

Public Library of Science

Financial Statements

December 31, 2015
(With Comparative Totals for 2014)



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Public Library of Science
San Francisco, California

We have audited the accompanying financial statements of Public Library of Science (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2015, 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 controls 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 controls 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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Public Library of Science's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP
Armanino^{LLP}
San Francisco, California

May 9, 2016

PUBLIC LIBRARY OF SCIENCE
Statement of Financial Position
December 31, 2015
(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 1,757,207	\$ 1,837,672
Program and accounts receivable, net	1,845,245	1,332,606
Prepaid expenses and other	<u>814,430</u>	<u>738,986</u>
Total current assets	4,416,882	3,909,264
Investments	22,745,299	27,099,734
Restricted investments	280,747	198,740
Loan receivable	55,943	54,436
Property and equipment, net	1,930,689	2,288,429
Software development costs	6,738,012	3,032,296
Deposits	<u>8,402</u>	<u>8,402</u>
Total assets	<u>\$ 36,175,974</u>	<u>\$ 36,591,301</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Current liabilities		
Accounts payable	\$ 2,072,026	\$ 2,572,050
Accrued liabilities	1,688,011	1,538,574
Institutional deposits	712,365	319,420
Deferred revenue	<u>563,879</u>	<u>862,856</u>
Total current liabilities	5,036,281	5,292,900
Deferred rent liability	<u>494,429</u>	<u>669,422</u>
Total liabilities	<u>5,530,710</u>	<u>5,962,322</u>
Net assets		
Unrestricted	30,523,505	30,010,647
Temporarily restricted	<u>121,759</u>	<u>618,332</u>
Total net assets	<u>30,645,264</u>	<u>30,628,979</u>
Total liabilities and net assets	<u>\$ 36,175,974</u>	<u>\$ 36,591,301</u>

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

PUBLIC LIBRARY OF SCIENCE
Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Revenue, gains (losses) and support				
Public support revenue				
Grants	\$ 206,768	\$ -	\$ 206,768	\$ 58,882
Donations	1,678	-	1,678	3,232
Net assets released from restrictions	496,573	(496,573)	-	-
Total public support revenue	705,019	(496,573)	208,446	62,114
Program revenue				
Publication fees, gross	44,603,620	-	44,603,620	47,137,050
Less: support provided to authors	(2,328,440)	-	(2,328,440)	(2,814,341)
Less: discounts to Institutional Members	(270)	-	(270)	(148,110)
Publication fees, net	42,274,910	-	42,274,910	44,174,599
Memberships	-	-	-	19,683
Reprints and sponsorships	69,075	-	69,075	135,631
Advertising	496,381	-	496,381	479,840
Total program revenue	42,840,366	-	42,840,366	44,809,753
Unrealized and realized losses on investments	(1,259,223)	-	(1,259,223)	(248,409)
Other income (loss), net	227,283	-	227,283	(88,204)
Interest and dividend income	849,033	-	849,033	1,022,241
Total revenue, gains (losses) and support	43,362,478	(496,573)	42,865,905	45,557,495
Expenses				
Publishing program expenses	34,239,264	-	34,239,264	33,010,728
General and administrative expenses	8,610,356	-	8,610,356	7,655,086
Total expenses	42,849,620	-	42,849,620	40,665,814
Change in net assets	512,858	(496,573)	16,285	4,891,681
Net assets at beginning of year	30,010,647	618,332	30,628,979	25,737,298
Net assets at end of year	\$ 30,523,505	\$ 121,759	\$ 30,645,264	\$ 30,628,979

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, 2015
(With Comparative Totals for 2014)

	Publishing Program	General and Administrative	2015 Total	2014 Total
Salaries and benefits	\$ 16,723,213	\$ 5,373,551	\$ 22,096,764	\$ 20,523,672
Production costs	11,265,093	-	11,265,093	11,166,541
Professional fees	5,503,618	994,709	6,498,327	5,532,674
Facility costs	2,439,786	489,990	2,929,776	2,874,186
Travel, meals and promotion	654,440	366,867	1,021,307	1,016,641
Technology	641,939	298,485	940,424	879,146
Office and other	211,216	595,998	807,214	664,909
Training and recruitment	29,287	490,756	520,043	439,087
Marketing and advertising	<u>476,388</u>	<u>-</u>	<u>476,388</u>	<u>413,654</u>
Total expenses, including capitalized software costs	37,944,980	8,610,356	46,555,336	43,510,510
Reconciliation of capitalized costs				
Less capitalized software costs	<u>(3,705,716)</u>	<u>-</u>	<u>(3,705,716)</u>	<u>(2,844,696)</u>
Total expenses	<u>\$ 34,239,264</u>	<u>\$ 8,610,356</u>	<u>\$ 42,849,620</u>	<u>\$ 40,665,814</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, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 16,285	\$ 4,891,681
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,052,209	1,048,435
Unrealized and realized investment losses	1,259,223	248,409
Loss on disposal of fixed assets	2,908	54,681
Deferred rent	(174,993)	265,084
Changes in operating assets and liabilities		
Program and accounts receivable	(512,639)	(18,124)
Prepaid expenses and other	(75,444)	(83,461)
Loan receivable	(1,507)	(1,467)
Accounts payable	(107,079)	1,155,953
Accrued liabilities	149,437	206,755
Deferred revenue	(298,977)	(1,756,783)
Cash provided by operating activities	1,309,423	6,011,163
Cash flows from investing activities		
Change in restricted investment	(82,007)	49,546
Purchase of investments	(14,014,714)	(17,520,067)
Sale of investments	17,109,926	15,963,806
Payments for software development costs	(3,705,716)	(2,844,696)
Purchase of property and equipment	(697,377)	(1,229,000)
Cash used in investing activities	(1,389,888)	(5,580,411)
Increase (decrease) in cash and cash equivalents	(80,465)	430,752
Cash and cash equivalents at beginning of year	1,837,672	1,406,920
Cash and cash equivalents at end of year	\$ 1,757,207	\$ 1,837,672

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

PUBLIC LIBRARY OF SCIENCE
Notes to Financial Statements
December 31, 2015

1. Organization

The Public Library of Science ("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 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 specific to nonprofit organizations. Net assets and changes therein are classified as follows:

- Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by PLOS. PLOS had no permanently restricted net assets as of December 31, 2015.
- Temporarily restricted net assets - net assets subject to donor-imposed stipulations that may or will be met by actions of PLOS and/or the passage of time.
- Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. PLOS recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Expenses are reported as decreases in unrestricted net assets.

2. Summary of Significant Accounting Policies (continued)

Basis of presentation (continued)

Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary 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 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.

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. Authors who are affiliated with a member institution are eligible for a discount on the publication fees which is recognized at the time of publication. Publication fee support and institutional member discounts are shown in publication fees, net in the statement of activities.

PLOS ended its institutional membership program in 2014 and any membership and discount activities reflected are related to residual commitments.

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 unrestricted support.

2. Summary of Significant Accounting Policies (continued)

Contributions (continued)

Donated property is recorded at the estimated fair value at the date of receipt. PLOS reports gifts of property as unrestricted support 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 temporarily 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 and cash equivalents

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 two certificates of deposit with an original maturity in excess of three months with a bank that is pledged as security for two office leases. At December 31, 2015, the restricted investment amounted to \$280,747.

Contributions receivable

Contributions receivable represent unconditional promises from donors. There are no unconditional or conditional contributions receivable at December 31, 2015.

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 \$157,753 as of December 31, 2015.

2. Summary of Significant Accounting Policies (continued)

Loan 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 \$5,943 at December 31, 2015. 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. PLOS incurs both internal and external development costs. PLOS capitalized external website development costs but has elected not to capitalize its internal website development costs. Classes of property and equipment are depreciated and amortized over the following periods:

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

2. Summary of Significant Accounting Policies (continued)

Software development costs

Software development costs are capitalized and carried at cost if amounts exceed \$10,000 during the application development stage or implementation stage with future benefit that is greater than one year. These costs are currently associated with the development of a new manuscript management system called Aperta. Amortization of the software development costs begins when the software is completed and placed in service and is recognized using the straight-line method over the estimated useful life of 5 years. There was no amortization of software development costs during 2015 as the developed software had not yet been placed in service.

PLOS reviews the software development costs for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the fair value of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value. There was no impairment of software development costs as of December 31, 2015.

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.

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 California and the U.K. under operating leases. The leases contain rental increases at various points throughout the lease terms. PLOS recognizes rent expense and rent income 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, 2015.

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 value added taxes. Under such conditions, PLOS calculates and accrues the applicable taxes. PLOS is not subject to examination by taxing authorities for the years before 2011, nor is currently under examination for any subsequent years.

2. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

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.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with PLOS' financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent events

PLOS has evaluated subsequent events through May 9, 2016, 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.

PUBLIC LIBRARY OF SCIENCE
Notes to Financial Statements
December 31, 2015

3. Investments

The cost basis and fair value of investments are as follows at December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,321,833	\$ 1,321,833
Stocks	5,692,822	5,752,952
Bond ETF securities	29,791	27,144
Corporate fixed income	1,228,193	1,162,135
Mutual funds	<u>15,368,050</u>	<u>14,481,235</u>
Total investments	<u>\$23,640,689</u>	<u>\$22,745,299</u>

Investment income and gains comprised the following for the year ended December 31, 2015:

Income - interest and dividends	<u>\$849,033</u>
Changes in market value	
Net unrealized loss on investments	\$ (549,944)
Net realized loss on sale of investments	<u>(709,279)</u>
Total	<u>\$(1,259,223)</u>

Investment income is reported net of custody expenses which totaled \$195,850 for the year ended December 31, 2015.

4. Fair Value Measurements

Composition of investments utilizing fair value measurements at December 31, 2015 is as follows:

	<u>Totals</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 1,321,833	\$ 1,321,833	\$ -	\$ -
Stocks	5,752,952	5,763,599	-	-
Bond ETF securities	27,144	27,144	-	-
Corporate fixed income	1,162,135	-	1,162,135	-
Mutual funds	<u>14,481,235</u>	<u>14,470,588</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$22,745,299</u>	<u>\$21,583,164</u>	<u>\$1,162,135</u>	<u>\$ -</u>

The fair value of PLOS' investments in Level 2 financial assets was estimated using a market approach. The significant inputs used for the model include but are not limited to the following industry factors: 1) Prices of recent transactions in the same or similar funds, 2) current performance, 3) future expectations of the particular investment, and 4) changes in market outlook.

PUBLIC LIBRARY OF SCIENCE
Notes to Financial Statements
December 31, 2015

5. Property and Equipment

A summary of property and equipment is as follows at December 31, 2015:

Computer hardware and software	\$2,316,038
Furniture and fixtures	764,881
Website design	989,834
Leasehold improvements	<u>1,123,004</u>
Subtotal	5,193,757
Less accumulated depreciation	<u>(3,263,068)</u>
Total property and equipment, net	<u>\$1,930,689</u>

Depreciation and amortization expense for the year ended December 31, 2015 amounted to \$1,052,209 and is included in facility costs in the statement of functional expenses.

6. Temporarily Restricted Net Assets and Net Assets Released from Restrictions

Temporarily restricted net assets consist of the support for the following as of December 31, 2015:

Development to show how Open Access literature can be reused and reorganized	<u>\$121,759</u>
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Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by contributors are as follows during the year ended December 31, 2015:

Development to show how Open Access literature can be reused and reorganized	<u>\$496,573</u>
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7. Lease Commitments

PLOS has an operating lease agreement for its corporate office space with additional expansion space. The lease was secured during 2013 and expires on May 31, 2017. The office lease and the expansion space currently require a monthly rental payment of \$59,529 and \$85,425, respectively, 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 \$280,747 at December 31, 2015 and is reflected as restricted investment on the statement of financial position.

PUBLIC LIBRARY OF SCIENCE
Notes to Financial Statements
December 31, 2015

7. Lease Commitments (continued)

In a prior year, PLOS entered into an operating lease agreement for office space in the United Kingdom through July 18, 2020. The lease requires periodic rental payments which equate to 42,525 British Pounds Sterling annually (approximately U.S. \$62,781 as of December 31, 2015). The lease does not provide for any adjustments to the rent until after the fifth year, at which time a review of the terms and conditions will be made with a possible adjustment to the rent. PLOS is responsible for repairs and maintenance to keep the premises in "good repair and condition" and is also subject to value added tax on the periodic rent charges. 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. The lease requires periodic rental payments which equate to 26,410 British Pounds Sterling annually for the 2013 and 2014 expansion leases (approximately U.S. \$38,990 as of December 31, 2015).

The following is a schedule of the future minimum lease payments required under all of the operating leases that have non-cancelable lease terms in excess of one year:

<u>Year Ending December 31,</u>	
2016	\$1,872,139
2017	850,730
2018	101,771
2019	101,771
2020	<u>50,640</u>
	<u>\$2,977,051</u>

Rent expense for the year ended December 31, 2015 amounted to \$1,663,166 and is included in facility costs in the statement of functional expenses.

8. Retirement Plans

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 \$488,106 to the plan for the year ended December 31, 2015.

For U.K.-based employees, PLOS offers a policy under Royal London (formerly Scottish Life) whereby participants must contribute a minimum of 5% of their salary in order to qualify for a matching PLOS contribution (which does not exceed 5% of employee salary). PLOS contributed \$74,476 to the plan for the year ended December 31, 2015.

PUBLIC LIBRARY OF SCIENCE
Notes to Financial Statements
December 31, 2015

9. Rental Income

During 2014, PLOS entered into a long-term operating sub-lease that expires on May 31, 2017. The lease currently requires a monthly payment of \$28,153 per month with stipulated annual rental increases.

Minimum future rental payments to be received under the long-term operating sub-leases as of December 31, 2015 are as follows:

Year Ended December 31

2016	\$339,112
2017	<u>143,963</u>
	<u>\$483,075</u>

Rental income under the lease for the year ended December 31, 2015 amounted to \$331,434.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
Public Library of Science
San Francisco, California

We have audited the financial statements of the Public Library of Science as of and for the year ended December 31, 2015, and our report thereon dated May 9, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Statement of Activities with Publication Fee Support Presented as Program Expense and Statement of Functional Expenses with Publication Fee Support Presented as Program Expense are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Armanino LLP

Armanino^{LLP}
San Francisco, California

May 9, 2016

PUBLIC LIBRARY OF SCIENCE
Statement of Activities with Publication Fee Support Presented as Program Expense
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Revenue, gains (losses) and support				
Public support revenue				
Grants and donations	\$ 208,446	\$ -	\$ 208,446	\$ 62,114
Net assets released from restrictions	496,573	(496,573)	-	-
Total public support revenue	<u>705,019</u>	<u>(496,573)</u>	<u>208,446</u>	<u>62,114</u>
Program revenue				
Publication fees, gross	44,603,620	-	44,603,620	47,137,050
Less: discounts to Institutional Members	(270)	-	(270)	(148,110)
Publication fees, net	<u>44,603,350</u>	<u>-</u>	<u>44,603,350</u>	<u>46,988,940</u>
Memberships	-	-	-	19,683
Reprints and sponsorships	69,075	-	69,075	135,631
Advertising	496,381	-	496,381	479,839
Total program revenue	<u>45,168,806</u>	<u>-</u>	<u>45,168,806</u>	<u>47,624,093</u>
Unrealized and realized losses on investments	(1,259,223)	-	(1,259,223)	(248,409)
Other expense, net	227,283	-	227,283	(88,203)
Interest and dividend income	<u>849,033</u>	<u>-</u>	<u>849,033</u>	<u>1,022,241</u>
Total revenue, gains (losses) and support	<u>45,690,918</u>	<u>(496,573)</u>	<u>45,194,345</u>	<u>48,371,836</u>
Expenses				
Publishing program expenses	36,567,704	-	36,567,704	35,825,069
General and administrative expenses	<u>8,610,356</u>	<u>-</u>	<u>8,610,356</u>	<u>7,655,086</u>
Total expenses	<u>45,178,060</u>	<u>-</u>	<u>45,178,060</u>	<u>43,480,155</u>
Change in net assets	512,858	(496,573)	16,285	4,891,681
Net assets at beginning of year	<u>30,010,647</u>	<u>618,332</u>	<u>30,628,979</u>	<u>25,737,298</u>
Net assets at end of year	<u>\$ 30,523,505</u>	<u>\$ 121,759</u>	<u>\$ 30,645,264</u>	<u>\$ 30,628,979</u>

PUBLIC LIBRARY OF SCIENCE
Statement of Functional Expenses with Publication Fee Support Presented as Program Expense
For the Year Ended December 31, 2015
(With Comparative Totals for 2014)

	<u>Publishing Program</u>	<u>General and Administrative</u>	<u>2015 Total</u>	<u>2014 Total</u>
Salaries and benefits	\$ 16,723,213	\$ 5,373,551	\$ 22,096,764	\$ 20,523,672
Production costs	11,265,093	-	11,265,093	11,166,541
Publication fee support	2,328,440	-	2,328,440	2,814,341
Training and recruitment	29,287	490,756	520,043	439,087
Marketing and advertising	476,388	-	476,388	413,654
Travel, meals and promotion	654,440	366,867	1,021,307	1,016,641
Facility costs	2,439,786	489,990	2,929,776	2,874,186
Technology	641,939	298,485	940,424	879,146
Office and other	211,216	595,998	807,214	664,909
Professional fees	<u>5,503,618</u>	<u>994,709</u>	<u>6,498,327</u>	<u>5,532,674</u>
Total expenses, including capitalized software costs	40,273,420	8,610,356	48,883,776	46,324,851
Reconciliation of capitalized costs				
Less capitalized software costs	<u>(3,705,716)</u>	<u>-</u>	<u>(3,705,716)</u>	<u>(2,844,696)</u>
Total expenses	<u>\$ 36,567,704</u>	<u>\$ 8,610,356</u>	<u>\$ 45,178,060</u>	<u>\$ 43,480,155</u>