

**Public Library of Science**

Financial Statements

December 31, 2018  
(With Comparative Totals for 2017)



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Public Library of Science  
San Francisco, California

We have audited the accompanying financial statements of Public Library of Science (a California nonprofit corporation) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Public Library of Science as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Public Library of Science's 2017 financial statements, and our report dated April 30, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino<sup>LLP</sup>  
San Francisco, California

May 17, 2019

Public Library of Science  
Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current assets		
Cash	\$ 707,955	\$ 912,832
Program and accounts receivable, net	2,154,573	1,718,422
Prepaid expenses and other	603,189	996,267
Total current assets	3,465,717	3,627,521
Noncurrent assets		
Investments	10,839,425	15,843,445
Restricted investment	175,976	175,976
Loan receivable	60,726	59,089
Property and equipment, net	857,450	1,301,773
Deposits	8,402	8,402
Total noncurrent assets	11,941,979	17,388,685
Total assets	\$ 15,407,696	\$ 21,016,206
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,695,527	\$ 1,229,650
Accrued liabilities	1,710,708	1,678,806
Institutional deposits	582,728	636,844
Deferred revenue	566,931	432,649
Total current liabilities	4,555,894	3,977,949
Deferred rent liability	168,212	70,168
Total liabilities	4,724,106	4,048,117
Net assets without donor restrictions	10,683,590	16,968,089
Total liabilities and net assets	\$ 15,407,696	\$ 21,016,206

The accompanying notes are an integral part of these financial statements.

Public Library of Science  
Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Revenues, gains and other support		
Public support revenue		
Donations	\$ 3,606	\$ 4,732
Total public support revenue	<u>3,606</u>	<u>4,732</u>
Program revenue		
Publication fees	33,580,400	36,957,380
Less: support provided to authors	<u>(1,916,730)</u>	<u>(2,124,543)</u>
Publication fees, net	31,663,670	34,832,837
Reprints and sponsorships	25,559	85,029
Advertising	<u>318,689</u>	<u>292,800</u>
Total program revenue	<u>32,007,918</u>	<u>35,210,666</u>
Other income (expense)		
Unrealized and realized gains (losses) on investments, net	(661,847)	917,912
Other income (expense), net	(86,851)	166,767
Interest and dividend income	<u>412,826</u>	<u>478,129</u>
Total other income (expense)	<u>(335,872)</u>	<u>1,562,808</u>
Total revenues, gains and other support	<u>31,675,652</u>	<u>36,778,206</u>
Functional expenses		
Publishing program services	30,341,405	30,547,894
Management and general	<u>7,618,746</u>	<u>7,944,385</u>
Total functional expenses	<u>37,960,151</u>	<u>38,492,279</u>
Change in net assets from operations	(6,284,499)	(1,714,073)
Impairment of capitalized software	<u>-</u>	<u>11,108,667</u>
Change in net assets from operations	(6,284,499)	(12,822,740)
Net assets without donor restrictions, beginning of year	<u>16,968,089</u>	<u>29,790,829</u>
Net assets without donor restrictions, end of year	<u>\$ 10,683,590</u>	<u>\$ 16,968,089</u>

The accompanying notes are an integral part of these financial statements.

Public Library of Science  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	Publishing Program Services	Management and General	2018 Total	2017 Total
Expenses				
Salaries and benefits	\$ 18,677,640	\$ 5,356,428	\$ 24,034,068	\$ 22,281,609
Production costs	7,251,911	-	7,251,911	8,567,099
Professional fees	484,401	732,521	1,216,922	3,420,057
Facility costs	2,088,758	282,504	2,371,262	2,632,412
Technology	799,806	335,143	1,134,949	1,264,181
Travel, meals, and promotion	447,911	270,452	718,363	890,414
Office and other	132,585	441,424	574,009	660,260
Training and recruitment	19,690	200,274	219,964	474,734
Marketing and advertising	438,703	-	438,703	373,526
Total expenses, including capitalized software costs	30,341,405	7,618,746	37,960,151	40,564,292
Less: capitalized software costs	-	-	-	(2,072,013)
	<u>\$ 30,341,405</u>	<u>\$ 7,618,746</u>	<u>\$ 37,960,151</u>	<u>\$ 38,492,279</u>

The accompanying notes are an integral part of these financial statements.

Public Library of Science  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (6,284,499)	\$ (12,822,740)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	477,866	601,450
Unrealized and realized investment losses (gains)	661,847	(917,912)
Accrued interest	(1,637)	(1,592)
Loss on disposal of property and equipment	2,801	39,271
Impairment of capitalized software	-	11,108,667
Deferred rent	98,044	(83,233)
Changes in operating assets and liabilities		
Program and accounts receivable, net	(436,151)	184,430
Prepaid expenses and other	393,078	(220,987)
Accounts payable	465,876	(430,850)
Accrued liabilities	31,903	(299,980)
Institutional deposits	(54,116)	(10,162)
Deferred revenue	<u>134,282</u>	<u>(81,318)</u>
Net cash used in operating activities	<u>(4,510,706)</u>	<u>(2,934,956)</u>
Cash flows from investing activities		
Changes in restricted investment	-	104,771
Purchase of investments	(407,827)	(476,695)
Sale of investments	4,750,000	5,825,765
Payments for software development costs	-	(2,072,013)
Purchase of property and equipment	<u>(36,344)</u>	<u>(840,148)</u>
Net cash provided by investing activities	<u>4,305,829</u>	<u>2,541,680</u>
Net decrease in cash	(204,877)	(393,276)
Cash, beginning of year	<u>912,832</u>	<u>1,306,108</u>
Cash, end of year	<u>\$ 707,955</u>	<u>\$ 912,832</u>

The accompanying notes are an integral part of these financial statements.



Public Library of Science  
Notes to Financial Statements  
December 31, 2018

1. NATURE OF OPERATIONS

The Public Library of Science ("Organization" or "PLOS") was incorporated in the State of California, USA on July 11, 2001, as a California nonprofit public benefit corporation with company number C2354500, and is registered in the UK with company number FC031758 and branch number BR016828 with headquarters located in San Francisco. PLOS is a nonprofit science and medical publisher and open access advocacy organization. The mission of PLOS is to accelerate progress in science and medicine by leading a transformation in research communication. Everything that PLOS publishes is Open Access - freely available online for anyone to use. Sharing research encourages progress, from protecting the biodiversity of our planet to finding more effective treatments for diseases such as cancer.

The organization's core objectives are to:

- Provide ways to overcome unnecessary barriers to immediate availability, access, and use of research.
- Pursue a publishing strategy that optimizes the openness, quality, and integrity of the publication process.
- Develop innovative approaches to the assessment, organization, and reuse of ideas and data.

For more information, visit PLOS' website at [www.plos.org](http://www.plos.org).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of PLOS have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") specific to nonprofit organizations. Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - These funds represent the portion of net assets that are not restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.
- *Net assets with donor restrictions* - These funds represent the portion of net assets for which use is limited by donor-imposed stipulations. This include donor-imposed stipulations that either expire by passage of time and/or can be fulfilled and removed by actions of PLOS (temporarily restricted) or donor-imposed stipulations that are restricted in perpetuity (permanently restricted). Restricted revenue or support received is reported as restricted revenue and is subsequently released from restriction if the restriction is met in the same reporting period. As of December 31, 2018, PLOS does not have any net assets with donor restrictions.

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. PLOS recognizes support from net assets with restrictions when the restrictions imposed by the donors have been satisfied or expired. Expenses are reported as decreases in net assets without donor restrictions.

Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such summarized information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with PLOS' financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Revenue

PLOS receives revenue from a variety of sources. Advertising revenue is recognized when the advertising is published and publication fee revenue and publication fee support are recognized at the time of publication. Publication fee support is shown as publication fees, net in the statement of activities.

Publication fee support includes amounts extended to individual authors with financial hardships through the Publication Fee Assistance program and authors whose research are funded by eligible low- and middle-income countries through the PLOS Global Participation Initiative.

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received at fair value. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as support without donors restrictions.

Donated property is recorded at the estimated fair value at the date of receipt. PLOS reports gifts of property as support without restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, PLOS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash

PLOS considers all highly liquid investments which include domestic and foreign country deposits with remaining maturities of three months or less to be cash equivalents. PLOS maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. PLOS has not experienced any losses in such accounts. PLOS attempts to limit its credit risk associated with cash equivalents and marketable securities by utilizing outside advisors and managers to place its investments with highly rated corporate and financial institutions.

Restricted investment

PLOS maintains one certificate of deposit with an original maturity in excess of three months with a bank that is pledged as security for office lease. At December 31, 2018, the restricted investment amounted to \$175,976.

Program and accounts receivable

Program and accounts receivable consist of author fees, sponsorship, and advertising. Reserves for potential bad debts are maintained based on historical credit losses and management's expectations. The allowance for bad debts was \$124,481 as of December 31, 2018.

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans receivable

PLOS has a 10 year loan receivable of \$50,000 from ORCID, Inc. This loan was entered into on November 10, 2011 and accrues interest at an annual rate of 2.75%. Outstanding accrued interest amounted to \$10,726 at December 31, 2018. The borrower's charitable purpose is to promote accuracy and integrity in attribution, and further collaboration in scientific research and scholarship. Specifically, the loan to ORCID is to solve the author/contributor name ambiguity problem in scholarly communications by creating a central registry of unique identifiers for individual researchers and an open and transparent linking mechanism between ORCID and other current author ID schemes.

Investments

PLOS' investments are stated at fair value based on quoted prices in active markets. Any related changes in realized or unrealized gain (loss) are reflected in changes in market value in the statement of activities.

Long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the assets' carrying value is adjusted to fair value.

Property and equipment

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. The cost of property and equipment greater than \$1,000 is capitalized and depreciated over the estimated useful life of each class of depreciable asset using the straight-line method or over the lesser of the lease term or useful life for leasehold improvements.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lesser of lease term or 1 to 5 years
Computer hardware and software	3 to 5 years
Furniture and fixtures	3 - 10 years
Website	5 years

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, PLOS uses various valuation approaches. A hierarchy has been established for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the PLOS. Unobservable inputs are inputs that reflect PLOS' assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- *Level 1* - investments include quoted prices (unadjusted) in active markets for identical investments that PLOS has the ability to access at the measurement date.
- *Level 2* - investments include other significant observable inputs (including quoted prices for similar instruments, interest rates, prepayment terms, credit risk, etc.).
- *Level 3* - investments include significant unobservable inputs (including PLOS' own assumptions in determining the fair value of instruments).

The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Institutional deposits

Institutional deposits represent unused prepaid publication fee deposits from Institutional Accounts. These are refundable amounts should the Institution terminate its arrangements with PLOS.

Deferred revenue

Deferred revenue consists of publication fees collected in advance of publication.

Deferred rent

PLOS leases building space in San Francisco, California and Cambridge, U.K. under operating leases. The leases contain rental increases at various points throughout the lease terms. PLOS recognizes rent expense on a straight-line basis over the lease terms. Deferred rent is provided to reflect the differences between rent recorded in the financial statements and actual rent paid according to the lease terms.

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. PLOS did not recognize any in-kind contributions during the year ended December 31, 2018.

Income taxes

PLOS has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 27301d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities, and management is confident that PLOS continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status. PLOS may periodically receive unrelated business income (such as advertising income, etc.) requiring PLOS to file separate tax returns under federal and state statutes. PLOS also has certain transactions requiring the payment of additional employer taxes to HM Revenue and Customs in the U.K. Under such conditions, PLOS calculates and accrues the applicable taxes. PLOS is not subject to examination by taxing authorities, nor was for any prior years.

PLOS assesses tax positions taken or expected to be taken against more-likely-than-not recognition threshold and measurement attributes for financial statement recognition. Based on an analysis prepared by PLOS, it was determined that PLOS believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Functional allocation of expenses

Costs of providing PLOS' programs and other activities have been allocated between publishing program services and general and administration functional expenses based upon time and other cost studies performed by PLOS. Indirect costs were allocated to the programs and supporting services by a method that best measured the relative degree of benefit which was primarily based on headcount and individual's respective functions.

Recently issued accounting standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 makes certain improvements to current reporting requirements, including the following:

- Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently issued accounting standards (continued)

- Enhancing disclosures about amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
- Enhancing disclosures about the composition of net assets with donor restrictions and how the restrictions affect the use of resources.
- Enhancing disclosures about the qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
- Reporting amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
- Enhancing disclosures on the methods used to allocate costs among program and support functions.
- Enhancing disclosures on underwater endowment funds.

The amendments have been applied on a retrospective basis in 2018.

Subsequent events

PLOS has evaluated subsequent events through May 17, 2019, the date the financial statements were available to be issued, and, in the opinion of management, there are no subsequent events which need to be disclosed.

3. INVESTMENTS

Investments consisted of the following:

	Cost	Fair Value
Fixed income	\$ 9,160,729	\$ 8,808,181
Domestic stock	1,087,775	1,212,715
International stock	758,491	818,529
	\$ 11,006,995	\$ 10,839,425

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

3. INVESTMENTS (continued)

Unrealized and realized gains (losses) on investments for the year are as follows:

Net unrealized loss on investments	\$ (735,706)
Net realized gain on sale of investments	93,859
Investment fees	<u>(20,000)</u>
	<u>\$ (661,847)</u>

4. FAIR VALUE MEASUREMENTS

The Organization's assets at fair value as of December 31, 2018 within the fair value hierarchy, are as follows:

	<u>Level 1</u>	<u>Fair Value</u>
Fixed income	\$ 8,808,181	\$ 8,808,181
Domestic stocks	1,212,715	1,212,715
International stocks	<u>818,529</u>	<u>818,529</u>
	<u>\$ 10,839,425</u>	<u>\$ 10,839,425</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computer hardware and software	\$ 2,176,018
Furniture and fixtures	610,144
Website	947,818
Leasehold improvements	<u>1,099,251</u>
	4,833,231
Accumulated depreciation	<u>(3,975,781)</u>
	<u>\$ 857,450</u>

Depreciation and amortization expense for the year ended December 31, 2018 amounted to \$477,866 and is included in facility costs in the statement of functional expenses.



Public Library of Science  
Notes to Financial Statements  
December 31, 2018

6. LEASE COMMITMENTS

In November 2016, PLOS entered into a new operating lease that began June 1, 2017 and expires on May 31, 2024 for a reduced footprint to 20,502 square footage. The office lease currently requires a monthly rental payment of \$109,105 with stipulated periodic rental increases. PLOS accounts for operating leases which have stipulated rental adjustments under the straight-line method. PLOS is responsible for its proportionate share of building, maintenance and operating expenses which includes property taxes, insurance, and utilities. In connection with the leases, PLOS is required to collateralize the rental agreements with a deposit for performance under the rental contracts. The required deposit amounted to \$175,976 at December 31, 2018 and is reflected as restricted investment on the statement of financial position.

In July 2010, PLOS entered into an operating lease agreement for office space in the United Kingdom through July 18, 2020. During 2013 and 2014, PLOS entered into an operating lease agreement for expanded premises of its office space in the United Kingdom through July 18, 2020. PLOS is responsible for repairs and maintenance to keep the premises in "good repair and condition" and is also subject to value added tax (VAT) on the periodic rent charges. The lease provides for rent adjustments after the fifth year, which the lessor exercised, through an August 23, 2016 signed Rent Review Memorandum. The combined leases, exclusive of VAT, require periodic rental payments which equate to £88,500 British Pounds Sterling annually (approximately U.S. \$115,400 as of December 31, 2018).

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2019	\$ 1,447,588
2020	1,458,429
2021	1,413,288
2022	1,455,625
2023	1,499,311
Thereafter	<u>632,401</u>
	<u>\$ 7,906,642</u>

Rent expense for the year ended December 31, 2018 amounted to \$1,710,359 and is included in facility costs in the statement of functional expenses.

7. RETIREMENT PLAN

For U.S. based employees, PLOS offers the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). The Public Library of Science 401(k) Profit Sharing Plan & Trust provides employees with the opportunity to defer up to 4% of their salary. PLOS matches 100% of employee contributions up to 3% of compensation, and then matches 50% of employee contributions on the next 2% of compensation. PLOS contributed \$517,028 to the plan for the year ended December 31, 2018.

Public Library of Science  
Notes to Financial Statements  
December 31, 2018

7. RETIREMENT PLAN (continued)

For U.K.-based employees, PLOS offers a policy under Royal London whereby participants must contribute a minimum of 1% of their salary for a matching PLOS contribution up to 5%. PLOS contributed \$104,731 to the plan for the year ended December 31, 2018.

8. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, PLOS invests its excess cash and operating reserves in its investment portfolio managed by Vanguard Institutional Advisors. PLOS' investment portfolio contains equity and fixed income mutual funds that can be redeemed on one day's notice.

PLOS strives to maintain net assets without restrictions that are equal to at least three months of its average monthly expenses, although the organization may choose to go below this level to invest in new initiatives.

Financial assets available within one year of the balance sheet date for general operating expenditures are as follows:

Financial assets	
Cash	\$ 707,955
Program and accounts receivable, net	2,154,573
Investments	<u>10,839,425</u>
	<u>\$ 13,701,953</u>

The Organization has financial assets available at December 31, 2018 to cover approximately five months of operating expenses based on the Fiscal Year 2019 budget.

SUPPLEMENTARY INFORMATION



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Public Library of Science  
San Francisco, California

We have audited the financial statements of Public Library of Science as of and for the year ended December 31, 2018 and our report thereon dated May 17, 2019, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 19 - 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Francisco, California

May 17, 2019

Public Library of Science  
Statement of Activities with Publication Fee Support Presented as Program Expense  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
Revenues, gains and other support		
Public support revenue		
Donations	\$ 3,606	\$ 4,732
Total public support revenue	3,606	4,732
Program revenue		
Publication fees	33,580,400	36,957,380
Reprints and sponsorships	25,559	85,029
Advertising	318,689	292,800
Total program revenue	33,924,648	37,335,209
Other income		
Unrealized and realized gains (losses) on investments, net	(661,847)	917,912
Other income (expense), net	(86,851)	166,767
Interest and dividend income	412,826	478,129
Total other income	(335,872)	1,562,808
Total revenues, gains, and other support	33,592,382	38,902,749
Functional expenses		
Publishing program services	32,258,135	32,672,437
Management and general	7,618,746	7,944,385
Total functional expenses	39,876,881	40,616,822
Change in net assets from operations	(6,284,499)	(1,714,073)
Impairment of capitalized software	-	11,108,667
Change in net assets	(6,284,499)	(12,822,740)
Net assets, beginning of year	16,968,089	29,790,829
Net assets, end of year	\$ 10,683,590	\$ 16,968,089

Public Library of Science  
Statement of Functional Expenses with Publication Fee Support Presented as Program Expense  
For The Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>Publishing Program Services</u>	<u>Management and General</u>	<u>2018 Total</u>	<u>2017 Total</u>
Expenses				
Salaries and benefits	\$ 18,677,640	\$ 5,356,428	\$ 24,034,068	\$ 22,281,609
Production costs	7,251,911	-	7,251,911	8,567,099
Professional fees	484,401	732,521	1,216,922	3,420,057
Publication fee support	1,916,730	-	1,916,730	2,124,543
Facility costs	2,088,758	282,504	2,371,262	2,632,412
Technology	799,806	335,143	1,134,949	1,264,181
Travel, meals, and promotion	447,911	270,452	718,363	890,414
Office and other	132,585	441,424	574,009	660,260
Training and recruitment	19,690	200,274	219,964	474,734
Marketing and advertising	<u>438,703</u>	<u>-</u>	<u>438,703</u>	<u>373,526</u>
Total expenses, including capitalized software costs	32,258,135	7,618,746	39,876,881	42,688,835
Less: capitalized software costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,072,013)</u>
Total expenses	<u>\$ 32,258,135</u>	<u>\$ 7,618,746</u>	<u>\$ 39,876,881</u>	<u>\$ 40,616,822</u>