eLIFE

1st Floor
24 Hills Road
Cambridge CB2 1JP, UK

P 01223 855340
W elifesciences.org
T @elife

A foundation for change: The eLife Sciences 2013 Annual report

Letter from the chairman

The first full year of publishing at eLife has been successful and eventful, with a tremendous global accolade for Randy Schekman, eLife's Editor-in-chief, in the form of a Nobel Prize. Randy took that opportunity not only to look back over several decades and celebrate the important work that he and his colleagues have contributed to scientific advancement, but also to highlight critical and current issues affecting science – notably, the importance of basic research and public education, and the reform of the existing system of incentives.

It is this last theme that is most relevant to the eLife Sciences initiative, which Randy addressed in an uncompromising article that he wrote for The Guardian newspaper in the UK. Randy critiqued the role that overly selective journals play in the assessment of academic reward and career advancement, and highlighted the negative impact resulting from the intense competition for the limited space in these journals.

Given this context, the challenge and opportunity for eLife is nothing short of transforming the way scientists communicate their research. I am pleased to report that during the early part of 2014, the eLife Sciences team has laid out an exciting vision for the future of research communication that will guide our work going forward. eLife plans to go beyond the publication of static research articles and aims to become a dynamic platform to allow scientists to build their research stories online, to promote reproducibility in science, and to recognise the kinds of behaviours that will accelerate scientific discovery.

What gives us the greatest sense of optimism about the prospect for achieving this transformation is the intense appetite for change from early-career researchers. These scientists represent the future and we are focused on serving them well with this new platform. We are establishing closer ties with early-career researchers and will have much more to say on this in the coming months and years.

During 2013, the journal has published outstanding science, and has consolidated an editorial process that is more efficient and user-friendly than the competition – and that is being considered for adoption in other journals as well. We have built an extremely solid foundation for the next steps in the eLife initiative.

In closing, and on behalf of the eLife Sciences Board of Directors, I would like to congratulate the staff, editors, and the countless members of the research community who have contributed to a very strong first full year of publishing for eLife – and most of all to Randy for his award, and for his very strong and public leadership.

Toby Coppel

Chair, eLife Board of directors
Partner, Mosaic Ventures

[The eLife Sciences 2013 Annual report is available at 2013.elifesciences.org]

eLife Sciences Publications, Ltd

Financial Statements

December 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

eLife Sciences Publications, Ltd

Financial Statements

December 31, 2013 and 2012

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Independent Auditors' Report

The Board of Directors
eLife Sciences Publications, Ltd:

Report on the Financial Statements

We have audited the accompanying financial statements of eLife Sciences Publications, Ltd, which comprise the balance sheets as of December 31, 2013 and December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

This report is made solely to the company's members, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's members those matters we have been engaged to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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

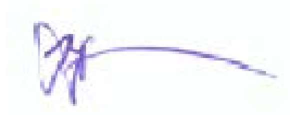
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 eLife Sciences Publications Ltd as of December 31, 2013 and December 31, 2012, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Justin Shakespeare, Certified Public Accountant, licensed auditor State of California
for and on behalf of KPMG LLP
Cambridge, United Kingdom

May 12, 2014

eLife Sciences Publications, Ltd

Balance Sheets

December 31, 2013 and December 31, 2012

(In thousands)

Assets		**2013**	**2012**
Current assets:			
Cash and cash equivalents	£	763	1,874
Other receivables		179	202
Total current assets		942	2,076
Property, plant, and equipment:			
Machinery and equipment		62	22
Leasehold improvements		87	nil
		149	22
Less accumulated depreciation and amortization		(18)	(4)
Net property, plant, and equipment		131	18
Total assets	£	1,073	2,094
Liabilities and Net Assets			
Current liabilities:			
Trade accounts payable	£	63	117
Accrued expenses		459	431
Deferred income		157	549
Other liabilities		31	15
Total current liabilities		710	1,112
Net assets:			
Unrestricted net assets		363	982
Total net assets		363	982
Total liabilities and net assets	£	1,073	2,094

None of the net assets of the Company are either temporarily or permanently restricted.

See accompanying notes to the financial statements.

eLife Sciences Publications, Ltd

Statements of Activities

Years ended December 31, 2013 and December 31, 2012

(In thousands)

		2013	2012
Revenues:			
Contributions	£	2,024	3,231
Other Income		1	1
Total revenues		2,025	3,232
Expenses:			
Program services:			
Journal expenses		2,294	1,721
Supporting services:			
Management and general		350	529
Total services expenses		2,644	2,250
Change in net assets		(619)	982
Net assets, beginning of year		982	nil
Net assets, end of year		363	982

All activities relate to changes in unrestricted net assets.

See accompanying notes to the financial statements.

(Continued)

eLife Sciences Publications, Ltd

Statements of Functional Expenses

Year ended December 31, 2013

(In thousands)

		Program services Journal expenses	Supporting services Management and general	Total functional expenses
Salaries	£	586	79	665
Payroll taxes		64	9	73
Employee benefits		35	6	41
Occupancy		108	18	126
Editorial costs		780	-	780
Professional fees		109	195	304
Marketing expenses		326	-	326
Other expenses		274	41	315
Depreciation and amortisation		12	2	14
Total functional expenses	£	2,294	350	2,644

Year ended December 31, 2012

(In thousands)

		Program services Journal expenses	Supporting services Management and general	Total functional expenses
Salaries	£	397	89	486
Payroll taxes		36	10	46
Employee benefits		21	6	27
Occupancy		55	17	72
Editorial costs		594	-	594
Professional fees		161	362	523
Marketing expenses		209	-	209
Other expenses		245	44	289
Depreciation and amortisation		3	1	4
Total functional expenses	£	1,721	529	2,250

See accompanying notes to the financial statements.

(Continued)

eLife Sciences Publications, Ltd

Statements of Cash Flows

Years ended December 31, 2013 and December 31, 2012

(In thousands)

		2013	2012
Cash flows provided by operating activities:			
Change in net assets	£	(619)	982
Adjustments to reconcile change in net assets to cash provided by operating activities:			
Depreciation and amortization		14	4
Changes in operating assets and liabilities			
Decrease / (increase) in other current assets		23	(202)
(Decrease) / increase in trade accounts payable		(54)	117
Increase in accrued expenses		28	431
(Decrease) / increase in deferred revenue		(392)	549
Increase in other liabilities		16	15
Net cash (used in) / provided by operating activities		(984)	1,896
Cash flows from investing activities:			
Purchases of fixed assets		(127)	(22)
Net cash (used in) investing activities		(127)	(22)
Net (decrease) / increase in cash and cash equivalents		(1,111)	1,874
Cash and cash equivalents, beginning of year		1,874	-
Cash and cash equivalents, end of year		763	1,874

See accompanying notes to the financial statements.

(Continued)

(1) Summary of Significant Accounting Policies

(a) Description of Business

The Company was incorporated on 6 October 2011 as a limited liability non-profit non-stock corporation in the State of Delaware, USA, with company number 5030732. It is registered in the UK with company number FC030576 and branch number BR015634. It is exempt from USA Federal income tax under section 501(c)(3) of the Internal Revenue Code.

The primary purpose of the Company is to operate exclusively for charitable, scientific and educational purposes, including, but not limited to, the operation of an open access journal for scientific research, as well as such other activities as required to support the mission of such journal.

(b) Basis of preparation

The accompanying financial statements have been prepared on the basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Company or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Company.

As the Company does not consider that any donor-imposed stipulations exceed those already in place due to the Company's bye-laws, all net assets, revenue, gains and losses have been classified as relating to unrestricted net assets.

(c) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; the valuation of fixed assets, and other contingencies.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(Continued)

(e) Recognition of Grant Income

In accordance with ASC 958-605, the Company records contributions received from funders as increases in unrestricted net assets, and presents these contributions as Contributions in the Statement of Activities.

Where contributions relate to funding promises, the contributions are recognised to the extent that any associated conditions are substantially met.

The Company has received conditional funding promises totalling £18m from its Sponsors. These promises are subject to the contributions being drawn down by the Company to meet expected cash requirements consistent with forecasts approved by the Sponsors. These contributions are recognised as income in the period for which the funding has been authorised by the Sponsors.

Since two of the Sponsors, the Howard Hughes Medical Institute and the Wellcome Trust, are also members of the Company, of the Contributions in the year £872,000 (2012: £3,231,000) are related party transactions. No amounts from related parties were outstanding at 31 December 2013 (2012: £nil).

(f) Property, Plant, and Equipment

Plant, and equipment are stated at cost.

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful life of plant and equipment is 3 years. Total depreciation for the year ended December 31, 2013 was £14,000 (2012: £4,000).

(g) Research and Development and Advertising

Research and development and advertising costs are expensed as incurred. Research and development costs amounted to £152,000 in 2013 (2012: £98,000). Advertising costs amounted to £26,000 in 2013 (2012: £6,000).

(h) Functional Allocation of Expenses

The costs of providing the various programs and supporting services are summarised on a functional basis in the statement of functional expenses. Certain costs are allocated among the programs and supporting services benefited.

(i) Income Taxes

The Company is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. The Company believes that it has taken no significant uncertain tax positions.

(j) Retirement Plans

The Company contributes to the defined contribution pension plans of its employees. Contributions payable by the Company are expensed as incurred.

(k) Long-Lived Assets

Long-lived assets, such as property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

(l) Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(m) Fair Value Measurements

The estimated fair value amounts for specific groups of financial instruments are presented within the footnotes applicable to such items. Accounts receivable, accounts payable and accrued expenses are stated at the transaction price, which approximates fair value, due to their short term to maturity.

(n) Recently Issued Accounting Standards

The company does not consider that any recently issued accounting standards will have a material effect on the financial statements when adopted.

(2) Significant Risks and Uncertainties Including Business and Credit Concentrations

The contributions received by the Company from funders is highly concentrated, and relates to three organisations, which contributed 21.5%, 21.5% and 57% of the contributions 2013 respectively (2012: 45%, 45%, 10%).

(3) Fair Value Measurements and the Fair Value Option

(a) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments.

		2013 (in thousands)		**2012** (in thousands)	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:					
Cash and cash equivalents	£	763	763	1,874	1,874
Other receivables		179	179	202	202
Financial liabilities:					
Trade accounts payable		63	63	117	117
Accrued expenses		459	459	431	431
Other liabilities		31	31	15	15

The carrying amounts shown in the table are included in the balance sheet under the indicated captions.

The fair values of the financial instruments shown in the above table as of December 31, 2013 and December 31, 2012 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- Cash and cash equivalents, other receivables, trade accounts payable, accrued expenses and other liabilities: The carrying amounts, at face value or cost plus accrued interest, approximate fair value because of the short maturity of these instruments.

(Continued)

(Sterling in thousands)

(4) Leases

At December 31, 2012 the Company had a noncancelable operating lease, for office property, that expired during the current year.

At December 31, 2013 the Company has a noncancelable operating lease, for office property, that may be terminated at the option of the Company in 2016. There are no contingent rentals under the lease agreement.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) during 2013 and 2012 consisted of the following:

		2013	**2012**
Minimum rentals	£	92,446	46,000

Future minimum lease payments under noncancelable operating leases as of December 31, 2013 and 2012 are:

		2013	**2012**
Years from balance sheet date:			
One year		73,013	15,000
Two years		73,013	nil
Three years		51,108	nil
Total minimum lease payments	£	197,134	15,000

(5) Retirement plans

The Company makes contributions into employees' defined contribution pension plans. All employees are eligible to participate. The Company contributes between 6% and 10% of pay.

Total retirement plan costs for the year ended December 31, 2013 were £40,000 (2012: £27,000).

(6) Commitments and Contingencies

(a) Legal Proceedings

The Company is not engaged in any legal proceedings.

(7) Subsequent events

The Company has evaluated subsequent events from the balance sheet date through 12 May 2014, the date at which the financial statements were available to be issued, and determined that there are no other items to disclose.