 2019**

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, 2020 and 2019. 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, 2020 and 2019, per BioOne's investment strategy, investments consisted of the following and are classified under Level 1 hierarchy:

	2020	2019
Short-term:		
Mutual Fund:		
U.S. Treasury Money Market Fund	\$ <u>5,768,129</u>	\$ <u>3,763,056</u>
Long-term:		
Cash	13,135	2,438
Mutual Funds:		
Fixed Income Taxable Intermediate	648,537	618,908
Bond Inflation Strategy	465,245	426,923
Global Fixed Income	637,925	616,944
U.S. Equity Strategic	785,388	706,653
International Equity	247,400	266,018
International Small/Mid-Cap Equity	56,460	-
Emerging Market	44,843	34,219
Real Asset Securities	101,285	100,951
Dynamic Asset Allocation	<u>1,250,996</u>	<u>1,135,810</u>
Total long-term	<u>4,251,214</u>	<u>3,908,864</u>
TOTAL INVESTMENTS	\$ <u>10,019,343</u>	\$ <u>7,671,920</u>

Included in investment income are the following at December 31, 2020 and 2019:

	2020	2019
Interest and dividends	\$ 95,863	\$ 149,379
Management fees	<u>(8,957)</u>	<u>(8,397)</u>
Investment income, net	86,906	140,982
Unrealized gain	265,760	372,058
Realized gain	<u>-</u>	<u>3,036</u>
TOTAL INVESTMENT INCOME, NET	\$ <u>352,666</u>	\$ <u>516,076</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

3. LEASE COMMITMENT

BioOne 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, 2020 and 2019, totaled \$22,447 and \$21,181, 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 originally purchased a certificate of deposit in 2009 in the amount \$18,545 to secure the letter of credit. As of December 31, 2020 and 2019, the balance of the letter was \$35,926 and \$15,616, respectively.

5. LOAN PAYABLE

On May 4, 2020, BioOne received loan proceeds in the amount of \$145,400 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. BioOne intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. The BioOne intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, BioOne will record revenue from debt extinguishments during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending December 31,

2021	\$	84,817
2022		<u>60,583</u>
	\$	<u>145,400</u>

6. 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, 2020 and 2019 was \$1,400,000 and \$1,282,194, respectively. The balance of the Capital Reserve Fund at December 31, 2020 and 2019 was \$2,247,662 and \$1,760,413, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. 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, 2020 and 2019 were \$119,352 and \$101,455, respectively. These are included in personnel expenses on the Statements of Activities and Changes in Net Assets.

8. LIQUIDITY

Financial assets available for use within one year of the Statements of Financial Position comprise the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 656,834	\$ 1,076,560
Investments	10,019,343	7,671,920
Accounts receivable, net of allowance for doubtful accounts	524,358	1,015,267
Operating Reserve Fund	(1,400,000)	(1,282,194)
Capital Reserve Fund	<u>(2,247,662)</u>	<u>(1,760,413)</u>
TOTAL FINANCIAL ASSETS AVAILABLE FOR USE FOR GENERAL PURPOSES WITHIN ONE YEAR	<u>\$ 7,552,873</u>	<u>\$ 6,721,140</u>

In the event of an unanticipated liquidity need, BioOne draws from its Board designated funds. Please see Note 6 for a description of the Board designated funds.

9. RELATED PARTY

BioOne engages in a Facilities, Services and Expenses agreement with the Association of Research Laboratories (ARL). ARL is a founding organization of BioOne and shares its mission of enhancing access to scientific information for the benefit of scientific societies, universities, libraries, researchers, scholars and students. ARL has provided BioOne since its inception with office space and support services to facilitate its operation.

During the year ended December 31, 2020, ARL provided and billed BioOne for office space. Additionally an annual fee is paid by BioOne for support services provided by ARL. These support services include routine operating functions, IT services, administration of employee benefit programs and other management assistance as needed. Other direct charges are also billed to BioOne monthly. These charges include payroll, travel advances, mailings and telephone charges.

10. SUBSEQUENT EVENT

In preparing these financial statements, BioOne has evaluated events and transactions for potential recognition or disclosure through April 30, 2021, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

BIOONE

**SCHEDULE OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services					Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Open Access	Career Center	Education			
REVENUE								
Subscription sales	\$ 7,586,248	\$ 4,480,874	\$ -	\$ -	\$ -	\$ 12,067,122	\$ -	\$ 12,067,122
In-kind contributions	-	-	-	-	-	-	14,355	14,355
Interest and dividends, net	-	-	-	-	-	-	86,906	86,906
Open Access	-	-	56,937	-	-	56,937	-	56,937
Ancillary revenue	25,401	9,515	-	-	-	34,916	-	34,916
Miscellaneous	-	-	-	50	-	50	273	323
Total revenue	<u>7,611,649</u>	<u>4,490,389</u>	<u>56,937</u>	<u>50</u>	<u>-</u>	<u>12,159,025</u>	<u>101,534</u>	<u>12,260,559</u>
EXPENSES								
Royalty expenses	2,392,415	1,262,431	-	-	-	3,654,846	-	3,654,846
Discounts and commissions	2,851,700	1,973,419	-	-	-	4,825,119	-	4,825,119
Technology expenses	400,896	175,230	46,710	-	-	622,836	48,003	670,839
Personnel expenses	-	-	-	-	-	-	1,087,151	1,087,151
Professional contract services	32	14	4	-	-	50	239,615	239,665
General and administrative	863	499	27	6,001	-	7,390	415,360	422,750
Travel and meetings	-	-	-	-	5,800	5,800	45,544	51,344
Total expenses	<u>5,645,906</u>	<u>3,411,593</u>	<u>46,741</u>	<u>6,001</u>	<u>5,800</u>	<u>9,116,041</u>	<u>1,835,673</u>	<u>10,951,714</u>
Total operating surplus (deficit) before other items	<u>1,965,743</u>	<u>1,078,796</u>	<u>10,196</u>	<u>(5,951)</u>	<u>(5,800)</u>	<u>3,042,984</u>	<u>(1,734,139)</u>	<u>1,308,845</u>
OTHER ITEMS								
Surplus share	(562,623)	(375,082)	-	-	-	(937,705)	-	(937,705)
Foreign currency loss	-	-	-	-	-	-	(2,168)	(2,168)
Bad debt expense	-	-	-	-	-	-	(29,677)	(29,677)
Unrealized gain on investments	-	-	-	-	-	-	265,760	265,760
CHANGE IN NET ASSETS	<u>\$ 1,403,120</u>	<u>\$ 703,714</u>	<u>\$ 10,196</u>	<u>\$ (5,951)</u>	<u>\$ (5,800)</u>	<u>\$ 2,105,279</u>	<u>\$ (1,500,224)</u>	<u>\$ 605,055</u>

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**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>