

CENTER FOR OPEN SCIENCE, INC.
CHARLOTTESVILLE, VIRGINIA

FINANCIAL REPORTS
DECEMBER 31, 2018



CENTER FOR OPEN SCIENCE, INC.

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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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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, 2018, 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.

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

REPORT OF INDEPENDENT AUDITORS

Report on Summarized Comparative Information

We have previously audited the CENTER FOR OPEN SCIENCE, INC.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 8, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

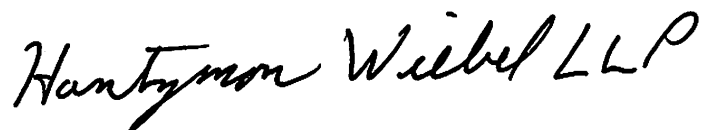
Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2019, 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.

A handwritten signature in black ink that reads "Han Tyson Wiebel LLP". The signature is written in a cursive, flowing style.

Charlottesville, Virginia
August 5, 2019

CENTER FOR OPEN SCIENCE, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017)

ASSETS

	<u>2018</u>	<u>2017</u>
	WITHOUT DONOR RESTRICTIONS	TOTAL
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,332,868	\$ 2,572,945
Grants receivable	189,696	109,187
Investments - mutual funds	298,374	313,778
Prepaid expenses and deferred charges	42,885	50,553
Total current assets	<u>3,863,823</u>	<u>3,046,463</u>
PROPERTY AND EQUIPMENT		
Office equipment	410,304	410,304
Leasehold improvements	329,986	329,986
Total property and equipment	740,290	740,290
Less: Accumulated depreciation	516,300	379,478
Net property and equipment	<u>223,990</u>	<u>360,812</u>
OTHER ASSETS		
Security and other deposits	20,867	18,318
TOTAL ASSETS	<u><u>\$ 4,108,680</u></u>	<u><u>\$ 3,425,593</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 54,691	\$ 136,140
Payroll liabilities	29,090	28,367
Deferred revenue	3,005,291	2,202,759
Grants due to others .....	....	18,000
Total current liabilities	3,089,072	2,385,266
NET ASSETS		
Without donor restrictions	<u>1,019,608</u>	<u>1,040,327</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,108,680</u></u>	<u><u>\$ 3,425,593</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, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			2017
	WITHOUT DONOR RESTRICTIONS	WITH RESTRICTIONS	TOTAL	TOTAL
REVENUE AND OTHER SUPPORT				
Grants	\$ 5,474,352	\$	\$ 5,474,352	\$ 6,765,116
Contributions	92,406	....	92,406	56,357
Service and management fees	216,256	....	216,256	182,549
Net investment earnings (loss)	(14,530)	....	( 14,530)	36,396
Total revenue and other support	<u>5,768,484</u>	<u>....</u>	<u>5,768,484</u>	<u>7,040,418</u>
EXPENSES				
Program services	4,235,158	....	4,235,158	5,672,819
Management and general	1,377,198	....	1,377,198	1,044,550
Fund-raising	<u>176,847</u>	<u>....</u>	<u>176,847</u>	<u>220,752</u>
Total expenses	<u>5,789,203</u>	<u>....</u>	<u>5,789,203</u>	<u>6,938,121</u>
CHANGE IN NET ASSETS.....	(20,719)	....	( 20,719)	102,297
NET ASSETS AT BEGINNING OF YEAR	<u>1,040,327</u>	<u>....</u>	<u>1,040,327</u>	<u>938,030</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,019,608</u></u>	<u><u>\$</u></u>	<u><u>\$ 1,019,608</u></u>	<u><u>\$ 1,040,327</u></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, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 20,719)	\$ 102,297
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	136,822	140,975
Loss on asset disposition .....	....	5,541
Net realized and unrealized (gain) loss on investments	23,054	(33,921)
(Increase) decrease in operating assets:		
Grants receivable	(80,509)	101,553
Prepaid expenses and other assets	5,119	(40,061)
Increase (decrease) in operating liabilities:		
Accounts payable	(81,449)	93,272
Deferred revenue	802,532	(934,304)
Grants due to others	(18,000)	(43,901)
Payroll liabilities	723	20,373
Net cash provided by (used in) operating activities	<u>767,573</u>	<u>(588,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment .....	....	( 21,753)
Proceeds from sales of assets	4,229	5,448
Purchases of marketable securities	<u>(11,879)</u>	<u>(7,111)</u>
Net cash used in investing activities	<u>(7,650)</u>	<u>(23,416)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>....</u>	<u>....</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	759,923	(611,592)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,572,945</u>	<u>3,184,537</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,332,868</u></u>	<u><u>\$ 2,572,945</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, 2018 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018						2017
	PROGRAM SERVICES						
	INFRASTRUCTURE	METASCIENCE	POLICY AND COMMUNITY	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Payroll expenses	\$ 2,181,712	\$ 199,926	\$ 531,778	\$ 2,913,416	\$ 1,202,179	\$ 139,595	\$ 4,255,190
Occupancy	126,872	11,626	30,924	169,422	69,910	8,118	251,245
Professional services	78,111	12,628	7,048	97,787	11,038	13,164	189,502
Travel	5,110	....	99,921	105,031	4,820	3,262	113,113
Telephone .....	....	....	....	....	....	....	3,673
Insurance	7,010	642	1,709	9,361	3,863	449	7,296
Office and computer supplies	175,515	4,141	6,880	186,536	4,140	3,345	220,497
Depreciation	70,151	6,428	17,099	93,678	38,655	4,489	140,975
Conferences and meetings	10,255	940	2,515	13,710	5,651	656	51,477
Marketing and communications .....	....	....	273	273	10,332	....	34,695
Dues and fees	23,195	1,654	14,852	39,701	11,791	1,594	42,689
Postage and delivery	7	....	....	7	....	6	3,719
Taxes and licenses	7,094	650	1,729	9,473	3,909	454	5,755
Cleaning and maintenance	13,291	1,218	3,240	17,749	7,324	850	26,442
Grant awards to others .....	....	346,273	224,980	571,253	500	....	641,128
Miscellaneous expense	5,601	530	1,630	7,761	3,086	865	24,739
Total	<u>\$ 2,703,924</u>	<u>\$ 586,656</u>	<u>\$ 944,578</u>	<u>\$ 4,235,158</u>	<u>\$ 1,377,198</u>	<u>\$ 176,847</u>	<u>\$ 5,789,203</u>
							<u>\$ 6,938,121</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, Inc. (COS or the Organization) 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 its mission:

Program Services:

Infrastructure: COS supports and maintains the OSF (www.osf.io) to help researchers manage, archive, and share their research, privately or publicly. In 2018, COS continued to make significant progress in establishing the OSF as a full-featured application framework. This included improvements to a number of core features including authentication, metadata, messaging, version control, access control, data basing, storage services, and a public API. The OSF is now positioned as a free, public infrastructure for creating, connecting, and integrating countless services across the research lifecycle. Because of the OSF's open, modular design, COS and others will be able to incorporate the back-end services to support any kind of front-end user interfaces for collection of social science research participant data, with the ability to extend very easily to collection of meta-data for any research application or discipline (not limited to social science). The OSF provides a solution for researchers who are compelled to conduct their research openly and transparently. It also provides a mechanism for policy makers to enable practices of openness and transparency. The OSF provides multiple points of entry into open practices, and allows for researchers to adopt additional open behaviors.

Metascience: COS supports research on scientific practices. These efforts can inform best practices and serve as platforms to demonstrate reproducible research methods. Some achievements include:

- Continued public discourse around results of the Reproducibility Project: Psychology (results published in the journal *Science* in June, 2015).
- Continual results published by the Reproducibility Project: Cancer Biology. The project publishes the individual replications in small batches and then a summary report will be published at the very end of the project.
- Through external grant awards, COS continues to support the Reproducibility Project: Transcranial Direct Current Stimulation (tDCS) at the University of California - Davis.
- Continued community discussion of the impact of the COS study on the impact of badges upon data sharing. This study found that the journal *Psychological Science* experienced an increase in data sharing from around 3 percent of published articles to nearly 40 percent in only 1.5 years following adoption of badges. Comparison journals without badges showed no change in data sharing over the same period. COS uses these findings to promote adoption of badges as simple incentives towards more open editorial policies.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

Policy/Community: An active open science community is essential for testing and improving infrastructure and practices. Open science practices will accelerate dramatically if stakeholders with levers for change create incentives or requirements for researchers. COS promotes open science practices with journals, funders, researchers, and societies.

The Organization's policy team tracks open science practices of key community changemakers. COS offers solutions to change norms, incentives, and policies, working in collaboration with publishers, funders, societies, institutions, and researcher communities to promote openness, rigor, and reproducibility. This work is guided by the Organization's Transparency and Openness Promotion (TOP) Guidelines, a community-driven effort that provides a rubric for adopting openness standards. Over 1,100 journals have adopted TOP Guidelines since 2015.

Preregistration Challenge: The Preregistration Challenge kicked off in 2015. Preregistration increases the credibility of hypothesis testing by confirming in advance what will be analyzed and reported. For the Preregistration Challenge, one thousand researchers received \$1,000 each for publishing results of preregistered research. This challenge ended in early 2019.

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 the classes of net assets below:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board may designate, from net assets without donor restrictions, net assets for conducting specific functions of the Organization. The board has not chosen to do so.

Net Assets With Donor Restrictions - Net assets with donor restrictions require the Organization to satisfy certain conditions before being spent. As of December 31, 2018, the Organization had no net assets subject to donor-imposed restrictions.

Contributions

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board (FASB). In accordance with this guidance, contributions are recorded as support without donor restrictions or support with donor restrictions, depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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 classified as a private foundation. Beginning in 2018, expenses related to providing parking to employees are includible as unrelated business taxable income. The Organization incurred approximately \$8,000 of unrelated business income tax expense in 2018 related to recently enacted legislation concerning the taxability of employer-provided parking. This amount has been accrued and is included in accounts payable.

Uncertain Tax Positions

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 provisions that would have a material impact on the financial statements of the Organization.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly-liquid debt instruments purchased with a 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.

Grants 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 60 days. The Organization's receivables are unsecured and are generally subject to credit risk.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$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

Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Payroll expenses are allocated on the basis of staff time and effort spent on program services, management and general, and fund-raising. Examples of other allocated expenses include rent and lease fees, depreciation, and insurance, which are allocated based on the underlying nature of the transactions.

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 without restrictions unless the income or loss is restricted by the donor or law.

Fair Value

The Organization 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:

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

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 Organization's investments are categorized as Level 1.

Subsequent Events

Management has evaluated events through August 5, 2019, which is the date the financial statements were available to be issued.

FAIR VALUE MEASUREMENTS

The fair values of the Organization's financial assets measured on a recurring basis at December 31, 2018 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Mutual funds.....	<u>\$298,374</u>	<u>\$</u>	<u>\$</u>	<u>\$298,374</u>

OPERATING LEASES

The Organization entered into a lease agreement for office space for its current office location commencing on May 1, 2013. The lease was amended on May 1, 2015 to include additional lease space with substantially similar terms, and on February 28, 2019 to extend the term until April 30, 2022. 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,	
2019	\$188,510
2020	194,165
2021	199,990
2022	<u>67,317</u>
	<u>\$649,982</u>

Total lease expense for the year ended December 31, 2018 amounted to \$183,019.

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

INVESTMENTS

Investments are stated at fair value. The composition of investments at December 31, 2018 is as follows:

	FAIR MARKET VALUE	COST
Mutual funds.....	\$ 298,374	\$ 291,558

Total return on investments for the year ended December 31, 2018 was as follows:

Interest on savings and short-term investments	\$ 874
Dividends	7,650
Realized/capital gain.....	4,229
Net unrealized loss.....	(27,283)
Total investment loss	(\$ 14,530)

LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

The Organization manages its cash available to meet general expenditures under the following guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to support long-term organizational goals.

Financial assets available for general expenditure without donor or other restrictions limiting their use, within one year at December 31, 2018, comprise the following:

Cash	\$3,332,868
Grants receivable	189,696
Investments - mutual funds.....	<u>298,374</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$3,820,938</u>

CENTER FOR OPEN SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

CONCENTRATIONS

During the period, the Organization received approximately 77% of its revenue from its two largest funding sources.

RETIREMENT PLAN

All of the Organization's full-time employees are eligible to participate in the organization's 401(k) plan. The Organization offers a matching contribution of 100% up to 3% of pay, then another 50% up to 5% of pay. Employees are eligible for enrollment and immediate participation upon hire. The Organization contributed \$135,848 toward the plan in 2018.

RELATED PARTY TRANSACTIONS

Officer Compensation and Employee Reimbursements

During the year ended December 31, 2018, the Organization's compensation to one of its officers who has governance oversight amounted to approximately \$169,000.

SUBSEQUENT EVENTS

DARPA Score

The Organization was awarded an additional grant from Defense Advanced Research Projects Agency (DARPA) with an effective date of February 25, 2019 and an initial term of 18 months. Total awards will be approximately \$3,885,000.

Lease Extension

The Organization's lease for its offices was amended to extend the expiration date to April 30, 2022 under substantially the same terms. This amendment is reflected in the minimum future lease payments in the **OPERATING LEASES** note.

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 Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

RECLASSIFICATIONS

Certain amounts in the comparative totals column for 2017 have been reclassified for comparability purposes

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, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 5, 2019.

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 of 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 2018-01, 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***

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 results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-03.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in management's corrective action plan attached. 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.

Han Tymon Wiebel LLP

Charlottesville, Virginia
August 5, 2019



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, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes and 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 THE UNIFORM GUIDANCE**

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, 2018.

OTHER MATTER

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-03. Our opinion on the major federal program cluster is not modified with respect to this matter.

The Organization's response to the noncompliance finding identified in our audit is described in the accompanying management's corrective action plan. 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.

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 of those charged with governance.

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

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE
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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 2018-02, that we consider to be a significant deficiency.

The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying management's corrective action plan. 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.

HanTymon Wiebel LLP

Charlottesville, Virginia
August 5, 2019

CENTER FOR OPEN SCIENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR AND PASS-THROUGH GRANTORS	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
RESEARCH AND DEVELOPMENT CLUSTER			
Defense Advanced Research Projects Agency:			
Next Generation Social Sciences	12.910	N/A	<u>\$ 726,974</u>
Department of Health and Human Services:			
Community developing and supporting practices to increase replicability of scientific research	93.866	N/A	<u>213,359</u>
National Science Foundation:			
University of California - Riverside			
Institutional Transformation: Institutional Re-engineering Ethical Discourse in STEM (iREDS)	47.075	1540440	3,470
University of California - Riverside			
International Situations Project (ISP)	47.075	410_100815	<u>16,667</u>
Total - National Science Foundation Passed Through University of California - Riverside			<u>20,137</u>
Total federal expenditures - Research and Development Cluster			<u>960,470</u>
Total federal expenditures			<u><u>\$ 960,470</u></u>

CENTER FOR OPEN SCIENCE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 elected 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, 2018

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
2018-01

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
2018-02

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)? Yes
2018-03

Identification of major programs:

CFDA #

NAME OF FEDERAL PROGRAM OR CLUSTER

12.910, 47.075, and 93.866

Research and 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 YEAR ENDED DECEMBER 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-01

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.

VIEWS OF RESPONSIBLE OFFICIALS: The Organization agrees with the finding. See management's corrective action plan for procedures to be implemented.

REPEAT FINDING: This finding was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2017, as item 2017-01.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

RESEARCH AND DEVELOPMENT CLUSTER

CFDA 12.910, 47.075, and 93.866

2018-02

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.

CENTER FOR OPEN SCIENCE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2018

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.

VIEWS OF RESPONSIBLE OFFICIALS: The Organization agrees with the finding. See management's corrective action plan for procedures to be implemented.

REPEAT FINDING: This finding was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2017, as item 2017-02.

2018-03

CRITERIA: The Organization is required to file its Data Collection Form with the Federal Audit Clearinghouse within the earlier of 30 days after the receipt of the auditor's report or nine months after year end.

CONDITION: The required audit was completed and uploaded to the Federal Audit Clearinghouse timely, but the actual submission was completed after the required due date.

CONTEXT: While verifying receipt of the filing, it was discovered that the final step to submit the Data Collection Form had not been completed. Upon discovery, the submission was completed immediately.

EFFECT: The compliance requirement for filing the Data Collection Form was not met.

CAUSE: This was the Organization's first exposure to the filing process and the multiple steps required to complete the submission; thus, the oversight was not immediately identified.

RECOMMENDATION: We recommend a simple checklist or monitoring system be instituted to ensure the Data Collection Form filing is verified.

VIEWS OF RESPONSIBLE OFFICIALS: The Organization agrees with the finding. See management's corrective action plan for procedures to be implemented.



**MANAGEMENT'S CORRECTIVE ACTION PLAN
YEAR ENDED DECEMBER 31, 2018**

2018-01 and 2018-2: Segregation of Duties: COS understands the findings regarding segregation of duties and understands the value of the control. We have structured and continually evaluate 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 and will consult with Hantzmon Wiebel LLP to implement for new opportunities to address these findings. We expect that implementation of these new processes will occur before July 31, 2019.

2018-03: Timely Filing of the Data Collection Form: COS is fully aware of the due dates and steps required to complete the submission and has instituted a procedure requiring the Controller and Chief Operating Officer to verify the filing is completed by the required due date. These procedures were implemented prior to report issuance.

Name of Contact Persons: Lucy Ofiesh, Chief Operating Officer
Ronald Brooks, Controller

CENTER FOR OPEN SCIENCE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED DECEMBER 31, 2018

FINANCIAL STATEMENT FINDINGS

Finding 2017-01

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

RECOMMENDATION: The auditor recommended that the Organization look for opportunities to improve segregation of duties among staff involved with financial reporting.

CURRENT STATUS: The Organization continuously implements changes in processes as practical, and continues to look for ways to improve segregation of duties for financial reporting.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

RESEARCH AND DEVELOPMENT CLUSTER

Finding 2017-02

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

RECOMMENDATION: The auditor recommended that the Organization look for opportunities to improve segregation of duties among staff involved with financial reporting.

CURRENT STATUS: The Organization continuously implements changes in processes as practical, and continues to look for ways to improve segregation of duties for financial reporting.