

CENTER FOR OPEN SCIENCE, INC.
CHARLOTTESVILLE, VIRGINIA

FINANCIAL REPORTS
DECEMBER 31, 2015

CENTER FOR OPEN SCIENCE, INC.

CONTENTS

	PAGE
Report of independent auditors	1
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Statement of functional expenses	6
Notes to financial statements	7

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Center for Open Science, Inc.
Charlottesville, Virginia

We have audited the accompanying financial statements of CENTER FOR OPEN SCIENCE, INC., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

Members

American Institute of Certified Public Accountants • Virginia Society of Certified Public Accountants • Private Companies Practice Section of AICPA

To the Board of Directors
Center for Open Science, Inc.

REPORT OF INDEPENDENT AUDITORS--(Cont'd)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CENTER FOR OPEN SCIENCE, INC. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the CENTER FOR OPEN SCIENCE, INC.'S 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hantymon Wiebel LLP

Charlottesville, Virginia
August 24, 2016

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

ASSETS			
	2015	(RESTATED) 2014	
CURRENT ASSETS			
Cash and cash equivalents	\$1,759,117	\$3,471,706	
Accounts receivable	195,181	21,769	
Investments - mutual funds	254,587	256,042	
Prepaid expenses and deferred charges	30,669	7,205	
Total current assets	<u>2,239,554</u>	<u>3,756,722</u>	
PROPERTY AND EQUIPMENT			
Office equipment	393,780	239,206	
Leasehold improvements	329,986	68,980	
Total property and equipment	<u>723,766</u>	<u>308,186</u>	
Less: Accumulated depreciation	<u>128,708</u>	<u>50,609</u>	
Net property and equipment	<u>595,058</u>	<u>257,577</u>	
OTHER ASSETS			
Security deposit	<u>13,330</u>	<u>6,195</u>	
TOTAL ASSETS	<u><u>\$2,847,942</u></u>	<u><u>\$4,020,494</u></u>	
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 101,229	\$ 31,252	
Payroll liabilities	19,721	21,850	
Deferred revenue	784,306	3,167,576	
Grants due to others	<u>1,059,931</u>	<u>223,687</u>	
Total current liabilities	1,965,187	3,444,365	
NET ASSETS			
Unrestricted	<u>882,755</u>	<u>576,129</u>	
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,847,942</u></u>	<u><u>\$4,020,494</u></u>	

(The accompanying notes are an integral part of this financial statement)

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015				(RESTATED) 2014
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
REVENUE AND OTHER SUPPORT					
Grants	\$4,462,691	\$	\$	\$4,462,691	\$1,871,243
Contributions	5,192	....	....	5,192	2,324
Other revenue, net of expenses	395,883	....	....	395,883	165,329
Total revenue and other support	4,863,766	....	....	4,863,766	2,038,896
EXPENSES					
Program services	4,002,008	....	....	4,002,008	1,660,868
Management and general	488,798	....	....	488,798	331,849
Fund-raising	66,334	....	....	66,334	41,572
Total expenses	4,557,140	....	....	4,557,140	2,034,289
CHANGE IN NET ASSETS.....	306,626	....	....	306,626	4,607
NET ASSETS AT BEGINNING, AS PREVIOUSLY REPORTED.....	767,366	....	....	767,366	....
PRIOR PERIOD ADJUSTMENT.....	(191,237)	....	....	( 191,237)	....
NET ASSETS AT BEGINNING OF YEAR - RESTATED.....	576,129	....	....	576,129	571,522
NET ASSETS AT END OF YEAR.....	<u>\$ 882,755</u>	<u>\$</u>	<u>\$</u>	<u>\$ 882,755</u>	<u>\$ 576,129</u>

(The accompanying notes are an integral part of this financial statement)

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015	(RESTATED) 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 306,626	\$ 4,607
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	78,099	37,168
(Increase) decrease in operating assets:		
Accounts receivable	(173,412)	(21,769)
Prepaid expenses and other assets	(30,599)	(210)
Increase (decrease) in operating liabilities:		
Accounts payable	69,977	15,064
Deferred revenue	(2,383,270)	1,516,531
Grants due to others	836,244	98,687
Payroll liabilities	(2,129)	12,272
Net cash provided by (used in) operating activities	<u>(1,298,464)</u>	<u>1,662,350</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(415,580)	(65,645)
Proceeds from sales of investments	1,455	....
Purchases of marketable securities	<u>....</u>	<u>(256,042)</u>
Net cash used in investing activities	<u>(414,125)</u>	<u>(321,687)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>....</u>	<u>....</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,712,589)	1,340,663
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,471,706</u>	<u>2,131,043</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$1,759,117</u></u>	<u><u>\$3,471,706</u></u>

(The accompanying notes are an integral part of this financial statement)

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2015 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014)

	2015				(RESTATED) 2014
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	TOTAL
Payroll expenses	\$ 2,811,095	\$ 427,777	\$ 58,052	\$ 3,296,924	\$ 1,449,598
Occupancy	154,439	23,502	3,190	181,131	112,822
Professional services	70,459	8,613	1,169	80,241	51,225
Travel	218,824	2,497	339	221,660	72,418
Telephone	5,469	833	112	6,414	3,447
Insurance	4,736	721	98	5,555	3,521
Office and computer supplies	22,234	1,333	181	23,748	35,194
Depreciation	66,591	10,133	1,375	78,099	37,168
Conferences and meetings	4,966	....	....	4,966	47,468
Marketing and communications	21,238	94	13	21,345	14,786
Dues and fees	59,590	9,069	1,230	69,889	33,397
Postage and delivery	683	104	14	801	791
Taxes and licenses	4,073	620	84	4,777	4,199
Cleaning and maintenance	13,407	2,040	277	15,724	3,137
Grant awards to others	534,594	....	....	534,594	161,393
Miscellaneous expense	9,610	1,462	200	11,272	3,725
Total	<u>\$ 4,002,008</u>	<u>\$ 488,798</u>	<u>\$ 66,334</u>	<u>\$ 4,557,140</u>	<u>\$ 2,034,289</u>

(The accompanying notes are an integral part of this financial statement)

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

NATURE OF ORGANIZATION

The Center for Open Science (COS) was formed in January 2013 and is dedicated to improving the alignment of scientific values and scientific practices in order to improve the accumulation and application of knowledge. COS has three primary activities to meet our mission:

1. The Center for Open Science is a non-profit technology start-up. COS builds free, open source software infrastructure, the Open Science Framework (OSF), that supports the documentation, archiving, and management of scientific workflow materials and data. The OSF makes it possible for such materials to be publicly available to increase openness and reproducibility.
2. The Center for Open Science is an active force within the scientific community, hosting and attending international and national conferences to promote open research practices and standards for good practice.
3. The Center for Open Science supports metascience - research on the scientific process itself in order to gather evidence on how to improve and accelerate knowledge accumulation.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the reporting requirements of U. S. generally accepted accounting principles for non-profit organizations. The Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization and earnings on the net assets available for use.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board (FASB). In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. A contribution that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the contribution is recognized.

Grants

The Organization receives funds through several grant agreements. The grants may be structured as reimbursable grants or funds advanced to cover expected program costs, requiring any unexpended funds to be returned at the end of the fiscal year. Grants are recorded as revenue when the expenses are incurred. Any funds received that are unexpended and subject to repayment are recorded as liabilities. Grants received for which there is no obligation to return the funds are reported as revenue in the year received.

Grants Received for Others

Grants received by the Organization that are directed to be paid to another entity, with COS having no variance powers, are recorded as liabilities. No revenue is recognized by COS on these grants.

Income Taxes and Exempt Tax Status

The Organization is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code. Further, the Organization has been granted public charity status as it is not a private foundation. The Organization is not classified as a private foundation.

Accounting Estimates

The preparation of financial statements in conformity with 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.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

Accounting for Uncertainty in Income Taxes

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with guidance established by the FASB and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with maturity of three months or less to be cash equivalents. The Organization maintains its cash accounts in commercial banking institutions. Cash balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits are subject to credit risk.

Accounts Receivable

The accounts receivable balance represents the unpaid amounts billed for project management fees. Management reviewed the outstanding receivables and has determined that an allowance for uncollectible accounts was not necessary as such receivables are generally collected within sixty days. The Center's receivables are unsecured and generally subject to credit risk.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair market value, if donated. It is the Organization's policy to capitalize property and equipment over \$1,000. Generally, depreciation of the equipment is provided on a straight-line basis over the following estimated useful lives of the related assets:

Office equipment	3 to 5 years
Leasehold improvements	Life of the lease

Depreciation expense for the year ended December 31, 2015 was \$78,099.

Functional Expenses

Expenses are allocated to program services, management and general, and fund-raising based on a pro-rata allocation of staff time. Directly identifiable expenses are charged to programs and supporting services. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(Cont'd)

Investments and Investment Income

Investments in marketable securities are stated at quoted market values. Investment income or loss (including realized gains and losses and investment interest and dividends) is classified as unrestricted unless the income or loss is restricted by donor or law.

Fair Value

The Center follows current accounting standards relating to fair value measurements and disclosures, which define fair value, establish guidelines for measuring fair value, establish a framework for measuring fair value, and require disclosures regarding fair value measurement.

The accounting standards eliminate inconsistencies in guidance found in various prior accounting pronouncements and provide clarification that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation.

Accounting standards also prioritize, within the measure of fair value, the use of market-based information over entity-specific information, and establish a three-level hierarchy of fair value measurements based on the nature of the inputs used in the valuation of an asset or liability as of the measurement date. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three-level hierarchy is defined as follows:

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

All of the Center's investments are categorized as Level 1.

Subsequent Events

Management has evaluated events through August 24, 2016, which is the date the financial statements were available to be issued.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

FAIR VALUE MEASUREMENTS

The fair values of the Center's financial assets measured on a recurring basis at December 31, 2015 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual Funds	<u>\$254,587</u>	<u>\$</u>	<u>\$</u>	<u>\$254,587</u>

OPERATING LEASES

The Organization entered into a lease agreement for office space for its current office location. The term of the lease commenced on May 1, 2013, and is scheduled to terminate on April 30, 2019. The lease was amended on May 1, 2015, to include additional lease space with substantially similar terms. The lease requires additional payments for taxes, utilities, and other common area charges. The lease stipulates annual increases based on 3% of CPI.

Future minimum lease payments are as follows:

YEAR ENDING DECEMBER 31,	
2016	\$163,162
2017	168,056
2018	173,098
2019	<u>58,265</u>
	<u>\$562,581</u>

Total lease expense for the year ended December 31, 2015, amounted to \$132,165.

INVESTMENTS

Investments are stated at fair value. The composition of investments at June 30, 2015, is as follows:

	FAIR MARKET VALUE	COST
Mutual Funds	<u>\$254,587</u>	<u>\$266,511</u>

Total return on investments for the year ended December 31, 2015, was as follows:

Interest and dividends	\$ 5,397
Realized/Capital gain	4,209
Net unrealized loss	(<u>11,062</u>)
Total investment loss	(<u>\$ 1,456</u>)

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

CONCENTRATIONS

During the period, the Organization received approximately 91% of its revenue from six funding sources.

RETIREMENT PLAN

All COS' full-time employees are eligible to participate in the organization's 401(k) plan. COS offers a matching contribution of 100% up to 3% of pay and then another 50% up to 5% of pay. Employees are eligible for enrollment and immediate participation upon hire. The Center contributed \$86,919 toward the plan in 2015.

RELATED PARTY TRANSACTIONS

COS carries on transactions with the following related parties:

Legal Counsel Compensation: A board member of the Organization was a partner in the law firm that provides legal counsel on various matters to the Organization. The Organization paid \$8,267 in legal fees and expenses to the law firm in 2015.

Officer Compensation and Employee Reimbursements: At December 31, 2015, COS' accounts payable includes \$24,224 of reimbursable expenses payable to one of its officers. In addition, during the year ended December 31, 2015, COS' compensation to two of its officers who have governance oversight amounted to \$362,383.

PRIOR PERIOD ADJUSTMENT

The accompanying summarized financial statements for 2014 have been restated to correct an error related to deferred revenue and grant revenue in 2014. The effect of the restatement on the Center's previously issued December 31, 2014 financial statements are summarized as follows:

	DECEMBER 31, 2014		
	AS ORIGINALLY REPORTED	AS ADJUSTED	EFFECT OF CHANGE
Statement of financial position:			
Deferred revenue	\$2,976,339	\$3,167,576	\$ 191,237
Ending net assets	\$ 767,366	\$ 576,129	(\$ 191,237)
Statement of activities:			
Grants	\$2,062,480	\$1,871,243	(\$ 191,237)
Change in net assets	\$ 195,844	\$ 4,607	(\$ 191,237)

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2014, from which the summarized information was derived. Additionally, Center's financial statements for the year ended December 31, 2014, should be read in conjunction with the above "**PRIOR PERIOD ADJUSTMENT**" disclosure.