

**CENTER FOR OPEN SCIENCE, INC.**  
**CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORTS**  
**DECEMBER 31, 2017**

# CENTER FOR OPEN SCIENCE, INC.

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# 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

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## REPORT OF INDEPENDENT AUDITORS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of CENTER FOR OPEN SCIENCE, INC., which comprise the statement of financial position as of December 31, 2017, 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)**

### **Report on the Financial Statements--(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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Other Matters***

##### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

**REPORT OF INDEPENDENT AUDITORS--(Cont'd)**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018, on our consideration of CENTER FOR OPEN SCIENCE, INC.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CENTER FOR OPEN SCIENCE, INC.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CENTER FOR OPEN SCIENCE, INC.'s internal control over financial reporting and compliance.

*Hantymon Wiebel LLP*

Charlottesville, Virginia  
June 8, 2018

# CENTER FOR OPEN SCIENCE, INC.

## STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$2,572,945	\$3,184,537
Accounts receivable .....	109,187	210,740
Investments - mutual funds .....	313,778	272,746
Prepaid expenses and deferred charges .....	50,553	15,480
Total current assets .....	<u>3,046,463</u>	<u>3,683,503</u>
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment .....	410,304	428,590
Leasehold improvements .....	329,986	329,986
Total property and equipment .....	<u>740,290</u>	<u>758,576</u>
Less: Accumulated depreciation .....	<u>379,478</u>	<u>267,553</u>
Net property and equipment .....	<u>360,812</u>	<u>491,023</u>
<b>OTHER ASSETS</b>		
Travel awards credit .....	4,988	....
Security deposit .....	13,330	13,330
Total other assets .....	<u>18,318</u>	<u>13,330</u>
<b>TOTAL ASSETS</b> .....	<u><u>\$3,425,593</u></u>	<u><u>\$4,187,856</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 136,140	\$ 42,868
Payroll liabilities .....	28,367	7,994
Deferred revenue .....	2,202,759	3,137,063
Grants due to others .....	18,000	61,901
Total current liabilities .....	<u>2,385,266</u>	<u>3,249,826</u>
<b>NET ASSETS</b>		
Unrestricted .....	<u>1,040,327</u>	<u>938,030</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b> .....	<u><u>\$3,425,593</u></u>	<u><u>\$4,187,856</u></u>

(The accompanying notes are an integral part of these financial statements)

**CENTER FOR OPEN SCIENCE, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	2017			2016	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUE AND OTHER SUPPORT</b>					
Grants .....	\$5,682,866	\$ ....	\$ ....	\$5,682,866	\$4,398,022
Federal awards .....	1,082,250	....	....	1,082,250	735,276
Contributions .....	56,357	....	....	56,357	23,557
Service and management fees .....	182,549	....	....	182,549	721,438
Other revenue .....	31,482	....	....	31,482	24,238
<b>Total revenue and other support .....</b>	<b>7,035,504</b>	<b>....</b>	<b>....</b>	<b>7,035,504</b>	<b>5,902,531</b>
<b>EXPENSES</b>					
Program services .....	5,789,370	....	....	5,789,370	5,125,898
Management and general .....	943,499	....	....	943,499	556,959
Fund-raising .....	200,338	....	....	200,338	164,399
<b>Total expenses .....</b>	<b>6,933,207</b>	<b>....</b>	<b>....</b>	<b>6,933,207</b>	<b>5,847,256</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>102,297</b>	<b>....</b>	<b>....</b>	<b>102,297</b>	<b>55,275</b>
<b>NET ASSETS AT BEGINNING OF YEAR.....</b>	<b>938,030</b>	<b>....</b>	<b>....</b>	<b>938,030</b>	<b>882,755</b>
<b>NET ASSETS AT END OF YEAR.....</b>	<b>\$1,040,327</b>	<b>\$ ....</b>	<b>\$ ....</b>	<b>\$1,040,327</b>	<b>\$ 938,030</b>

(The accompanying notes are an integral part of these financial statements)

# CENTER FOR OPEN SCIENCE, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets .....	\$ 102,297	\$ 55,275
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation .....	140,975	139,155
Loss on asset disposition .....	5,541	400
Net realized and unrealized gain on investments .....	( 33,921)	( 12,219)
(Increase) decrease in operating assets:		
Accounts receivable .....	101,553	( 15,559)
Prepaid expenses and other assets .....	( 40,061)	15,189
Increase (decrease) in operating liabilities:		
Accounts payable .....	93,272	( 58,361)
Deferred revenue .....	( 934,304)	1,498,786
Grants due to others .....	( 43,901)	( 144,059)
Payroll liabilities .....	20,373	( 11,727)
Net cash provided by (used in) operating activities .....	<u>( 588,176)</u>	<u>1,466,880</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment .....	( 21,753)	( 35,843)
Proceeds from sales of assets .....	5,448	323
Purchases of marketable securities .....	( 7,111)	( 5,940)
Net cash used in investing activities .....	<u>( 23,416)</u>	<u>( 41,460)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b> .....	<u>....</u>	<u>....</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> .....	( 611,592)	1,425,420
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b> .....	<u>3,184,537</u>	<u>1,759,117</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b> .....	<u><u>\$2,572,945</u></u>	<u><u>\$3,184,537</u></u>

(The accompanying notes are an integral part of these financial statements)

**CENTER FOR OPEN SCIENCE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)**

	<b>2017</b>			<b>2016</b>	
	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUND- RAISING</b>	<b>TOTAL</b>	<b>TOTAL</b>
Payroll expenses .....	\$4,219,467	\$ 773,285	\$ 164,197	\$5,156,949	\$4,383,176
Occupancy .....	205,571	37,674	8,000	251,245	234,525
Professional services .....	155,052	28,416	6,034	189,502	218,144
Travel .....	112,373	20,594	4,373	137,340	178,744
Telephone .....	3,005	551	117	3,673	6,476
Insurance .....	5,970	1,094	232	7,296	11,561
Office and computer supplies .....	180,413	33,064	7,020	220,497	112,989
Depreciation .....	115,347	21,139	4,489	140,975	139,155
Conferences and meetings .....	42,119	7,719	1,639	51,477	7,177
Marketing and communications .....	28,388	5,203	1,104	34,695	27,243
Dues and fees .....	34,929	6,401	1,359	42,689	66,801
Postage and delivery .....	3,043	558	118	3,719	299
Taxes and licenses .....	4,709	863	183	5,755	10,389
Cleaning and maintenance .....	21,635	3,965	842	26,442	19,689
Grant awards to others .....	641,128	....	....	641,128	429,238
Miscellaneous expense .....	16,221	2,973	631	19,825	1,650
<b>Total .....</b>	<b><u>\$5,789,370</u></b>	<b><u>\$ 943,499</u></b>	<b><u>\$ 200,338</u></b>	<b><u>\$6,933,207</u></b>	<b><u>\$5,847,256</u></b>

(The accompanying notes are an integral part of these financial statements)

# 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. COS 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 COS and/or the passage of time.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that must be maintained permanently by COS 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***

COS 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***

COS 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 COS 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***

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

COS 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 COS.

*Cash and Cash Equivalents*

For purposes of the statement of cash flows, COS considers all highly-liquid debt instruments purchased with maturity of three months or less to be cash equivalents. COS 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. COS' 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 COS' policy to capitalize property and equipment over \$2,000. 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, 2017, was \$140,975.

*Functional Expenses*

Expenses are allocated to program services, management and general, and fund-raising based on a pro-rata allocation of staff time. 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 COS.

# 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*

COS 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 COS' investments are categorized as Level 1.

#### *Subsequent Events*

Management has evaluated events through June 8, 2018, 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 COS' financial assets measured on a recurring basis at December 31, 2017, are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual Funds .....	<u>\$313,778</u>	<u>\$ .....</u>	<u>\$ .....</u>	<u>\$313,778</u>

### OPERATING LEASES

COS 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 of 3%.

Future minimum lease payments are as follows:

YEAR ENDING DECEMBER 31,	
2018 .....	\$183,019
2019 .....	<u>61,604</u>
	<u>\$244,623</u>

Total lease expense for the year ended December 31, 2017, amounted to \$182,167.

### INVESTMENTS

Investments are stated at fair value. The composition of investments at December 31, 2017, is as follows:

	FAIR MARKET VALUE	COST
Mutual Funds .....	<u>\$313,778</u>	<u>\$279,679</u>

Total return on investments for the year ended December 31, 2017, was as follows:

Dividends .....	\$ 6,616
Capital gain distributions .....	495
Net unrealized gain .....	<u>33,921</u>
Total investment income .....	<u>\$ 41,032</u>

# **CENTER FOR OPEN SCIENCE, INC.**

## **NOTES TO FINANCIAL STATEMENTS--(Cont'd)**

### **CONCENTRATIONS**

During the period, COS received approximately 87% of its revenue from its two largest funding sources.

### **RETIREMENT PLAN**

All of COS' full-time employees are eligible to participate in COS' 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. COS contributed \$163,604 toward the plan in 2017.

### **RELATED PARTY TRANSACTION**

During the year ended December 31, 2017, COS compensated two of its officers who participated in the Board governance. Total compensation amounted to approximately \$284,000.

### **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 COS' financial statements for the year ended December 31, 2016, from which the summarized information was derived.

### **RECLASSIFICATIONS**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

## **COMPLIANCE MATTERS**

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
Center for Open Science

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of CENTER FOR OPEN SCIENCE, INC. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2018.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-01 that we consider to be a significant deficiency.

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

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*--(Cont'd)**

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

***The Organization's Response to Findings***

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hanlymon Wiebel LLP*

Charlottesville, Virginia  
June 8, 2018

## REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited CENTER FOR OPEN SCIENCE, INC.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2017. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

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

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE--(Cont'd)**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM--(Cont'd)**

***Opinion on Each Major Federal Program***

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-02, that we consider to be a significant deficiency.

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

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE--(Cont'd)**

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE--(Cont'd)**

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hanrymon Wiebel LLP*

Charlottesville, Virginia  
June 8, 2018

**CENTER FOR OPEN SCIENCE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

FEDERAL GRANTOR AND PASS-THROUGH GRANTORS	FEDERAL CATALOG NUMBER	PASS-THROUGH IDENTIFYING NUMBER(S)	TOTAL EXPENDITURES
<b>RESEARCH AND DEVELOPMENT CLUSTER</b>			
Institute of Museum and Library Services			
Association of Research Libraries SHARE Phase 2 .....	45.312	None Listed	\$ 110,597
University of Notre Dame			
Preservation Quality Tool .....	45.312	202958COS	<u>6,000</u>
Total - Institute of Museum and Library Services .....			116,597
Defense Advanced Research Projects Agency			
Next Generation Social Sciences .....	12.910	N/A	602,922
Department of Health and Human Services			
Community developing and supporting practices to increase replicability of scient .....	93.866	N/A	170,957
National Science Foundation			
Massachusettes Institute of Technology			
A Center for Brains, Minds, and Machines:			
The Science and the Technology of Intelligence .....	47.070	CCF-1231216	104,566
Massachusettes Institute of Technology			
Online Interface for Large-Scale Developmental Studies .....	47.075	BCS-1429216	<u>65,819</u>
Total - National Science Foundation Passed-Through Massachusettes Institute of Technology .....			170,385
University of California - Riverside			
Institutional Transformation: Institutional Re-engineering			
Ethical Discourse in STEM (iREDS) .....	47.075	1540440	1,389
University of California - Riverside			
International Situations Project (ISP) .....	47.075	410_100815	<u>20,000</u>
Total - National Science Foundation Passed-Through University of California - Riverside .....			<u>21,389</u>
Total federal expenditures - Research and Development Cluster .....			<u>1,082,250</u>
Total federal expenditures .....			<u><u>\$1,082,250</u></u>

# **CENTER FOR OPEN SCIENCE, INC.**

## **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2017**

### **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CENTER FOR OPEN SCIENCE, INC. for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has an approved indirect cost rate and does not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CENTER FOR OPEN SCIENCE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2017**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued ..... Unmodified

Internal control over financial reporting:  
 Material weakness identified? ..... No

Significant deficiencies identified not considered to be material weaknesses? ..... Yes  
 2017-01

Noncompliance material to financial statements noted? ..... No

***Federal Awards***

Internal control over major programs:  
 Material weakness identified? ..... No

Significant deficiencies identified not considered to be material weaknesses? ..... Yes  
 2017-02

Type of auditors' report issued on compliance for major programs ..... Unmodified

Any audit findings disclosed that are required to be reported in accordance with  
 2 CFR 200.516(a)? ..... No

Identification of major programs:

CFDA #	NAME OF FEDERAL PROGRAM OR CLUSTER
12.910, 45.312, 47.070, 47.075 and 93.866	Research & Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs ..... \$750,000

Auditee qualified as low-risk auditee? ..... No

# **CENTER FOR OPEN SCIENCE, INC.**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS--(Cont'd) YEAR ENDED DECEMBER 31, 2017**

### **SECTION II - FINANCIAL STATEMENT FINDINGS**

#### **2017-01**

**CRITERIA:** The Organization is required to implement internal controls over financial reporting and to ensure these controls are operating as designed.

**CONDITION:** The Organization does not have adequate segregation of duties for financial reporting purposes.

**CONTEXT:** While gaining an understanding of the internal control processes and procedures during the planning phase of the audit, we determined that the Organization cannot achieve proper segregation based on the number of staff employed and involved in the accounting process.

**EFFECT:** This circumstance increases the opportunity for errors and misstatements to go undetected.

**CAUSE:** This situation is created by limits on staffing and by insufficient resources to retain the number of staff necessary to obtain the optimum level of segregation.

**RECOMMENDATION:** We recommend that management continue to look for opportunities to improve segregation among staff involved with financial reporting.

# **CENTER FOR OPEN SCIENCE, INC.**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS--(Cont'd) YEAR ENDED DECEMBER 31, 2017**

### **SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

#### **RESEARCH AND DEVELOPMENT CLUSTER**

CDFA 12.910, 45.312, 47.070, 47.075, and 93.866

#### **2017-02**

**CRITERIA:** The Organization is required to implement internal controls over financial reporting and to ensure these controls are operating as designed.

**CONDITION:** The Organization does not have adequate segregation of duties for financial reporting purposes.

**CONTEXT:** While gaining an understanding of the internal control processes and procedures during the planning phase of the audit, we determined that the Organization cannot achieve proper segregation based on the number of staff employed and involved in the accounting process.

**EFFECT:** This circumstance increases the opportunity for errors and misstatements to go undetected.

**CAUSE:** This situation is created by limits on staffing and by insufficient resources to retain the number of staff necessary to obtain the optimum level of segregation.

**RECOMMENDATION:** We recommend that management continue to look for opportunities to improve segregation among staff involved with financial reporting.



**MANAGEMENT'S CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2017**

**2017-01 and 2017-2: Segregation of Duties:** *COS understands the findings regarding segregation of duties and understands the value of the control. We have structured our processes to achieve a balance of safeguarding organizational assets and proper use of grant funds at a reasonable cost. We are staffed appropriately given the resources available but will continue to look for new opportunities to address this finding.*