

FINANCIAL STATEMENTS



BioOne

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

BIOONE

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
BioOne
Washington, D.C.

Opinion

We have audited the accompanying financial statements of BioOne, which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BioOne as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BioOne and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about BioOne's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BioOne's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about BioOne's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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.



May 3, 2023

BIOONE

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,653,176	\$ 1,363,431
Investments, short-term	6,225,048	6,393,718
Accounts receivable, net	274,769	285,036
Prepaid expenses	<u>75,903</u>	<u>50,846</u>
Total current assets	<u>8,228,896</u>	<u>8,093,031</u>
OTHER ASSETS		
Certificate of deposit	-	36,466
Investments, long-term	3,875,530	4,646,381
Intangible asset, net	<u>98,080</u>	<u>196,160</u>
Total other assets	<u>3,973,610</u>	<u>4,879,007</u>
TOTAL ASSETS	<u>\$ 12,202,506</u>	<u>\$ 12,972,038</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 236,496	\$ 315,922
Accrued vacation	60,669	64,108
Royalty payable	4,019,594	4,005,340
Surplus share payable	946,992	953,052
Deferred subscription income, net of discounts	<u>2,307,811</u>	<u>2,904,088</u>
Total liabilities	<u>7,571,562</u>	<u>8,242,510</u>
NET ASSETS		
Board designated:		
Operating Reserve Fund	1,500,000	1,500,000
Capital Reserve Fund	<u>3,130,944</u>	<u>3,229,528</u>
Total net assets	<u>4,630,944</u>	<u>4,729,528</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,202,506</u>	<u>\$ 12,972,038</u>

BIOONE

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>Without Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
REVENUE		
Subscription sales	\$ 11,242,141	\$ 12,526,607
Interest and dividends, net	159,321	153,609
Ancillary revenue	50,568	59,814
Open Access	28,223	44,185
In-kind contributions	12,357	13,575
Miscellaneous	<u>6,038</u>	<u>354</u>
Total revenue	<u>11,498,648</u>	<u>12,798,144</u>
EXPENSES		
Program Services:		
BioOne.1	126,309	589,952
BioOne.2	63,308	130,900
BioOne Complete	7,556,141	8,522,865
BioOne Complete Archive	196,791	32,534
BioOne Open Access	26,421	8,991
Education	<u>6,200</u>	<u>6,050</u>
Total program services	<u>7,975,170</u>	<u>9,291,292</u>
Supporting Services:		
Management and General	<u>1,769,789</u>	<u>1,834,831</u>
Total expenses	<u>9,744,959</u>	<u>11,126,123</u>
Total operating surplus before other items	<u>1,753,689</u>	<u>1,672,021</u>
OTHER ITEMS		
Extinguishment of debt	-	145,400
Surplus share	(946,992)	(953,052)
Foreign currency loss	(28,024)	(25,645)
Bad debt (expense) recovery	(28,420)	454
Unrealized (loss) gain on investments	<u>(848,837)</u>	<u>242,688</u>
Total other items	<u>(1,852,273)</u>	<u>(590,155)</u>
Changes in net assets	(98,584)	1,081,866
Net assets at beginning of year	<u>4,729,528</u>	<u>3,647,662</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,630,944</u>	<u>\$ 4,729,528</u>

BIOONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services						Supporting Services		Total Expenses
	BioOne.1	BioOne.2	BioOne Complete	BioOne Complete Archive	BioOne Open Access	Education	Total Program Services	Management and General	
Royalty expenses	\$ 35,175	\$ 13,992	\$ 3,793,617	\$ 176,810	\$ -	\$ -	\$ 4,019,594	\$ -	\$ 4,019,594
Discounts and commissions	4,631	-	3,276,675	19,981	-	-	3,301,287	-	3,301,287
Personnel expenses	-	-	-	-	-	-	-	1,161,347	1,161,347
Technology expenses	85,806	48,916	459,990	-	6,846	-	601,558	9,090	610,648
General and administrative	697	400	25,859	-	-	150	27,106	364,581	391,687
Professional contract services	-	-	-	-	19,575	-	19,575	171,964	191,539
Travel and meetings	-	-	-	-	-	6,050	6,050	62,807	68,857
Sub-total	126,309	63,308	7,556,141	196,791	26,421	6,200	7,975,170	1,769,789	9,744,959
Add: Items included in other items:									
Surplus share	473,496	473,496	-	-	-	-	946,992	-	946,992
Foreign currency loss	-	-	-	-	-	-	-	28,024	28,024
Bad debt expense	-	-	-	-	-	-	-	28,420	28,420
TOTAL	\$ 599,805	\$ 536,804	\$ 7,556,141	\$ 196,791	\$ 26,421	\$ 6,200	\$ 8,922,162	\$ 1,826,233	\$ 10,748,395

See accompanying notes to financial statements.

BIOONE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services						Supporting	Total	
	BioOne.1	BioOne.2	BioOne Complete	BioOne Complete Archive	BioOne Open Access	Education	Total Program Services		Management and General
Royalty expenses	\$ 377,923	\$ 36,427	\$ 3,566,696	\$ 24,294	\$ -	\$ -	\$ 4,005,340	\$ -	\$ 4,005,340
Discounts and commissions	104,603	35,902	4,484,432	8,240	-	-	4,633,177	-	4,633,177
Personnel expenses	-	-	-	-	-	-	-	1,159,451	1,159,451
Technology expenses	109,892	58,413	459,017	-	8,991	-	636,313	13,115	649,428
General and administrative	(2,466)	158	12,720	-	-	150	10,562	395,598	406,160
Professional contract services	-	-	-	-	-	-	-	250,874	250,874
Travel and meetings	-	-	-	-	-	5,900	5,900	15,793	21,693
Sub-total	589,952	130,900	8,522,865	32,534	8,991	6,050	9,291,292	1,834,831	11,126,123
Add: Items included in other items:									
Surplus share	476,526	476,526	-	-	-	-	953,052	-	953,052
Foreign currency loss	-	-	-	-	-	-	-	25,645	25,645
Bad debt recovery	-	-	-	-	-	-	-	(454)	(454)
TOTAL	\$ 1,066,478	\$ 607,426	\$ 8,522,865	\$ 32,534	\$ 8,991	\$ 6,050	\$ 10,244,344	\$ 1,860,022	\$ 12,104,366

See accompanying notes to financial statements.

BIOONE

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (98,584)	\$ 1,081,866
Adjustments to reconcile changes in net assets to . net cash provided by operating activities:		
Amortization	98,080	98,080
Extinguishment of debt	-	(145,400)
Unrealized loss (gain)	848,837	(242,688)
Change in allowance for doubtful accounts	-	(454)
Decrease (increase) in:		
Accounts receivable, net	10,267	239,776
Prepaid expenses	(25,057)	(4,286)
(Decrease) increase in:		
Accounts payable	(79,426)	111,956
Accrued vacation	(3,439)	6,809
Royalty payable	14,254	350,494
Surplus share payable	(6,060)	15,347
Deferred subscription income, net of discounts	<u>(596,277)</u>	<u>(26,295)</u>
Net cash provided by operating activities	<u>162,595</u>	<u>1,485,205</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(169,645)	(3,018,336)
Proceeds from sale investments	260,329	2,239,728
Redemption of certificate of deposit	<u>36,466</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>127,150</u>	<u>(778,608)</u>
Net increase in cash and cash equivalents	289,745	706,597
Cash and cash equivalents at beginning of year	<u>1,363,431</u>	<u>656,834</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,653,176</u>	<u>\$ 1,363,431</u>
SCHEDULE OF NONCASH FINANCING TRANSACTIONS		
Extinguishment of Debt	<u>\$ -</u>	<u>\$ 145,400</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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. There were no net assets with donor restrictions at December 31, 2022 and 2021.

New accounting pronouncements adopted -

During the year ended December 31, 2022, BioOne adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

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 cash and money market funds held by investment managers in the amounts of \$6,241,716 and \$6,399,071 for the years ended December 31, 2022 and 2021, 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 as other items on the accompanying Statements of Activities and Changes in Net Assets.

Investment 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, 2022 and 2021, the allowance for doubtful accounts totaled \$15,739 and \$1,004, 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. The intangible asset is being amortized using the straight-line method over five years.

For both of the years ended December 31, 2022 and 2021, amortization expense totaled \$98,080 and is included in Management and General expense in the accompanying Statements of Functional Expenses.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

In-kind contributions -

In-kind contributions consist of accounting services. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by BioOne. There were no donor-imposed restrictions associated with the in-kind contributions during the years ended December 31, 2022 and 2021. In-kind contributions benefited Management and General and is included in general and administrative in the accompanying Statements of Functional Expenses.

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.

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, 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. Distributions of royalties are 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 on BioOne Complete Access is calculated as 50% of net sales divided evenly between all active publications. There is no royalty paid on Open Access.

Royalty payable at year-end represents amounts owed to participating publishers and not paid as of year-end. Royalty payable as of December 31, 2022 and 2021, was \$4,019,594 and \$4,005,340, respectively.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

Revenue -

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. BioOne has elected to opt out of all (or certain) disclosures not required for nonpublic entities.

Revenue received for subscriptions are stated at gross amounts 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 sales price. Any amount received in advance of the subscription year is recorded as deferred subscription income. At December 31, 2022 and 2021, deferred subscription income, net of discounts and commissions consisted of \$2,307,811 and \$2,904,088, respectively.

Ancillary revenue is derived from pay-per-view purchases and copyright permission fees and are recognized once the performance obligations are met. The transaction price is determined based on sales price. Ancillary revenue received by BioOne is passed directly to the earning publisher annually with the revenue share. 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. The transaction price is determined based on number of pages processed during the volume year. Revenue is recognized once the performance obligation is met which is over a period of time in the year of participation.

BioOne Complete Archive is a one-time sales product for content that is more than five years old. Revenue is recognized upon the sale as there is no subscription. The performance obligation is considered met when access is granted.

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, 2022 and 2021, allocations are as follows:

	<u>2022</u>	<u>2021</u>
BioOne.1	63.40 %	62.14 %
BioOne.2	31.95 %	34.07 %
BioOne Open Access	4.65 %	3.79 %

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

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 financial statements. BioOne is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, 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 -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for BioOne for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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.

BIOONE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. INVESTMENTS (Continued)

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 have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. 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, 2022 and 2021, per BioOne's investment strategy, investments consisted of the following and are classified under Level 1 hierarchy:

	2022	2021
Short-term:		
Mutual Fund:		
U.S. Treasury Money Market Fund	\$ <u>6,225,048</u>	\$ <u>6,393,718</u>
Long-term:		
Cash	16,668	5,353
Mutual Funds:		
Fixed Income Taxable Funds	1,198,266	1,400,227
Bond Inflation Strategy	457,263	501,689
U.S. Equity Strategic	437,530	568,890
International Equity	494,678	645,103
Real Asset Securities	127,585	133,610
Dynamic Asset Allocation	<u>1,143,540</u>	<u>1,391,509</u>
Total long-term	<u>3,875,530</u>	<u>4,646,381</u>
TOTAL INVESTMENTS	\$ <u>10,100,578</u>	\$ <u>11,040,099</u>

Included in investment (loss) income are the following at December 31, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 169,650	\$ 167,797
Management fees	<u>(10,329)</u>	<u>(14,188)</u>
Interest and dividends, net	159,321	153,609
Unrealized (loss) gain	<u>(848,837)</u>	<u>242,688</u>
TOTAL INVESTMENT (LOSS) INCOME, NET	\$ <u>(689,516)</u>	\$ <u>396,297</u>

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

3. LEASE COMMITMENT

BioOne sub-leases office space under an annual written agreement. Rent expense, included in general and administrative on the accompanying Statements of Functional Expenses, totaled \$17,041 and \$16,230 for the years ended December 31, 2022 and 2021, respectively.

4. LETTER OF CREDIT

BioOne was required by the Brazilian consortia CAPES (COORDENACAO DE APERFEICOAMENTO DE PESSOAL DE NIVEL SUPERIOR) to obtain a letter of credit to guarantee CAPES' subscription to BioOne Complete. BioOne purchased and held a series of renewed certificates of deposit with SunTrust Bank (now Truist) to fulfill this guarantee. The previous CAPES agreement terminated on December 31, 2021 and thus, when the supporting CD expired in April 2022, it was redeemed. As of December 31, 2021, the balance of the letter of credit was \$36,466.

To remain in compliance with BioOne's new CAPES Agreement, initiated September 30, 2022, BioOne obtained a standby letter of credit with PNC in October 2022. As of December 31, 2022, the balance of the letter was \$24,884. The standby letter of credit is collateralized by assets held at PNC.

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 called 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 used the proceeds for purposes consistent with the Paycheck Protection Program and received forgiveness of the loan in whole on May 21, 2021. Accordingly, BioOne recorded revenue from extinguishment of debt during the year ended December 31, 2021 and is included as an other item in the accompanying Statements of Activities and Changes in Net Assets.

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.

BIOONE

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

6. BOARD DESIGNATED NET ASSETS (Continued)

The Operating Reserve Fund's balance at December 31, 2022 and 2021 was \$1,500,000 and \$1,500,000, respectively. The balance of the Capital Reserve Fund at December 31, 2022 was \$3,130,944 and \$3,229,528 at December 31, 2021.

7. RETIREMENT PLAN

BioOne provides retirement benefits to its employees through a defined contribution plan (the Plan) covering all full-time, permanent employees. BioOne contributes 15% percent of gross wages. Contributions to the Plan during the years ended December 31, 2022 and 2021 were \$126,222 and \$123,817, respectively. These are included in personnel expenses in 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,653,176	\$ 1,363,431
Investments	6,225,048	6,393,718
Accounts receivable, net of allowance for doubtful accounts	274,769	285,036
Operating Reserve Fund	(1,500,000)	(1,500,000)
Capital Reserve Fund	<u>(3,130,944)</u>	<u>(3,229,528)</u>
TOTAL FINANCIAL ASSETS AVAILABLE FOR USE FOR GENERAL PURPOSES WITHIN ONE YEAR	<u>\$ 3,522,049</u>	<u>\$ 3,312,657</u>

BioOne has a policy to structure its financial assets to be available and liquid as its obligations become due. 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 Libraries (ARL). ARL is an early supporter of BioOne and shares its mission of enhancing access to scientific information for the benefit of scientific societies, universities, libraries, researchers, scholars and students.

During the years ended December 31, 2022 and 2021, 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 May 3, 2023, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

BIOONE

**SCHEDULE OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Program Services						Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Complete	BioOne Complete Archive	BioOne Open Access	Education			
REVENUE									
Subscription sales	\$ 39,706	\$ -	\$ 10,828,834	\$ 373,601	\$ -	\$ -	\$ 11,242,141	\$ -	\$ 11,242,141
Interest and dividends, net	-	-	-	-	-	-	-	159,321	159,321
Ancillary revenue	36,091	14,477	-	-	-	-	50,568	-	50,568
Open Access	-	-	-	-	28,223	-	28,223	-	28,223
In-kind contributions	-	-	-	-	-	-	-	12,357	12,357
Miscellaneous	-	-	-	-	-	-	-	6,038	6,038
Total revenue	<u>75,797</u>	<u>14,477</u>	<u>10,828,834</u>	<u>373,601</u>	<u>28,223</u>	<u>-</u>	<u>11,320,932</u>	<u>177,716</u>	<u>11,498,648</u>
EXPENSES									
Royalty expenses	35,175	13,992	3,793,617	176,810	-	-	4,019,594	-	4,019,594
Discounts and commissions	4,631	-	3,276,675	19,981	-	-	3,301,287	-	3,301,287
Personnel expenses	-	-	-	-	-	-	-	1,161,347	1,161,347
Technology expenses	85,806	48,916	459,990	-	6,846	-	601,558	9,090	610,648
General and administrative	697	400	25,859	-	-	150	27,106	354,252	381,358
Professional contract services	-	-	-	-	19,575	-	19,575	182,293	201,868
Travel and meetings	-	-	-	-	-	6,050	6,050	62,807	68,857
Total expenses	<u>126,309</u>	<u>63,308</u>	<u>7,556,141</u>	<u>196,791</u>	<u>26,421</u>	<u>6,200</u>	<u>7,975,170</u>	<u>1,769,789</u>	<u>9,744,959</u>
OTHER ITEMS									
Surplus share	(473,496)	(473,496)	-	-	-	-	(946,992)	-	(946,992)
Foreign currency loss	-	-	-	-	-	-	-	(28,024)	(28,024)
Bad debt expense	-	-	-	-	-	-	-	(28,420)	(28,420)
Unrealized loss on investments	-	-	-	-	-	-	-	(848,837)	(848,837)
CHANGE IN NET ASSETS	<u>\$ (524,008)</u>	<u>\$ (522,327)</u>	<u>\$ 3,272,693</u>	<u>\$ 176,810</u>	<u>\$ 1,802</u>	<u>\$ (6,200)</u>	<u>\$ 2,398,770</u>	<u>\$ (2,497,354)</u>	<u>\$ (98,584)</u>

BIOONE

**SCHEDULE OF FUNCTIONAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services							Total Program Services	Management and General	Total
	BioOne.1	BioOne.2	BioOne Complete	BioOne Complete Archive	BioOne Open Access	Career Center	Education			
REVENUE										
Subscription sales	\$ 773,155	\$ 78,799	\$ 11,617,824	\$ 56,829	\$ -	\$ -	\$ -	\$ 12,526,607	\$ -	\$ 12,526,607
Interest and dividends, net	-	-	-	-	-	-	-	-	153,609	153,609
Ancillary revenue	44,393	15,406	-	-	-	-	-	59,799	15	59,814
Open Access	-	-	-	-	44,185	-	-	44,185	-	44,185
In-kind contributions	-	-	-	-	-	-	-	-	13,575	13,575
Career center income	-	-	-	-	-	85	-	85	269	354
Total revenue	<u>817,548</u>	<u>94,205</u>	<u>11,617,824</u>	<u>56,829</u>	<u>44,185</u>	<u>85</u>	<u>-</u>	<u>12,630,676</u>	<u>167,468</u>	<u>12,798,144</u>
EXPENSES										
Royalty expenses	377,923	36,427	3,566,696	24,294	-	-	-	4,005,340	-	4,005,340
Discounts and commissions	104,603	35,902	4,484,432	8,240	-	-	-	4,633,177	-	4,633,177
Personnel expenses	-	-	-	-	-	-	-	-	1,159,451	1,159,451
Technology expenses	109,892	58,413	459,017	-	8,991	-	-	636,313	13,115	649,428
General and administrative	(2,466)	158	12,720	-	-	-	150	10,562	395,598	406,160
Professional contract services	-	-	-	-	-	-	-	-	250,874	250,874
Travel and meetings	-	-	-	-	-	-	5,900	5,900	15,793	21,693
Total expenses	<u>589,952</u>	<u>130,900</u>	<u>8,522,865</u>	<u>32,534</u>	<u>8,991</u>	<u>-</u>	<u>6,050</u>	<u>9,291,292</u>	<u>1,834,831</u>	<u>11,126,123</u>
OTHER ITEMS										
Extinguishment of debt	-	-	-	-	-	-	-	-	145,400	145,400
Surplus share	(476,526)	(476,526)	-	-	-	-	-	(953,052)	-	(953,052)
Foreign currency loss	-	-	-	-	-	-	-	-	(25,645)	(25,645)
Bad debt recovery	-	-	-	-	-	-	-	-	454	454
Unrealized gain on investments	-	-	-	-	-	-	-	-	242,688	242,688
CHANGE IN NET ASSETS	<u>\$ (248,930)</u>	<u>\$ (513,221)</u>	<u>\$ 3,094,959</u>	<u>\$ 24,295</u>	<u>\$ 35,194</u>	<u>\$ 85</u>	<u>\$ (6,050)</u>	<u>\$ 2,386,332</u>	<u>\$ (1,304,466)</u>	<u>\$ 1,081,866</u>