

CENTER FOR OPEN SCIENCE, INC.
CHARLOTTESVILLE, VIRGINIA

FINANCIAL REPORTS
DECEMBER 31, 2013

HANTZMON WIEBEL LLP

**Certified Public
Accountants**

Charlottesville, VA 22902

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

HANTZMON WIEBEL LLP

C e r t i f i e d P u b l i c A c c o u n t a n t s

L. Peyton Humphrey
Lawrence J. Martin
Phillip W. Shiflett
Dean A. Martinelli
Richard M. Busofsky
W. Keith Haney
Kevin L. Keller
Glenn M. Lankford

P.O. Box 1408 • 818 East Jefferson Street • Charlottesville, VA 22902
(434) 296-2156 • FAX (434) 977-4629 • www.hantzmonwiebel.com

Alfred L. Layne, Jr.
Jennifer S. Lehman
P. Frank Berry
Kendra L. Stribling
Jeffrey D. Ulmer

• Consultants •
Robert F. German
Robert A. Foster

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, 2013, 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, 2013, 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.

Hantzman Wielch LLP

Charlottesville, Virginia
March 13, 2014

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$2,131,043
Prepaid expenses and deferred charges	6,995
Total current assets	<u>2,138,038</u>

PROPERTY AND EQUIPMENT

Office equipment	175,841
Leasehold improvements	66,938
Total property and equipment	<u>242,779</u>
Less: Accumulated depreciation	<u>13,679</u>
Net property and equipment	<u>229,100</u>

OTHER ASSETS

Security deposit	<u>6,195</u>
------------------------	--------------

TOTAL ASSETS	<u><u>\$2,373,333</u></u>
---------------------------	---------------------------

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 16,188
Payroll liabilities	9,578
Deferred revenue	1,651,045
Grants due to others	<u>125,000</u>
Total current liabilities	1,801,811

NET ASSETS

Unrestricted	<u>571,522</u>
--------------------	----------------

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$2,373,333</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, 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
REVENUE AND OTHER SUPPORT				
Grants	\$1,242,480	\$	\$	\$1,242,480
Other revenue	<u>772</u>	<u>....</u>	<u>....</u>	<u>772</u>
Total revenue and other support	<u>1,243,252</u>	<u>....</u>	<u>....</u>	<u>1,243,252</u>
EXPENSES				
Program services	489,305	....	....	489,305
Management and general	162,887	....	....	162,887
Fund-raising	<u>19,538</u>	<u>....</u>	<u>....</u>	<u>19,538</u>
Total expenses	<u>671,730</u>	<u>....</u>	<u>....</u>	<u>671,730</u>
CHANGE IN NET ASSETS	571,522	....	....	571,522
NET ASSETS AT BEGINNING OF YEAR	<u>....</u>	<u>....</u>	<u>....</u>	<u>....</u>
NET ASSETS AT END OF YEAR	<u>\$ 571,522</u>	<u>\$</u>	<u>\$</u>	<u>\$ 571,522</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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 571,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	13,679
(Increase) decrease in operating assets:	
Prepaid expenses and other assets	(13,190)
Increase (decrease) in operating liabilities:	
Accounts payable	16,188
Deferred revenue	1,651,045
Grants due to others	125,000
Payroll liabilities.....	<u>9,578</u>
Net cash provided by operating activities	2,373,822

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	(242,779)
--	------------

CASH FLOWS FROM FINANCING ACTIVITIES

NET INCREASE IN CASH AND CASH EQUIVALENTS	2,131,043
---	-----------

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>....</u>
--	-------------

CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$2,131,043</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, 2013

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Payroll expenses	\$321,163	\$100,808	\$ 14,331	\$436,302
Occupancy	35,582	25,878	3,235	64,695
Professional services	4,648	8,569	....	13,217
Travel	33,562	1,085	....	34,647
Telephone	987	718	90	1,795
Insurance	2,110	676	94	2,880
Office and computer supplies	11,933	10,384	1,154	23,471
Depreciation	8,891	4,788	....	13,679
Conferences and meetings	15,883	2,244	313	18,440
Marketing and communications	13,899	....	....	13,899
Dues and fees	6,050	1,939	270	8,259
Postage and delivery	26	51	51	128
Taxes and licenses .....	....	4,060	....	4,060
Cleaning and maintenance	4,036	1,346	....	5,382
Grant awards to others	30,535	....	....	30,535
Miscellaneous expense .....	....	341	....	341
Total	<u>\$489,305</u>	<u>\$162,887</u>	<u>\$ 19,538</u>	<u>\$671,730</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 December 2012 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.

Exempt Tax Status

Income taxes are not provided for in the financial statements since the Organization has applied for exemption from federal income taxes under Internal Revenue Code section 501(a) and similar state provisions, since it was anticipated to be granted status as an Organization described in Internal Revenue Code section 501(c)(3). The Organization is not classified as a private foundation. The Organization received notification from the Internal Revenue Service that the exempt status had been approved.

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. The Organization's tax filings will be subject to inspection by regulatory authorities for three years from the date of filing.

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.

Property and Equipment

Property and equipment are stated at cost 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, 2013 was \$13,679.

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.

Subsequent Events

Management has evaluated events through March 13, 2014, which is the date the financial statements were available to be issued.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS--(Cont'd)

OPERATING LEASES

The Organization has entered into a lease agreement for office space for its location. The term of the lease commenced on May 1, 2013 and is scheduled to terminate on the last day of the third consecutive full lease year thereafter. The lease may be renewed after the initial term. 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,	
2014.....	\$ 75,641
2015.....	77,910
2016.....	<u>80,247</u>
	<u>\$233,798</u>

Total lease expense for the year ended December 31, 2013 amounted to \$49,421.

CONCENTRATIONS

During the period, the Organization received approximately 100% of its revenue from three funding sources.

RETIREMENT PLAN

COS full-time staff are eligible to participate in the company'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 Company contributed \$10,025 toward the plan in 2013.