

Public Library of Science

Consolidated Financial Statements
and Supplementary Information

December 31, 2022
(With Comparative Totals for 2021)



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Public Library of Science (a California nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Public Library of Science as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Public Library of Science and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As described in Note 2 to the consolidated financial statements, the Organization adopted FASB Topic 842, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. 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 consolidated 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 consolidated 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 consolidated 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 Public Library of Science'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Public Library of Science'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.

Report on Summarized Comparative Information

We have previously audited Public Library of Science's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

June 12, 2023

Public Library of Science
Consolidated Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash	\$ 3,902,973	\$ 1,818,982
Program and accounts receivable, net	6,426,176	5,894,599
Prepaid expenses and other current assets	847,145	852,456
Contributions and grants receivable, net	9,757	-
Total current assets	11,186,051	8,566,037
Noncurrent assets		
Investments	12,558,369	15,223,366
Restricted investment	175,976	175,976
Property and equipment, net	360,511	556,665
Operating lease right-of-use asset, net	1,644,409	-
Deposits	10,424	8,402
Total noncurrent assets	14,749,689	15,964,409
Total assets	\$ 25,935,740	\$ 24,530,446
LIABILITIES AND NET ASSETS		
Current liabilities		
Institutional deposits	\$ 843,072	\$ 1,008,017
Accrued liabilities	1,302,963	1,372,993
Accounts payable	1,623,899	1,392,150
Deferred revenue	1,403,630	535,944
Operating lease liability, current portion	879,779	-
Total current liabilities	6,053,343	4,309,104
Long-term liabilities		
Operating lease liability, net of current portion	917,299	-
Deferred rent	-	189,141
Total long-term liabilities	917,299	189,141
Total liabilities	6,970,642	4,498,245
Net assets		
Without donor restrictions	18,965,098	20,032,201
With donor restrictions	-	-
Total net assets	18,965,098	20,032,201
Total liabilities and net assets	\$ 25,935,740	\$ 24,530,446

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

Public Library of Science
Consolidated Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains (losses) and other support				
Publication fees	\$ 34,003,811	\$ -	\$ 34,003,811	\$ 35,694,204
Less: support provided to authors	<u>(3,826,332)</u>	<u>-</u>	<u>(3,826,332)</u>	<u>(3,291,860)</u>
Publication fees, net	30,177,479	-	30,177,479	32,402,344
Institutional Partnership revenue	4,166,561	-	4,166,561	1,717,083
Advertising	313,008	-	313,008	277,534
Forgiveness of PPP loan	-	-	-	2,567,157
Grants and contributions	43,355	-	43,355	7,216
Interest and dividend income	365,628	-	365,628	612,076
Unrealized and realized gains (losses) on investments, net	(2,732,526)	-	(2,732,526)	107,618
Reprints	3,537	-	3,537	2,959
Other income (losses), net	<u>(74,102)</u>	<u>-</u>	<u>(74,102)</u>	<u>(2,900)</u>
Total revenues, gains (losses) and other support	<u>32,262,940</u>	<u>-</u>	<u>32,262,940</u>	<u>37,691,087</u>
Functional expenses				
Publishing program services	28,636,476	-	28,636,476	27,640,485
Management and general	<u>4,693,567</u>	<u>-</u>	<u>4,693,567</u>	<u>4,851,761</u>
Total functional expenses	<u>33,330,043</u>	<u>-</u>	<u>33,330,043</u>	<u>32,492,246</u>
Change in net assets	(1,067,103)	-	(1,067,103)	5,198,841
Net assets, beginning of year	<u>20,032,201</u>	<u>-</u>	<u>20,032,201</u>	<u>14,833,360</u>
Net assets, end of year	<u>\$ 18,965,098</u>	<u>\$ -</u>	<u>\$ 18,965,098</u>	<u>\$ 20,032,201</u>

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

Public Library of Science
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Publishing Program Services	Management and General	2022 Total	2021 Total
Expenses				
Salaries and benefits	\$ 18,461,278	\$ 2,472,179	\$ 20,933,457	\$ 19,868,916
Production costs	4,774,844	-	4,774,844	5,525,683
Facility costs	1,271,634	106,380	1,378,014	1,419,993
Technology	1,544,757	215,752	1,760,509	1,576,272
Office and other	517,195	496,535	1,013,730	1,278,537
Marketing and advertising	1,143,394	-	1,143,394	1,163,013
Professional fees	638,497	858,203	1,496,700	1,090,264
Training and recruitment	56,377	377,139	433,516	441,805
Travel, meals, and promotion	228,500	167,379	395,879	127,763
	<u>\$ 28,636,476</u>	<u>\$ 4,693,567</u>	<u>\$ 33,330,043</u>	<u>\$ 32,492,246</u>
Total expenses				

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

Public Library of Science
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (1,067,103)	\$ 5,198,841
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	177,733	150,524
Amortization of operating lease right-of-use asset	807,833	-
Unrealized and realized losses (gains) on investments, net	2,732,526	(107,618)
Loss on disposal of property and equipment	73,641	1,524
Forgiveness of Paycheck Protection Program loan	-	(2,567,157)
Changes in operating assets and liabilities		
Program and accounts receivable, net	(531,577)	(1,741,078)
Prepaid expenses and other current assets	5,311	285,829
Contributions and grants receivable, net	(9,757)	-
Deposits	(2,022)	-
Institutional deposits	(164,945)	(415,343)
Accrued liabilities	(70,029)	5,925
Accounts payable	231,749	71,910
Deferred revenue	867,686	194,988
Operating lease liability	(655,164)	-
Deferred rent	(189,141)	(21,385)
Net cash provided by operating activities	2,206,741	1,056,960
Cash flows from investing activities		
Proceeds from loan receivable	-	64,140
Purchase of investments	(367,529)	(5,059,583)
Sale of investments	300,000	3,648,102
Proceeds from sale of property and equipment	10,000	200
Purchase of property and equipment	(65,221)	(615,612)
Net cash used in investing activities	(122,750)	(1,962,753)
Net increase (decrease) in cash	2,083,991	(905,793)
Cash, beginning of year	1,818,982	2,724,775
Cash, end of year	\$ 3,902,973	\$ 1,818,982

Supplemental schedule of noncash investing and financing activities

Operating lease right-of-use asset obtained in exchange for lease liability	\$ 2,452,242	\$ -
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The accompanying notes are an integral part of these consolidated financial statements.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

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. Our mission is to accelerate progress in science and medicine by leading a transformation in research communication. We publish a suite of Open Access journals, empowering researchers to make all content freely available online for everyone to learn from, share and reuse without restrictions. We also work alongside research communities to break down barriers in making research communication more accessible, more equitable, and more transparent.

In August 2021, we established our German subsidiary, PLOS GmbH, in Berlin and in January 2022 we established a Representative Office in Singapore with the intention of becoming a permanent agency at a future date. Each of these entities will play a critical role in fulfilling our goal of expanding our global footprint in locally responsible ways to get closer to research communities. In order for PLOS to have a meaningful impact, we need our publications to represent the broadest range of researcher voices, globally. This way, we ensure the co-creation of paths to Open Science that work for diverse communities and do not simply extend legacy power structures. The purpose of PLOS GmbH is to ensure the representation of the interests and values of European research communities in PLOS publications and to co-create pathways to Open Science. Our presence in Singapore will ensure the same representation and partnership with research communities across Asia, enabling progress towards an equitable Open Science future.

The Organization's core objectives are to:

- Work with research communities globally to overcome unnecessary barriers, influence research-sharing practices, and co-create solutions that maximize the immediate availability, access, and use of research.
- Pursue a publishing strategy that optimizes the inclusivity, openness, quality, and integrity of the publication process, facilitating trust and collaboration around scientific evidence that advances progress and enables our society to address global challenges.
- 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:

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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 or donor-imposed stipulations that are restricted in perpetuity. PLOS does not have any net assets held in perpetuity.

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 that meet the donor-imposed stipulation during the same fiscal period are reported as support without donor restrictions.

Principles of consolidation

The consolidated financial statements include the accounts of Public Library of Science and its wholly-owned subsidiary PLOS GmbH. All intercompany transactions and balances have been eliminated in consolidation.

Change in accounting principles

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

PLOS adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2022, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principles (continued)

PLOS elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, PLOS recognized on January 1, 2022, an initial lease liability of \$2,641,383 which represents the present value of the remaining operating lease payments of \$2,684,523 discounted using the risk free rate of 1.04%, and a right-of-use asset of \$2,452,242, which represents the operating lease liability adjusted for accrued rent of \$189,141.

The standard had a material impact on PLOS's statement of financial position as of December 31, 2022, but did not have a material impact on PLOS's statement of activities, nor statement of cash flows for the year then ended. The most significant impact was the recognition of a ROU asset and a lease liability for an operating lease on the statement of financial position as of December 31, 2022.

In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Under this ASU, a not-for-profit entity is required to present contributed nonfinancial assets as a separate line-item in the statement of activities, apart from contributions of cash and other financial assets as well as include enhanced disclosures surrounding the nature and valuation techniques of the contributed nonfinancial assets. PLOS adopted ASU 2020-07 with a date of the initial application of January 1, 2022. The adoption of ASU 2020-07 did not have a significant impact on PLOS's financial position, results of operations, or cash flows.

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, 2021 from which the summarized information was derived.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the statement of activities.

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, 2022, the restricted investment amounted to \$175,976.

Contributions receivable

Contributions receivable represent unconditional promises from donors.

Program and accounts receivable

Program and accounts receivable consist of author fees, sponsorships, and advertising. Reserves for potential bad debts are maintained based on historical credit losses and management's expectations. The allowance for bad debts was \$389,195 as of December 31, 2022.

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 year ended December 31, 2022.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

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 Consolidated Financial Statements
December 31, 2022

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.

Leases

PLOS leases office space under operating leases. PLOS determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statement of financial position. Finance leases are included in property and equipment and other long-term liabilities on the consolidated statement of financial position. PLOS does not have any finance leases.

ROU assets represent PLOS's right to use an underlying asset for the lease term and lease liabilities represent PLOS's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As PLOS's lease does not provide an implicit rate, PLOS uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

PLOS's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

PLOS has elected not to recognize right-of-use assets and lease liabilities for short-term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. PLOS only has a small number of short-term leases and the short-term lease cost is nominal.

Deferred revenue

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

Revenue

PLOS recognizes revenues from contracts with customers using a five-step analysis of contracts to determine when and how revenue is to be recognized, based on the core principle that revenue is recognized to reflect the transfer of goods and services to customers in an amount equal to the consideration that PLOS receives or expects to receive.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

PLOS receives revenue from a variety of sources. The most significant portion of revenues is derived from publication fees, which represents fees that authors pay in order to have their scientific articles published in one of PLOS' various online journals. PLOS receives article submissions from authors and then performs a detailed peer review prior to publishing the article. Publication fee revenue is recognized at the time of publication. The publication fee amount is based on pre-established rates.

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

Institutional Partnership revenue consist of flat price agreements entered into with institutions that enable authors affiliated with the institutions to publish articles with PLOS for no fee. The institutions pay a flat annual fee which is recognized over the term of the subscription period as the performance obligation is delivered.

Advertising revenue is recognized when the advertising is published.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue 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 donor-imposed barriers have been met by PLOS and there is no longer a right of return or release. 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.

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, 2022.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

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.

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. The German subsidiary, PLOS GmbH, is not an exempt organization and is subject to employer taxes, corporate income tax filings, and payment obligations to the authorities in Germany. PLOS consults with an agent, Mazars GmbH and Co. KG, in Germany to timely prepare and file the returns.

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.

Subsequent events

Management of PLOS has evaluated events and transactions subsequent to December 31, 2022, for potential recognition or disclosure in the financial statements. There are no subsequent events that require recognition or disclosure in the financial statements for the year ended December 31, 2022. Subsequent events have been evaluated through June 12, 2023, the date the financial statements were available to be issued.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

3. INVESTMENTS

Investments consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Fixed income	\$ 6,032,214	\$ 5,279,199
Domestic stock	2,709,527	2,736,299
International stock	<u>5,055,258</u>	<u>4,542,871</u>
	<u>\$ 13,796,999</u>	<u>\$ 12,558,369</u>

Unrealized and realized losses, net of fees, on investments for the year are as follows:

Net realized loss on sale of investments	\$ (10,802)
Net unrealized loss on investments	(2,689,550)
Investment fees	<u>(32,174)</u>
	<u>\$ (2,732,526)</u>

4. FAIR VALUE MEASUREMENTS

The Organization's assets at fair value as of December 31, 2022 within the fair value hierarchy, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$ 5,279,199	\$ -	\$ -	\$ 5,279,199
International stocks	4,542,871	-	-	4,542,871
Domestic stocks	<u>2,736,299</u>	<u>-</u>	<u>-</u>	<u>2,736,299</u>
	<u>\$ 12,558,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,558,369</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computer hardware and software	\$ 1,331,440
Leasehold improvements	200,175
Website	947,818
Furniture and fixtures	<u>304,133</u>
	2,783,566
Accumulated depreciation	<u>(2,423,055)</u>
	<u>\$ 360,511</u>

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

5. PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense for the year ended December 31, 2022 amounted to \$177,733 and is included in facility costs in the consolidated statement of functional expenses.

6. PAYCHECK PROTECTION PROGRAM LOAN

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES ACT, was signed into law. One of the component of the CARES Act was the Paycheck Protection Program ("PPP") which provides small business with the resources needed to maintain their payroll and cover applicable overhead such as office space lease expenditures. The PPP is implemented by the Small Business Administration ("SBA") with the support from the Department of the Treasury. On April 16, 2020, PLOS received a PPP loan for \$2,567,157. The loan accrues interest at a rate of 1% and has an original maturity date of two years which can be extended to five years by mutual agreement between PLOS and the lender. Payments of the principal and interest are deferred for the first ten month of the loan. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, covered mortgage interest payments, covered rent payments and covered utilities with certain limitations. PLOS has elected to account for the PPP loan as debt and accounts for the PPP loan as a liability until debt forgiveness is formally approved by the SBA either in full or in part.

In July 2021, PLOS was notified by Wells Fargo and the SBA that PLOS had been approved for full forgiveness of the PPP loan. PLOS recognized a gain on the forgiveness of \$2,567,157 during 2021.

7. COMMITMENTS AND CONTINGENCIES

PLOS is subject to certain claims and lawsuits in the normal course of business. Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. PLOS is not aware of any litigation or claims that management believes would have a material adverse effect on its financial condition or results of operations.

8. LEASES

PLOS leases office space in San Francisco, California under a non-cancelable operating lease agreement through December 2024. The lease calls for monthly payments starting at \$69,725 with stipulated periodic rental increases up to monthly payments of \$78,476. PLOS is responsible for its proportionate share of building, maintenance and operating expenses which includes property taxes, insurance, and utilities. In connection with the lease, PLOS is required to collateralize the rental agreement with a deposit for performance under the rental contracts. The required deposit amounted to \$175,976 at December 31, 2022 and is reflected as restricted investment on the consolidated statement of financial position.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2022

8. LEASES (continued)

Additional information related to leases is as follows:

• Operating lease cost	\$1,077,598
• Operating cash flows from operating leases	\$978,269
• ROU asset obtained in exchange for lease obligations	\$2,452,242
• Weight average remaining lease term	2 years
• Weight average discount rate	1.07%

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

<u>Year ending December 31,</u>	
2023	\$ 894,309
2024	<u>921,948</u>
	1,816,257
Less: imputed interest	<u>(19,179)</u>
	<u>\$ 1,797,078</u>

Rent expense for the year ended December 31, 2022 amounted to \$1,077,598 and is included in facility costs in the consolidated statement of functional expenses.

9. 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 \$397,519 to the plan for the year ended December 31, 2022.

For U.K.-based employees, PLOS offers a policy under Royal London whereby participants must contribute a minimum of 5% of their salary for a matching PLOS contribution up to 5%. PLOS contributed \$196,691 to the plan for the year ended December 31, 2022.

10. 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 Consolidated Financial Statements
December 31, 2022

10. 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	\$ 3,902,973
Program and accounts receivable, net	6,426,176
Contributions and grants receivable, net	9,757
Investments	<u>12,558,369</u>
	<u>\$ 22,897,275</u>

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 consolidated financial statements of Public Library of Science (a California nonprofit corporation) as of and for the year ended December 31, 2022 and our report thereon dated June 12, 2023, 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 consolidated financial statements as a whole. The information on pages 21 - 22 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Armanino LLP

Armanino^{LLP}
San Francisco, California

June 12, 2023

Public Library of Science
Statement of Activities with Publication Fee Support Presented as Program Expense
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains (losses) and other support				
Publication fees	\$ 34,003,811	\$ -	\$ 34,003,811	\$ 35,694,204
Institutional Partnership revenue	4,166,561	-	4,166,561	1,717,083
Advertising	313,008	-	313,008	277,534
Forgiveness of PPP loan	-	-	-	2,567,157
Grants and contributions	43,355	-	43,355	7,216
Interest and dividend income	365,628	-	365,628	612,076
Unrealized and realized losses (gains) on investments, net	(2,732,526)	-	(2,732,526)	107,618
Reprints	3,537	-	3,537	2,959
Other income (losses), net	<u>(74,102)</u>	<u>-</u>	<u>(74,102)</u>	<u>(2,900)</u>
Total revenues, gains (losses) and other support	<u>36,089,272</u>	<u>-</u>	<u>36,089,272</u>	<u>40,982,947</u>
Functional expenses				
Publishing program services	32,462,808	-	32,462,808	30,932,345
Management and general	<u>4,693,567</u>	<u>-</u>	<u>4,693,567</u>	<u>4,851,761</u>
Total functional expenses	<u>37,156,375</u>	<u>-</u>	<u>37,156,375</u>	<u>35,784,106</u>
Change in net assets	(1,067,103)	-	(1,067,103)	5,198,841
Net assets, beginning of year	<u>20,032,201</u>	<u>-</u>	<u>20,032,201</u>	<u>14,833,360</u>
Net assets, end of year	<u>\$ 18,965,098</u>	<u>\$ -</u>	<u>\$ 18,965,098</u>	<u>\$ 20,032,201</u>

Public Library of Science
Statement of Functional Expenses with Publication Fee Support Presented as Program Expense
For The Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Publishing Program Services	Management and General	2022 Total	2021 Total
Expenses				
Salaries and benefits	\$ 18,461,278	\$ 2,472,179	\$ 20,933,457	\$ 19,868,916
Production costs	4,774,844	-	4,774,844	5,525,683
Publication fee support	3,826,332	-	3,826,332	3,291,860
Facility costs	1,271,634	106,380	1,378,014	1,419,993
Technology	1,544,757	215,752	1,760,509	1,576,272
Office and other	517,195	496,535	1,013,730	1,278,537
Marketing and advertising	1,143,394	-	1,143,394	1,163,013
Professional fees	638,497	858,203	1,496,700	1,090,264
Training and recruitment	56,377	377,139	433,516	441,805
Travel, meals, and promotion	228,500	167,379	395,879	127,763
	<u>228,500</u>	<u>167,379</u>	<u>395,879</u>	<u>127,763</u>
Total expenses	<u>\$ 32,462,808</u>	<u>\$ 4,693,567</u>	<u>\$ 37,156,375</u>	<u>\$ 35,784,106</u>