

Public Library of Science

Consolidated Financial Statements

December 31, 2023
(With Comparative Totals for 2022)



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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, 2023, 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, 2023, 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 Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-13, Topic 326, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments, as of January 1, 2023, which alters the impairment recognition of financial assets from an "incurred loss" model to an "expected credit loss" model. 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.

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 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Armanino^{LLP}
Los Angeles, California

August 14, 2024

Public Library of Science
Consolidated Statement of Financial Position
December 31, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,881,965	\$ 3,902,973
Program and accounts receivable, net	5,588,070	6,426,176
Prepaid expenses and other current assets	822,540	847,145
Contributions and grants receivable	8,005	9,757
Total current assets	<u>8,300,580</u>	<u>11,186,051</u>
Noncurrent assets		
Investments	15,193,088	12,558,369
Restricted investment	175,976	175,976
Property and equipment, net	239,760	360,511
Operating lease right-of-use asset, net	827,145	1,644,409
Deposits	-	10,424
Total noncurrent assets	<u>16,435,969</u>	<u>14,749,689</u>
Total assets	<u>\$ 24,736,549</u>	<u>\$ 25,935,740</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Institutional deposits	\$ 703,187	\$ 843,072
Accrued liabilities	1,091,629	1,302,963
Accounts payable	2,281,030	1,623,899
Deferred revenue	1,523,386	1,403,630
Operating lease liability, current portion	917,299	879,779
Total current liabilities	<u>6,516,531</u>	<u>6,053,343</u>
Long-term liabilities		
Operating lease liability, net of current portion	-	917,299
Total long-term liabilities	<u>-</u>	<u>917,299</u>
Total liabilities	<u>6,516,531</u>	<u>6,970,642</u>
Net assets		
Without donor restrictions	18,220,018	18,965,098
With donor restrictions	-	-
Total net assets	<u>18,220,018</u>	<u>18,965,098</u>
Total liabilities and net assets	<u>\$ 24,736,549</u>	<u>\$ 25,935,740</u>

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, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains (losses) and other support				
Publication fee, net of discounts of \$4,362,053 and \$3,826,332, respectively	\$ 26,148,031	\$ -	\$ 26,148,031	\$ 30,177,479
Institutional Partnership revenue	6,128,092	-	6,128,092	4,166,561
Advertising	256,490	-	256,490	313,008
Grants and contributions	14,248	-	14,248	43,355
Interest and dividend income	496,581	-	496,581	365,628
Unrealized and realized gains (losses) on investments, net	1,148,696	-	1,148,696	(2,732,526)
Reprints	-	-	-	3,537
Other losses, net	(40,840)	-	(40,840)	(74,102)
Total revenues, gains (losses) and other support	<u>34,151,298</u>	<u>-</u>	<u>34,151,298</u>	<u>32,262,940</u>
Functional expenses				
Publishing program services	28,476,774	-	28,476,774	28,636,476
Management and general	6,419,604	-	6,419,604	4,693,567
Total functional expenses	<u>34,896,378</u>	<u>-</u>	<u>34,896,378</u>	<u>33,330,043</u>
Change in net assets	(745,080)	-	(745,080)	(1,067,103)
Net assets, beginning of year	<u>18,965,098</u>	<u>-</u>	<u>18,965,098</u>	<u>20,032,201</u>
Net assets, end of year	<u><u>\$ 18,220,018</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,220,018</u></u>	<u><u>\$ 18,965,098</u></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, 2023
(With Comparative Totals for 2022)

	Publishing Program Services	Management and General	2023 Total	2022 Total
Expenses				
Salaries and benefits	\$ 17,829,287	\$ 3,616,733	\$ 21,446,020	\$ 20,933,457
Production costs	5,289,180	-	5,289,180	4,774,844
Facility costs	1,088,380	94,846	1,183,226	1,378,014
Technology	1,684,388	228,623	1,913,011	1,760,509
Office and other	398,158	614,873	1,013,031	1,013,730
Marketing and advertising	664,952	-	664,952	1,143,394
Professional fees	1,063,235	1,023,640	2,086,875	1,496,700
Training and recruitment	47,728	687,539	735,267	433,516
Travel, meals, and promotion	411,466	153,350	564,816	395,879
	<u>\$ 28,476,774</u>	<u>\$ 6,419,604</u>	<u>\$ 34,896,378</u>	<u>\$ 33,330,043</u>
Total expenses	<u>\$ 28,476,774</u>	<u>\$ 6,419,604</u>	<u>\$ 34,896,378</u>	<u>\$ 33,330,043</u>

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, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ (745,080)	\$ (1,067,103)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	177,094	177,733
Amortization of operating lease right-of-use asset	817,264	807,833
Unrealized and realized losses (gains) on investments, net	(1,148,696)	2,732,526
Loss on disposal of property and equipment	42,171	73,641
Changes in operating assets and liabilities		
Program and accounts receivable, net	838,106	(531,577)
Prepaid expenses and other current assets	24,605	5,311
Contributions and grants receivable, net	1,752	(9,757)
Deposits	10,424	(2,022)
Institutional deposits	(139,885)	(164,945)
Accrued liabilities	(211,333)	(70,029)
Accounts payable	657,131	231,749
Deferred revenue	119,756	867,686
Operating lease liability	(879,779)	(655,164)
Deferred rent	-	(189,141)
Net cash provided by (used in) operating activities	<u>(436,470)</u>	<u>2,206,741</u>
Cash flows from investing activities		
Purchase of investments	(1,692,736)	(367,529)
Sale of investments	206,713	300,000
Proceeds from sale of property and equipment	-	10,000
Purchase of property and equipment	<u>(98,515)</u>	<u>(65,221)</u>
Net cash used in investing activities	<u>(1,584,538)</u>	<u>(122,750)</u>
Net increase (decrease) in cash and cash equivalents	(2,021,008)	2,083,991
Cash and cash equivalents, beginning of year	<u>3,902,973</u>	<u>1,818,982</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,881,965</u></u>	<u><u>\$ 3,902,973</u></u>

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, 2023

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 our Singapore subsidiary, PLOS Pte. Ltd. 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, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. PLOS does not have any net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Investment income and gains or losses on investments and other assets or 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.

Principles of consolidation

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

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, 2022, from which the summarized information was derived.

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.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program and accounts receivable

Program and accounts receivable consist of author fees, sponsorships, and advertising. PLOS recognizes an expected allowance for credit losses for financial assets measured at amortized cost, including program and accounts receivable, to present the net amount expected to be collected as of the statement of financial position date in accordance with ASC 326, Financial Instruments-Credit Losses. Such allowance is based on the credit losses expected to arise over the life of the asset. The allowance estimate is derived from a review of the PLOS's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions and reasonable and supportable forecasts regarding future events. PLOS believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the PLOS's portfolio segments have remained constant. PLOS is not anticipating any future credit losses in these accounts.

Assets are written off when determined that such financial assets are deemed uncollectible and write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statement of financial position date. PLOS pools its financial assets measured at amortized cost based on similar risk characteristics in estimating its expected credit losses and continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change. PLOS uses historical collection experience as the primary credit quality indicator for accounts receivable. Reserves for potential credit losses are maintained based on historical credit losses and management's expectations. The allowance for credit losses was \$309,415 as of December 31, 2023.

Contributions and promises to give

Contributions, including unconditional promises to give, are recognized as revenue in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor-imposed barriers have been met by PLOS or there is no longer a right of return or release. PLOS records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. As of December 31, 2023, PLOS considers all contributions receivable to be fully collectible; accordingly, no allowance for doubtful contributions has been recorded.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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, 2023, the restricted investment amounted to \$175,976 and carried at cost plus accrued interest.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023.

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

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.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 ROU 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. These revenues are recognized in the period when the services are rendered and performance obligations are met.

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.

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 is recorded as a reduction from the posted publication fee rates at the time revenue is recognized. It 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.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

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.

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, 2023.

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.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

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.

Concentration of credit risk

PLOS manages deposit concentration risk by placing cash, sweep accounts, and certificate of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, PLOS has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals and foundations supportive of the mission. Investments are made by diversified investment managers whose performance is monitored by management and the finance committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, PLOS believes that the investment policies and guidelines are prudent for the long-term welfare of PLOS.

PLOS received approximately 55% of institutional partnership revenue from two customers for the year ended December 31, 2023.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires PLOS management to make estimates and assumptions that affect certain reported amounts and disclosures. Uses of estimates include, but are not limited to, accounting for the fair value of investments, the allowance for expected credit losses, the allowance for doubtful contributions, contributions receivable, and depreciation. Actual results could differ from those estimates.

Change in accounting principles

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, Topic 326, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments ("FASB ASU 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses. Financial assets held by PLOS that are subject to the guidance in FASB ASU 326 are program and accounts receivable.

Public Library of Science
Notes to Consolidated Financial Statements
December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principles (continued)

PLOS adopted FASB ASU 326 effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Subsequent events

Management of PLOS has evaluated events and transactions subsequent to December 31, 2023, 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, 2023. Subsequent events have been evaluated through August 14, 2024, the date the financial statements were available to be issued.

3. INVESTMENTS

Investments consisted of the following:

Fixed income	\$ 6,217,331
Domestic stock	3,424,340
International stock	<u>5,551,417</u>
	<u><u>\$ 15,193,088</u></u>

4. FAIR VALUE MEASUREMENTS

The Organization's assets at fair value as of December 31, 2023 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	\$ 6,217,331	\$ -	\$ -	\$ 6,217,331
Domestic stock	3,424,340	-	-	3,424,340
International stocks	<u>5,551,417</u>	<u>-</u>	<u>-</u>	<u>5,551,417</u>
	<u><u>\$ 15,193,088</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,193,088</u></u>

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5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Computer hardware and software	\$ 1,425,948
Leasehold improvements	200,175
Website	947,818
Furniture and fixtures	<u>226,517</u>
	2,800,458
Accumulated depreciation	<u>(2,560,698)</u>
	<u><u>\$ 239,760</u></u>

Depreciation and amortization expense for the year ended December 31, 2023 amounted to \$177,094 and is included in facility costs in the consolidated statement of functional expenses.

6. 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.

7. 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, 2023, and is reflected as restricted investment on the consolidated statement of financial position.

Additional information related to leases is as follows:

• Right-of-use asset - operating	\$827,145
• Lease liability, current portion	\$917,299
• Operating lease cost	\$891,751
• Weighted average remaining lease term	1 year
• Weighted average discount rate	1.07%

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7. LEASES (continued)

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

<u>Year ending December 31,</u>	
2024	\$ 921,948
	921,948
Less: imputed interest	<u>(4,649)</u>
	<u>\$ 917,299</u>

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 \$397,519 to the plan for the year ended December 31, 2023.

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, 2023.

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.

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 statement of financial position date for general operating expenditures are as follows:

Financial assets	
Cash and cash equivalents	\$ 1,881,965
Program and accounts receivable, net	5,588,070
Contributions and grants receivable	8,005
Investments	<u>15,193,088</u>
	<u>\$ 22,671,128</u>