

Public Library of Science

Financial Statements

December 31, 2019
(With Comparative Totals for 2018)



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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, 2019, 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, 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2014-09, *Presentation Revenue from Contracts with Customers* (Topic 606) and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 10 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Given the uncertainty of the situation, the duration of the Organization's disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Public Library of Science's 2018 financial statements, and our report dated May 17, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, 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.



Armanino^{LLP}
San Francisco, California

June 5, 2020

Public Library of Science
Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash	\$ 765,342	\$ 707,955
Program and accounts receivable, net	1,664,364	2,154,573
Prepaid expenses and other	741,470	603,189
Total current assets	3,171,176	3,465,717
Noncurrent assets		
Investments	11,760,867	10,839,425
Restricted investment	145,976	175,976
Loan receivable	62,407	60,726
Property and equipment, net	502,699	857,450
Deposits	8,402	8,402
Total noncurrent assets	12,480,351	11,941,979
Total assets	\$ 15,651,527	\$ 15,407,696
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,215,309	\$ 1,695,527
Accrued liabilities	1,089,315	1,710,708
Institutional deposits	908,863	582,728
Deferred revenue	410,268	566,931
Total current liabilities	3,623,755	4,555,894
Deferred rent liability	227,403	168,212
Total liabilities	3,851,158	4,724,106
Net assets		
Without donor restrictions	11,800,369	10,683,590
With donor restrictions	-	-
Total net assets	11,800,369	10,683,590
Total liabilities and net assets	\$ 15,651,527	\$ 15,407,696

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

Public Library of Science
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues, gains and other support				
Publication fees	\$ 31,515,547	\$ -	\$ 31,515,547	\$ 33,580,400
Less: support provided to authors	(1,667,819)	-	(1,667,819)	(1,916,730)
Publication fees, net	<u>29,847,728</u>	<u>-</u>	<u>29,847,728</u>	<u>31,663,670</u>
Unrealized and realized gains (losses) on				
investments, net	1,006,083	-	1,006,083	(661,847)
Interest and dividend income	420,855	-	420,855	412,826
Advertising	267,707	-	267,707	318,689
Contributions	8,006	150,000	158,006	3,606
Reprints and sponsorships	2,838	-	2,838	25,559
Other income (expense), net	(61,338)	-	(61,338)	(86,851)
Net assets released from restrictions	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>31,641,879</u>	<u>-</u>	<u>31,641,879</u>	<u>31,675,652</u>
Functional expenses				
Publishing program services	25,316,860	-	25,316,860	30,341,405
Management and general	<u>5,208,240</u>	<u>-</u>	<u>5,208,240</u>	<u>7,618,746</u>
Total functional expenses	<u>30,525,100</u>	<u>-</u>	<u>30,525,100</u>	<u>37,960,151</u>
Change in net assets	1,116,779	-	1,116,779	(6,284,499)
Net assets, beginning of year	<u>10,683,590</u>	<u>-</u>	<u>10,683,590</u>	<u>16,968,089</u>
Net assets, end of year	<u>\$ 11,800,369</u>	<u>\$ -</u>	<u>\$ 11,800,369</u>	<u>\$ 10,683,590</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, 2019
(With Comparative Totals for 2018)

	Publishing Program Services	Management and General	2019 Total	2018 Total
Expenses				
Salaries and benefits	\$ 15,383,692	\$ 3,360,436	\$ 18,744,128	\$ 24,034,068
Production costs	5,863,087	-	5,863,087	7,251,911
Facility costs	1,946,382	191,765	2,138,147	2,371,262
Technology	746,174	251,644	997,818	1,134,949
Professional fees	273,055	421,134	694,189	1,216,922
Travel, meals, and promotion	467,406	213,051	680,457	718,363
Marketing and advertising	509,525	-	509,525	438,703
Office and other	126,349	324,710	451,059	574,009
Training and recruitment	1,190	445,500	446,690	219,964
	<u>1,190</u>	<u>445,500</u>	<u>446,690</u>	<u>219,964</u>
Total expenses	<u>\$ 25,316,860</u>	<u>\$ 5,208,240</u>	<u>\$ 30,525,100</u>	<u>\$ 37,960,151</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, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 1,116,779	\$ (6,284,499)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	373,583	477,866
Net unrealized and realized investment losses (gains)	(1,006,083)	661,847
Accrued interest	(1,681)	(1,637)
Loss (gain) on disposal of property and equipment	(396)	2,801
Deferred rent	59,191	98,044
Changes in operating assets and liabilities		
Program and accounts receivable, net	490,209	(436,151)
Prepaid expenses and other	(138,281)	393,078
Accounts payable	(480,218)	465,876
Accrued liabilities	(621,392)	31,903
Institutional deposits	326,135	(54,116)
Deferred revenue	(156,663)	134,282
Net cash used in operating activities	<u>(38,817)</u>	<u>(4,510,706)</u>
Cash flows from investing activities		
Proceeds from restricted investment	30,000	-
Purchase of investments	(5,531,354)	(407,827)
Sale of investments	5,615,995	4,750,000
Purchase of property and equipment	(18,437)	(36,344)
Net cash provided by investing activities	<u>96,204</u>	<u>4,305,829</u>
Net increase (decrease) in cash	57,387	(204,877)
Cash, beginning of year	<u>707,955</u>	<u>912,832</u>
Cash, end of year	<u>\$ 765,342</u>	<u>\$ 707,955</u>

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

Public Library of Science
Notes to Financial Statements
December 31, 2019

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.

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.

Public Library of Science
Notes to Financial Statements
December 31, 2019

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. Revenues with donor restriction received that meet the donor-imposed stipulation during the same fiscal period are recorded as revenue with donor restriction and are released from restriction in the corresponding fiscal period.

Change in accounting principles

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The Organization adopted ASU 2014-09 with a date of the initial application of January 1, 2019, using the full retrospective method.

The adoption of ASU 2014-09 did not have a significant impact on the PLOS's financial position, result of operations, or cash flows. The majority of the PLOS's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Based on the PLOS's evaluation of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenue as a result of the adoption of this standard.

In June 2018, the FASB issued ASU 2018-08, Contributions Received and Contributions Made, which clarifies the criteria for evaluating whether a transaction is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. PLOS adopted ASU 2018-08 with a date of the initial application of January 1, 2019, using the modified prospective method. The adoption of ASU 2018-08 did not have a significant impact on the PLOS's financial position, result of operations, or cash flows. PLOS has evaluated contributions received and contributions made and has determined that there is no change as a result of the adoption of the standard.

Public Library of Science
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018, 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.

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 donor 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.

Public Library of Science
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 its office lease. At December 31, 2019, the restricted investment amounted to \$145,976.

Contributions receivable

Contributions receivable represent unconditional promises from donors. There are no unconditional or conditional contributions receivable at December 31, 2019.

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 \$144,345 as of December 31, 2019.

Loan receivable

PLOS has a 10 year loan receivable with an original principal balance 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 \$12,407 at December 31, 2019. 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. There was no impairment of assets during the years ended December 31, 2019 and 2018.

Public Library of Science
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 - 5 years
Furniture and fixtures	3 -10 years
Website	5 years

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.

Public Library of Science
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019.

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.

Public Library of Science
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3. INVESTMENTS

Investments consisted of the following:

	Cost	Fair Value
Fixed income	\$ 4,583,444	\$ 4,642,962
Domestic stock	2,117,095	2,638,039
International stock	4,055,499	4,479,866
	\$ 10,756,038	\$ 11,760,867

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

Net unrealized gain on investments	\$ 1,168,240
Net realized loss on sale of investments	(142,157)
Investment fees	(20,000)
	\$ 1,006,083

4. FAIR VALUE MEASUREMENTS

The Organization's assets at fair value as of December 31, 2019 within the fair value hierarchy, are as follows:

	Level 1	Level 2	Level 3	Total
Fixed income	\$ 4,642,962	\$ -	\$ -	\$ 4,642,962
Domestic stocks	2,638,039	-	-	2,638,039
International stocks	4,479,866	-	-	4,479,866
	\$ 11,760,867	\$ -	\$ -	\$ 11,760,867

Public Library of Science
Notes to Financial Statements
December 31, 2019

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computer hardware and software	\$ 2,173,404
Leasehold improvements	1,099,251
Website	947,818
Furniture and fixtures	<u>598,395</u>
	4,818,868
Accumulated depreciation	<u>(4,316,169)</u>
	<u><u>\$ 502,699</u></u>

Depreciation and amortization expense for the year ended December 31, 2019 amounted to \$373,583 and is included in facility costs in the statement of functional expenses.

6. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets with donor restrictions released from restriction during the year were as follows:

Health Science and Service Admin (HRSA) for PLOS Special Collections focusing on articles addressing health care needs of underserved in the US led by the PLOS Medicine journal	<u><u>\$ 150,000</u></u>
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7. LEASE COMMITMENTS

In November 2016, PLOS entered into an operating lease that began June 1, 2017 and was to expire on May 31, 2024 for a rentable area of 20,502 square footage. In March 2020, PLOS amended its lease with the same landlord for a rentable area of 9,508 square feet effective September 1, 2020. The amendment will reduce the current monthly lease payment from \$112,385 through May 2020 and \$115,750 through August 2020 to \$69,725 starting in September 1, 2020 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 \$145,976 at December 31, 2019 and is reflected as restricted investment on the statement of financial position.

Public Library of Science
Notes to Financial Statements
December 31, 2019

7. LEASE COMMITMENTS (continued)

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. This operating lease agreement was renewed in March 2020 to extend to July 2025. 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 combined leases, exclusive of VAT, require periodic rental payments which equate to £88,500 British Pounds Sterling annually (approximately U.S. \$110,000 as of December 31, 2019) and \$110,000 British Pounds Sterling annually effective July 19, 2020.

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

Year ending December 31,

2020	\$ 1,133,581
2021	984,738
2022	1,009,902
2023	1,035,821
2024	1,062,517
Thereafter	<u>79,052</u>
	<u>\$ 5,305,611</u>

Rent expense for the year ended December 31, 2019 amounted to \$1,593,187 and is included in facility costs in the statement of functional expenses.

8. 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 \$397,265 to the plan for the year ended December 31, 2019.

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 \$134,844 to the plan for the year ended December 31, 2019.

9. 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.

Public Library of Science
Notes to Financial Statements
December 31, 2019

9. LIQUIDITY AND FUNDS AVAILABLE (continued)

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	\$ 765,342
Program and accounts receivable, net	1,664,364
Investments	<u>11,760,867</u>
	<u>\$ 14,190,573</u>

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 5, 2020, the date the financial statements were available to be issued. Other than the event described below, no other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. As a result, equity markets have declined over 20% from their historically high levels. The Organization's investments have declined under 20% since approximately 60% of the investment portfolio is invested in fixed income securities. In addition, the U.S. Government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. Following its most adversely impacted quarterly revenue performance on record, the Organization applied in April 2020 for and received \$2,567,157 from the Payroll Protection Program (PPP) in May 2020.

While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. Through the end of March 31, 2020, the Organization recorded a decline of over \$1,000,000 in publication fees compared to the same period in 2019 as well as \$1,400,000 in lower investment income resulting from the financial markets' collapse in March that started in late February and accelerated in March. The Organization has adjusted certain aspects of its operations to protect its employees, including the PPP application. Because the Organization's operations are directly impacted by these events, it is clear that this matter has already impacted the Organization and will likely continue to do so in the forthcoming months. However, the ultimate financial impact and duration cannot be reasonably estimated at this time.

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, 2019 and our report thereon dated June 5, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. 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.

Armanino LLP

Armanino^{LLP}
San Francisco, California

June 5, 2020



An independent firm
associated with Moore
Global Network Limited

Public Library of Science
Statement of Activities with Publication Fee Support Presented as Program Expense
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenues, gains and other support				
Publication fees	\$ 31,515,547	\$ -	\$ 31,515,547	\$ 33,580,400
Unrealized and realized gains (losses) on investments, net	1,006,083	-	1,006,083	(661,847)
Interest and dividend income	420,855	-	420,855	412,826
Advertising	267,707	-	267,707	318,689
Contributions	8,006	150,000	158,006	3,606
Reprints and sponsorships	2,838	-	2,838	25,559
Other income (expense), net	(61,338)	-	(61,338)	(86,851)
Net assets released from restrictions	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>33,309,698</u>	<u>-</u>	<u>33,309,698</u>	<u>33,592,382</u>
Functional expenses				
Publishing program services	26,984,679	-	26,984,679	32,258,135
Management and general	<u>5,208,240</u>	<u>-</u>	<u>5,208,240</u>	<u>7,618,746</u>
Total functional expenses	<u>32,192,919</u>	<u>-</u>	<u>32,192,919</u>	<u>39,876,881</u>
Change in net assets	1,116,779	-	1,116,779	(6,284,499)
Net assets, beginning of year	<u>10,683,590</u>	<u>-</u>	<u>10,683,590</u>	<u>16,968,089</u>
Net assets, end of year	<u>\$ 11,800,369</u>	<u>\$ -</u>	<u>\$ 11,800,369</u>	<u>\$ 10,683,590</u>

Public Library of Science
Statement of Functional Expenses with Publication Fee Support Presented as Program Expense
For The Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Publishing Program Services	Management and General	2019 Total	2018 Total
Expenses				
Salaries and benefits	\$ 15,383,692	\$ 3,360,436	\$ 18,744,128	\$ 24,034,068
Production costs	5,863,087	-	5,863,087	7,251,911
Facility costs	1,946,382	191,765	2,138,147	2,371,262
Publication fee support	1,667,819	-	1,667,819	1,916,730
Technology	746,174	251,644	997,818	1,134,949
Professional fees	273,055	421,134	694,189	1,216,922
Travel, meals, and promotion	467,406	213,051	680,457	718,363
Marketing and advertising	509,525	-	509,525	438,703
Office and other	126,349	324,710	451,059	574,009
Training and recruitment	1,190	445,500	446,690	219,964
	<u>1,190</u>	<u>445,500</u>	<u>446,690</u>	<u>219,964</u>
Total expenses	<u>\$ 26,984,679</u>	<u>\$ 5,208,240</u>	<u>\$ 32,192,919</u>	<u>\$ 39,876,881</u>