

**PUBLISHERS INTERNATIONAL LINKING
ASSOCIATION, INC.**

Financial Statements

Years Ended December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Publishers International Linking Association, Inc.:

We have audited the accompanying financial statements of Publishers International Linking Association, Inc. (the Association), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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 Publishers International Linking Association, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kahn, Litwin, Renya & Co., Ltd.

August 21, 2020

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018



	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash	\$ 4,793,719	\$ 4,099,670
Restricted cash	24,997	-
Accounts receivable	2,508,266	1,754,257
Prepaid expenses	249,845	206,192
Prepaid registration and membership fees - related party	143,428	143,428
Total current assets	<u>7,720,255</u>	<u>6,203,547</u>
Property and Equipment:		
Computer software and equipment	3,099,877	3,081,387
Leasehold improvements	285,289	285,289
Furniture and fixtures	120,419	118,792
Development in progress	53,762	-
	<u>3,559,347</u>	<u>3,485,468</u>
Less accumulated depreciation	3,350,977	3,257,690
Property and equipment, net	<u>208,370</u>	<u>227,778</u>
Other Assets:		
Investments, at fair value	1,832,030	1,693,046
Security deposits	16,625	16,400
Accrued interest receivable - related party	53,625	45,375
Note receivable - related party	300,000	300,000
Total other assets	<u>2,202,280</u>	<u>2,054,821</u>
Total Assets	<u>\$ 10,130,905</u>	<u>\$ 8,486,146</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,047,209	\$ 555,353
Other liabilities	25,035	-
Deferred revenue	153,169	151,801
Total current liabilities	<u>1,225,413</u>	<u>707,154</u>
Net Assets:		
Without donor restrictions:		
Undesignated	7,073,462	6,086,213
Board designated, long-term needs	1,832,030	1,692,779
Total net assets	<u>8,905,492</u>	<u>7,778,992</u>
Total Liabilities and Net Assets	<u>\$ 10,130,905</u>	<u>\$ 8,486,146</u>

See accompanying notes to the financial statements and independent auditors' report.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018



	<u>2019</u>	<u>2018</u>
Revenue and support:		
Content registration fees	\$ 5,839,740	\$ 5,121,556
Membership and subscriber fees	3,397,211	3,100,640
Document check fees	94,758	-
Event registration fees	32,570	23,350
Interest income on cash and cash equivalents	63,985	33,232
Investment return	139,252	132
Total revenue and support	<u>9,567,516</u>	<u>8,278,910</u>
Expenses:		
Program expenses	6,133,206	5,853,783
General and administrative expenses	2,303,814	2,236,911
Total expenses	<u>8,437,020</u>	<u>8,090,694</u>
Change in net assets from operations	1,130,496	188,216
Other expenses:		
Foreign currency exchange loss, net	(3,512)	(62,080)
Loss on disposal of property and equipment	(484)	-
Total other expenses	<u>(3,996)</u>	<u>(62,080)</u>
Change in net assets without donor restrictions	1,126,500	126,136
Net assets without donor restrictions:		
Beginning of year	<u>7,778,992</u>	<u>7,652,856</u>
End of year	<u>\$ 8,905,492</u>	<u>\$ 7,778,992</u>

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018



	2019			2018		
	Program	General and Administrative	Total	Program	General and Administrative	Total
Salaries, taxes and benefits	\$ 4,260,763	\$ 1,234,297	\$ 5,495,060	\$ 3,824,872	\$ 1,194,080	\$ 5,018,952
Travel, meetings and conferences	393,848	163,606	557,454	358,500	136,275	494,775
Data center, software support and licensing	371,465	140,021	511,486	431,438	119,172	550,610
Product training, development and outreach	393,845	86,165	480,010	524,756	56,713	581,469
Professional fees	31,303	341,918	373,221	7,429	395,508	402,937
Registration fees, related party (Note 5)	270,375	-	270,375	270,440	-	270,440
Facilities	172,074	61,838	233,912	169,919	71,346	241,265
Depreciation	81,719	65,956	147,675	111,938	65,195	177,133
Service fees	-	123,649	123,649	-	92,089	92,089
Consulting	97,379	2,292	99,671	97,647	7,620	105,267
Supplies	39,997	20,540	60,537	36,104	25,332	61,436
Dues and subscriptions	-	44,470	44,470	-	48,777	48,777
Insurance	20,438	5,975	26,413	20,740	6,536	27,276
Bad debt expense	-	13,087	13,087	-	18,268	18,268
Total expenses	\$ 6,133,206	\$ 2,303,814	\$ 8,437,020	\$ 5,853,783	\$ 2,236,911	\$ 8,090,694

See accompanying notes to the financial statements and independent auditors' report.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018



	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Change in net assets without donor restrictions	\$ 1,126,500	\$ 126,136
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	147,675	177,133
Bad debt expense	13,087	18,268
Loss on disposal of property and equipment	484	-
Net realized and unrealized (gain) loss on investments	(101,194)	28,711
Change in operating assets and liabilities:		
Accounts receivable	(767,096)	(25,781)
Prepaid expenses	(43,653)	(2,398)
Prepaid registration and membership fees - related party	-	(640)
Security deposits	(225)	(448)
Accrued interest receivable - related party	(8,250)	(8,250)
Accounts payable and accrued expenses	491,856	97,334
Other liabilities	25,035	-
Deferred revenue	1,368	(154,547)
Net cash provided by operating activities	<u>885,587</u>	<u>255,518</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(128,751)	(41,332)
Purchases of investments	(424,437)	(544,378)
Proceeds from sale and redemption of investments	386,647	515,329
Net cash used by investing activities	<u>(166,541)</u>	<u>(70,381)</u>
Net Increase in Cash and Restricted Cash	719,046	185,137
Cash and Restricted Cash, beginning of year	<u>4,099,670</u>	<u>3,914,533</u>
Cash and Restricted Cash, end of year	<u>\$ 4,818,716</u>	<u>\$ 4,099,670</u>
Reconciliation to Balance Sheets:		
Cash	\$ 4,793,719	\$ 4,099,670
Restricted cash	24,997	-
Cash and Restricted Cash, end of year	<u>\$ 4,818,716</u>	<u>\$ 4,099,670</u>

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



1. Nature of Operations

Publishers International Linking Association, Inc. (the Association), a non-profit corporation, promotes the development and cooperative use of new and innovative technologies to speed and facilitate scientific and other scholarly research. The Association runs various programs under the Crossref family of services which enables the creation of persistent links to full-text scholarly content located on different publisher sites and a cross-publisher reference linking service. The Association receives service fee revenues from its members.

The Association's principal place of operation is in Lynnfield, Massachusetts and also operates an office in Oxford, England.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Association is presented to assist the reader in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities. In accordance with authoritative guidance, the Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accounting Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, followed by subsequent accounting pronouncements, which either clarified or revised guidance set forth in ASU 2014-09. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Association adopted the provisions of this new standard as of January 1, 2019, using the modified retrospective method. The adoption of ASU 2014-09 did not have a significant effect on the Association's financial statements.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



In November 2016, the FASB issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* (ASU 2016-18), to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as “restricted cash” herein) when reconciling beginning and ending balances in its statement of cash flows. The update also requires disclosures about the nature of restricted cash and a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. The Association had no restricted cash as of December 31, 2018.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. There were no net assets with donor restrictions as of December 31, 2019 and 2018.

Performance Indicator

In the accompanying statements of activities, the primary indicator of the Association’s results is change in net assets from operations. As such, it includes all operating revenues and operating expenses. Transactions such as foreign currency exchange loss, net and loss on disposal of property and equipment, are not included as a component of change in net assets from operations in the statements of activities.

Restricted Cash

Restricted cash consists of cash provided by private funding sources to establish the Research Organization Registry (Note 5).

Accounts Receivable

Accounts receivable are carried at anticipated net realizable value. On a periodic basis, the Association evaluates its accounts receivable and establishes an allowance for doubtful accounts, when deemed necessary, based on its history of past write-offs and collection experience. A receivable is considered past due if payment has not been received within stated terms. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. No allowance was deemed necessary as of December 31, 2019 and 2018.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets, which range from 18 months to 10 years.

Generally, additions and improvements in excess of \$2,500 and expenditures that materially prolong the useful lives of assets are capitalized to property and equipment.

Investments

The Association's investments consist of marketable securities, certificates of deposit, and cash and cash equivalents designated for investment, which are stated in the accompanying statements of financial position at fair value. Realized and unrealized gains and losses are included as a component of investment return, along with interest and dividends, net of advisory fees in the statements of activities. Purchases and sales of securities are recorded on the trade date.

Fair Value Measurement

Authoritative guidance on fair value establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Association has the ability to access.

Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are inputs that are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs are developed based on the best information available in the circumstances and may include the Association's own data.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



The Association reports its investments, measured at fair value on a recurring basis. The investments are classified as level 1 and level 2 within the fair value hierarchy.

Level 1 investments owned by the Association include marketable securities listed on a National Securities Exchange valued at the last recorded sales price as of the financial statement reporting date, or in the absence of recorded sales, at the last quoted bid price reported as of the financial statement reporting date. Level 1 investments also include cash and cash equivalents designated for investment.

Level 2 investments in certificates of deposit are reported at fair value, which is determined by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuers.

Revenue and Support Recognition

The Company has two primary forms of revenue: content registration fee related and membership and subscriber fee related. Content registration revenue are fees paid for registering content in the CrossRef system, which is recognized and invoiced quarterly in arrears. Membership and subscriber fees represent annual member and affiliate fees paid for the use of the online database, which are recognized as earned. See Note 4 for further information on performance obligations and disaggregation of revenue.

Deferred revenue consists of content registration, membership and subscriber fees received in advance of when the related services are provided.

Advertising

Advertising costs are expensed as incurred and are included in product training, development and outreach in the accompanying statements of functional expenses. Advertising expense for the years ended December 31, 2019 and 2018 was approximately \$82,300 and \$125,000, respectively.

Foreign Currency Transactions

The Association has operations in the UK. In the normal course of business, the Association is exposed to fluctuations in currency values. In accordance with authoritative guidance on foreign currency remeasurement, nonmonetary assets, capital accounts, liabilities, revenues and expenses are remeasured from the applicable local currency (British Pound) into the functional currency (U.S. Dollars) using historical exchange rates in effect at the transaction date, and monetary assets and liabilities are remeasured using the statement of financial position date exchange rate. Revenues and expenses related to monetary items are remeasured using the weighted-average exchange rate prevailing during the year. Exchange gains and losses resulting from remeasurements into the functional currency are recorded as a component of operations. Gains and losses resulting from transactions in foreign currencies are recognized in other expenses as foreign currency exchange loss, net on the accompanying statements of activities.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



Income Taxes

The Association is exempt from federal and state income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC). Fees or other payments made to the Association are not deductible as charitable contributions for income tax purposes. However, the payments may be deductible as ordinary and necessary business expenses to the extent allowed by the IRC.

The Association annually files IRS Form 990 - *Return of Organization Exempt from Income Tax* reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by taxing authorities generally for a period of three years after they were filed. The Association currently has no tax examinations in progress.

Functional Allocation of Expenses

The Association's natural operating expenses are functionally allocated among program and administration. Natural operating expenses which benefit more than one function are allocated based on salaries or the percent of occupied space.

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*, which is effective for annual periods commencing after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statements of financial position at the date of lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statements of activities. This standard will be effective for the Association's year ending December 31, 2022, with early adoption permitted. The Association is currently in the process of evaluating the impact of adoption on the financial statements.

Reclassification

Certain 2018 balances were reclassified to conform to the 2019 financial statement presentation.

Subsequent Events

Management of the Association has evaluated subsequent events through August 21, 2020, which is the date these financial statements were available to be issued.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018



3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

	2019	2018
<u>Financial assets:</u>		
Cash and restricted cash	\$ 4,818,716	\$ 4,099,670
Accounts receivable	2,508,266	1,754,257
Investments	1,832,030	1,693,046
Accrued interest receivable - related party	53,625	45,375
Note receivable – related party	300,000	300,000
Financial assets, end of year	<u>9,512,637</u>	<u>7,892,348</u>
<u>Less those unavailable for general expenditure within one year:</u>		
Restricted cash	24,997	-
Investments designated for long-term needs	1,832,030	1,692,779
Accrued interest receivable – related party collectible beyond one year	53,625	45,375
Note receivable – related party collectible beyond one year	<u>300,000</u>	<u>300,000</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 7,301,985</u>	<u>\$ 5,854,194</u>

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

4. Performance Obligations and Disaggregation of Revenue

Revenue from performance obligations satisfied at a point in time consist of content registration, document checking and event registration fees. These fees are invoiced quarterly in arrears with payment terms of 45 days from invoice date. For content registration and document check services, revenue is recognized as invoiced since control of the service has passed to the customer as soon as content is registered or checked. For event registrations, revenue is recognized when the event takes place. Amounts billed in advance of services being performed are recorded as deferred revenue.

Revenue from performance obligations satisfied over time consists of annual membership and subscription fees. These fees are invoiced annually in January with payment terms of 45 days from invoice date. Amounts billed in advance of services being performed are recorded as deferred revenue and are recognized ratably over the membership or subscription period.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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In the following table, revenue is disaggregated by timing of satisfaction of performance obligations as follows:

	2019	2018
Performance obligations satisfied at a point in time	\$ 5,967,068	\$ 5,144,906
Performance obligations satisfied over time	3,397,211	3,100,640
Total	<u>\$ 9,364,279</u>	<u>\$ 8,245,546</u>

The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

5. Related Party Transactions

ORCID, Inc.

The Association's Executive Director and a member of the Association's Board serves on the board of directors of ORCID, a related party through mutual membership.

The Association has a \$300,000 note receivable agreement (the Agreement) with ORCID. In accordance with the terms of the Agreement, interest is charged daily on the unpaid principal balance at a rate of 2.75% per annum. The final payment of the outstanding principal and accrued interest is due ten years from the execution of the Agreement or June 2023. Pursuant to the Agreement, disbursements under the note will be used to fulfill ORCID's mission, which is to promote accuracy and integrity and further collaboration in scientific research and scholarships. The outstanding principal balance was \$300,000 at December 31, 2019 and 2018. At December 31, 2019 and 2018, accrued interest receivable was \$53,625 and \$45,375, respectively.

Membership fees charged by ORCID, included in dues and subscriptions on the accompanying statements of functional expenses, totaled \$8,240 and \$7,600 for the years ended December 31, 2019 and 2018, respectively.

Prepaid membership fees - related party on the accompanying statements of financial position represents the Association's annual membership dues for future periods.

International DOI Foundation

The Association is a Registration Agency of the International DOI Foundation (IDF), a management body for the Federation of Registration Agencies providing Digital Object Identifier (DOI) services and registration. The Executive Director of the Association serves as the Treasurer on IDF's Board. Registration fees charged by the IDF on the accompanying statements of functional expenses were \$270,375 and \$270,440 for the years ended December 31, 2019 and 2018, respectively.

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In addition, prepaid registration fees - related party on the accompanying statements of financial position, represents the Association's annual registration dues for future periods.

Research Organization Registry

The Association is a member of the project team for the Research Organization Registry (ROR), a community-led project to develop an open, sustainable, usable and unique identifier for every research organization in the world. The Executive Director of the Association serves as a member of the steering group of ROR, which is responsible for strategic decision making about governance.

During 2019, the Association collected private funding of approximately \$25,000 on behalf of ROR, which is recorded as restricted cash as of December 31, 2019, with a corresponding liability included in other liabilities on the accompanying statements of financial position.

6. Property and Equipment

Development in progress at December 31, 2019 includes the purchase of a new server for \$53,762, which was placed in service January 2020.

During 2019, the Association disposed of equipment with an original cost of \$54,872 and accumulated depreciation of \$54,388, resulting in a loss on disposal of \$484.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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7. Investments

Investments are reported in the statements of financial position at fair market value and are comprised of the following at year end:

	2019	2018
<u>Level 1</u>		
Cash and cash equivalents	\$ 17,417	\$ 4,762
Marketable securities:		
Common stock:		
Communication services	4,750	2,867
Consumer discretionary	22,503	17,558
Consumer staples	20,709	16,043
Energy	8,483	6,592
Financials	37,649	27,188
Healthcare	26,014	27,529
Industrials	27,735	23,863
Information technology	49,740	36,437
Materials	5,054	5,978
Utilities	14,842	11,234
REITs	11,302	8,246
MLPs/Energy infrastructure	3,550	2,421
Total level 1	249,748	190,718
<u>Level 2</u>		
Certificates of deposit	1,582,282	1,502,328
 Total	 \$ 1,832,030	 \$ 1,693,046

At December 31, 2019, the Association's investment in certificates of deposit mature at various dates through November 2024 and earn interest at rates ranging from 1.40% to 3.25%. At December 31, 2018, the Association's investment in certificates of deposit mature at various dates through January 2024 and earn interest at rates ranging from 1.40% to 3.60%. Certificates of deposit are considered held to maturity.

Investment return is summarized as follows:

	2019	2018
Dividend and interest income	\$ 41,342	\$ 31,907
Net realized and unrealized gain (loss)	101,194	(28,711)
Investment expenses	(3,284)	(3,064)
 Total	 \$ 139,252	 \$ 132

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
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8. Document Check Fees

Association members participate in a plagiarism detection service through a certain third party provider (TPP). Prior to July 2019, the TPP provided services and directly billed members for these services. In July 2019, the Association entered into an agreement with the TPP to provide for the Association to offer this service as an additional program to its members maintaining the TPP as the provider. In accordance with the agreement the Association will invoice and collect fees from its members, remit 80% of gross billings to the TPP and retain 20% as an administration fee recognized as document check fees on the accompanying statements of activities.

Gross billings, payment to the program's TPP and document check fees retained by PILA from this program are as follows:

	2019	2018
Program gross billings	\$ 473,791	\$ -
Third party provider payments	379,033	-
Document check fees retained by the Association	<u>\$ 94,758</u>	<u>\$ -</u>

9. Retirement Plan Expense

The Association sponsors contribution plans for its employees in the United States (US), England, France and Ireland.

In the US, the Association has a defined contribution retirement plan in accordance with section 401(k) of the IRC, available to US employees meeting certain eligibility requirements.

US employee contributions are limited to the lesser of 15% of their eligible compensation or IRS limitations. The Association may provide a discretionary matching contribution of 25%, up to 4% of the participant's eligible compensation during the year. In addition, the Association has made a 6% discretionary profit sharing contribution to eligible employees for 2019 and 2018. For the years ended December 31, 2019 and 2018, the Association contributed 401(k) matching and profit sharing contributions of approximately \$245,900 and \$219,300, respectively.

PUBLISHERS INTERNATIONAL LINKING ASSOCIATION, INC.
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Years Ended December 31, 2019 and 2018



In England, the Association operates a defined contribution pension scheme with respect to the directors and staff in England. The scheme and its assets are held by independent managers. The Association may provide a discretionary matching contribution. The Association made a 10% discretionary contribution to eligible employees for 2019 and 2018. The pension charge represents contributions due from the Association and amounted to \$128,295 and \$123,668 for the years ended December 31, 2019 and 2018, respectively.

In France, the Association commenced a defined contribution pension scheme in 2017 with respect to two staff members in France. The scheme and its assets are held by independent managers. The Association is required to make a mandatory employer contribution of 12.25% of the employee's annual salary. In addition, the Association also made a 3.75% discretionary contribution to one eligible employee for 2019 and 2018. The pension charge represents contributions due from the Association and amounted to \$48,686 and \$42,035 for the years ended December 31, 2019 and 2018, respectively.

In Ireland, the Association commenced a defined contribution pension scheme during 2018 with respect to one staff member in Ireland. The scheme and its assets are held by independent managers. Employee contributions are limited to 15 – 40% of annual earnings up to €115,000 depending on the age of the participant. The Association may provide a discretionary matching contribution. The Association made a 10% discretionary contribution to eligible employees for 2019 and 2018. The pension charge represents contributions due from the Association and amounted to \$7,183 and \$2,406 for the years ended December 31, 2019 and 2018, respectively.

10. Commitments

Operating Leases

The Association leases office space in Lynnfield, Massachusetts. The lease provides for a base rent, adjusted annually, based on the consumer price index. The monthly rental payments, which include a pro-rata share of real estate taxes and other operating costs, are approximately \$8,100, plus utilities through the end of the lease term. The lease expires on October 31, 2020.

The Association has annual lease agreements to lease office space in the United Kingdom requiring monthly payments of £6,000 or approximately \$7,700 through July 2018; £6,400 or approximately \$8,500 through July 2019; and £6,600 or approximately \$8,400 through July 2020.

Total rent expense under these operating leases was approximately \$201,300 and \$202,100 for the years ended December 31, 2019 and 2018, respectively.

Total future operating lease minimum payments are approximately \$127,500 for the year ended December 31, 2020.

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Service Agreements

Verizon

The Association had a service agreement with Verizon effective January 2016 to provide resources for the operation of the CrossRef system through December 2017, which was extended on a month-to-month basis through March 2018. The Association paid a base monthly recurring charge, net of discounts, plus additional excess usage charges. In May 2017, Verizon sold a portion of the contract to Equinix and reduced the base monthly recurring charges assessed under the original agreement accordingly. In accordance with the amended agreement, the Association paid base monthly recurring charges of approximately \$2,300.

In March 2018, the Association entered into a new service agreement with Verizon effective April 2018, to provide resources for the operation of the CrossRef system through March 2020. In March 2020, the Association entered into a new service agreement with Verizon effective April 2020, to provide resources for the operation of the CrossRef system through March 2022. The Association pays a base monthly recurring charge of approximately \$1,800 plus additional excess usage charges. If the agreement is terminated prior to the expiration period, the Association will be subject to an early termination penalty equal to 25% of the remaining monthly recurring charges through the commitment period. Fees related to the Verizon agreements were approximately \$18,700 and \$23,600 for the years ended December 31, 2019 and 2018, respectively.

Minimum future annual payments required under these contracts are approximately \$27,600, \$27,600, and \$6,900 for the years ended December 31, 2020, 2021 and 2022, respectively.

Equinix

In May 2017, the Association entered into a month-to-month service agreement with Equinix to provide resources for the operation of the CrossRef system. In accordance with the agreement, the Association paid base monthly recurring charges of approximately \$7,300.

In March 2018, the Association entered into a new service agreement with Equinix effective April 2018, to provide resources for the operation of the CrossRef system through March 2020, which has been extended on a month-to-month basis. The Association pays a base monthly recurring charge of approximately \$5,100, which is increased by five percent annually. Fees related to the Equinix agreements were approximately \$66,100 and \$73,900 for the years ended December 31, 2019 and 2018, respectively.

Minimum future annual payments required under this contract are approximately \$16,200 for the year ended December 31, 2020.

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11. Concentration of Credit Risk and Business Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of uninsured cash deposits and certificates of deposit, accounts receivable and investments. The Association maintains its cash and certificates of deposit balances in four financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time, the Association's cash and certificates of deposit balances may exceed this limit. Cash and certificates of deposit balances in excess of \$250,000 are generally uninsured. Management does not believe significant credit risks exist at year end.

One customer accounted for approximately 12% of the Association's accounts receivable as of December 31, 2019 and 2018. Management does not believe significant credit risk exists at year end.

One customer accounted for approximately 11% of the Association's total revenue and support for the year ended December 31, 2018. There was no revenue concentration for the year ended December 31, 2019.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term and that such change could materially affect investment balances and activity included in the financial statements.