



**DECISION SCIENCE RESEARCH INSTITUTE,
INC.**

ANNUAL FINANCIAL REPORT

**For the Fiscal Years Ended
March 31, 2019 and 2018**

DECISION SCIENCE RESEARCH INSTITUTE, INC.

For the Years Ended March 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Emerald CPA Group, LLP

450 Country Club Road, Suite 155

Eugene OR 97401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Decision Science Research Institute, Inc. dba Decision Research
Eugene, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Decision Science Research Institute, Inc. (Decision Research), a nonprofit organization, which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities and cash flows for the years then ended and the statement of functional expenses for the year ended March 31, 2019, 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 the financial audits contained in *Governmental 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Decision Science Research Institute, Inc. as of March 31, 2019 and 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Decision Science Research Institute, Inc. taken as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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* and is not a required part of the Basic financial statements. Such supplementary financial 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 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Decision Research adopted new accounting guidance related to Financial Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958), using the Retrospective method. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019, on our consideration of Decision Research's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contract, and 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 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 Decision Science Research Institute, Inc.'s internal control over financial reporting and compliance.

EMERALD CPA GROUP, LLP

Certified Public Accountants

Eugene, Oregon
November 18, 2019

BASIC FINANCIAL STATEMENTS

**DECISION SCIENCE RESEARCH INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION**

March 31, 2019 and 2018

Assets	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 240,469	\$ 214,725
Receivables:		
Grants and contracts	133,768	144,349
Prepaid expenses and other assets	<u>18,019</u>	<u>22,384</u>
Total current assets	<u>392,256</u>	<u>381,458</u>
Fixed assets:		
Property and equipment	98,125	98,125
Less accumulated depreciation	<u>(98,125)</u>	<u>(97,522)</u>
Fixed assets, net	<u>-</u>	<u>603</u>
Total assets	<u>\$ 392,256</u>	<u>\$ 382,061</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	39,116	38,874
Accrued payroll and related expenses	44,436	28,297
Accrued paid time off	74,119	97,250
Accrued pension expense	3,900	2,752
Deferred revenue	<u>-</u>	<u>68,158</u>
Total current liabilities	<u>161,571</u>	<u>235,331</u>
Net assets		
Without Donor restrictions:		
Undesignated	115,252	146,730
Board designated	<u>24,268</u>	<u>59,239</u>
Total without donor restrictions	139,520	205,969
With donor restrictions	<u>91,165</u>	<u>-</u>
Total net assets	<u>230,685</u>	<u>205,969</u>
Total liabilities and net assets	<u>\$ 392,256</u>	<u>\$ 382,061</u>

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
For the Years Ended March 31, 2019 and 2018

	2019	2018
Changes in net assets without donor restrictions:		
Revenues		
Grants and contracts:		
Federal and federal pass-through	\$ 942,063	\$ 799,181
Non-federal	59,239	51,602
Total grants and contracts	1,001,302	850,783
Other revenues:		
Interest and dividend income	6	6
Royalties	1,293	8,218
Contributions	20,294	12,950
Miscellaneous income	12,332	4,483
Total other revenues	33,925	25,657
Net assets released from restrictions:		
Satisfactions of program restrictions	229,192	-
Total revenues	1,264,419	876,440
Expenses		
Program services-non-federal funds:		
Web Panel Services	5,814	3,195
Understanding and managing 21st Century Risks	215,188	-
Judgements of Real Life Functions	2,502	3,368
Pseudoefficacy in Voluntary Resource Allocation: Understanding the		
Psychology of Charitable Giving	17,976	14,923
Loan Wolf - Texas A&M	-	1,022
Total program services - non-federal funds	241,480	22,508
Program services - federal pass-through funds:		
Pseudoefficacy, a New Approach to Deterrence: Exploiting the Connection		
Between Perceived Risk, Affect, and Self-Efficacy	-	27,443
Operational Decision Making in Increasingly Automated Aerospace		
Enviroments	26,034	13,575
Enhancing Aviation Security through the Use of Signal Detection Theory	18,119	-
The Science of Decision Making: Connecting People and Policy	4,975	40,334
Using Inoculating Communication to Increase Public Resistance to Fake News		
Based on Disinformation	65,251	22,826
Total program services - federal pass-through funds	114,379	104,178

The accompanying notes are an integral part of these financial statements.

DECISION SCIENCE RESEARCH INSTITUTE, INC.

**STATEMENT OF ACTIVITIES
For the Years Ended March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Expenses (continued)		
Program services direct federal funds		
Hazard Manager Stereotypes as Influences on Trust, Confidence and Cooperation	150	15,833
The Arithmetic of Compassion: Confronting the Challenge of Pseudoinefficacy in Charitable Giving	-	47,921
Pubic Interpretations of and Responses to Scientific Disputes	29,083	108,224
Valuing Lives You Can Save: Understanding and Combatting Value Collapse as Numbers Increase	-	32,297
Psychological Mechanisms Behind Organ Donation Decisions	73,341	90,626
RAPID: Assessing the Variance, Effects, and Sources of Aversion to Zika Solutions	4,348	10,757
Estimating the Net Benefits of Environmental, Public Health and Safety Regulations	131,828	101,697
Evaluating Social and Cultural Impacts: Decision Theory Meets Practice	117,911	29,120
Does Introspection Increase humanitarian concerns in Judgment and Decision Making	84,310	-
RAPID: Workshop on Providing Timely and Accurate Scientific Information to Legislators: November 2018, Tokyo, Japan	50,836	-
Total program services - direct federal funds	<u>491,807</u>	<u>436,475</u>
Total program services	847,666	563,161
Support services - management and general	<u>423,963</u>	<u>419,127</u>
Total expenses	<u>1,271,629</u>	<u>982,288</u>
Changes in net assets with donor restrictions:		
Grants and contracts	320,357	-
Net assets released from restrictions	<u>(229,192)</u>	<u>-</u>
Increase in net assets with donor restrictions	<u>91,165</u>	<u>-</u>
Change in total net assets	<u>83,955</u>	<u>(105,848)</u>
Net assets at beginning of year	<u>146,730</u>	<u>252,578</u>
Net assets at end of year	<u>\$ 230,685</u>	<u>\$ 146,730</u>

The accompanying notes are an integral part of these financial statements.

DECISION SCIENCE RESEARCH INSTITUTE, INC.

STATEMENT OF CASH FLOWS
For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 83,955	\$ (105,848)
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities		
Depreciation	603	934
(Increase) decrease in operating assets:		
Grants and contracts receivables	10,581	(40,242)
Prepaid expenses	4,365	(7,732)
Increase (decrease) in operating liabilities:		
Accounts payable	242	9,483
Accrued payroll and related expenses	16,139	(21,509)
Accrued paid time off	(23,131)	(18,667)
Accrued pension expense	1,148	(1,932)
Deferred revenue	<u>(68,158)</u>	<u>7,424</u>
Net cash provided (used) by operating activities	25,744	(178,089)
Cash and cash equivalents, beginning of the year	<u>214,725</u>	<u>392,814</u>
Cash and cash equivalents, end of the year	<u>\$ 240,469</u>	<u>\$ 214,725</u>

The accompanying notes are an integral part of these financial statements.

DECISION SCIENCE RESEARCH INSTITUTE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2019**

	2019 Program Services				Total	Support Services Management and General	2019 Total Expenses
	Psychology of Decision Making	Decision Making in Public Policy	Decision Making in Aerospace Activities	Decision Making in Public Health			
S&W Regular Employees	\$ 70,693	\$ 129,764	\$ 29,391	\$ 75,157	\$ 305,005	\$ 156,088	\$ 461,093
Bonus	-	-	-	-	-	1,000	1,000
Fringe	16,652	30,218	7,490	19,229	73,589	42,259	115,848
Consultants	23,184	41,582	1,380	2,010	68,156	15,201	83,357
Subcontracts First \$25k	40,428	25,000	-	-	65,428	-	65,428
Subcontracts Over \$25k	166,832	333	-	109,767	276,932	-	276,932
Administrative Services	-	-	-	-	-	4,259	4,259
Travel - Domestic	2,090	4,913	5,892	1,753	14,648	82	14,730
Travel - Foreign	3	21,658	-	-	21,661	19	21,680
Internet	240	-	-	-	240	1,552	1,792
Subjects	3,099	992	-	-	4,091	-	4,091
Data Collection	-	11,882	-	1,601	13,483	-	13,483
Dataset Access	375	-	-	-	375	-	375
Data Analysis	-	176	-	-	176	-	176
Honoraria Expense	-	-	-	-	-	600	600
Rent	-	-	-	-	-	88,000	88,000
Janitorial	-	-	-	-	-	4,216	4,216
Parking	-	-	-	-	-	1,370	1,370
Phone	-	-	-	-	-	5,129	5,129
Supplies	635	34	-	-	669	2,118	2,787
Software, hardware <\$5,000	395	-	-	-	395	4,286	4,681
Postage	25	-	-	-	25	459	484
Copies	-	-	-	-	-	1,310	1,310
Printing	-	-	-	-	-	85	85
Publication and Dissemination	144	1,595	-	-	1,739	-	1,739
Office Expense	-	-	-	-	-	321	321
Library	111	-	-	-	111	93	204
Fees	-	-	-	-	-	1,683	1,683
Dues & Subscriptions	115	-	-	-	115	870	985
Training	-	-	-	-	-	80	80
Maintenance & Repairs	-	-	-	-	-	782	782
Meetings	770	15	-	-	785	111	896
Insurance	-	-	-	-	-	5,341	5,341
Furniture & Equipment Lease	-	-	-	-	-	1,848	1,848
Depreciation	-	-	-	-	-	603	603
Legal	-	-	-	-	-	85	85
Accounting	-	-	-	-	-	64,019	64,019
Audit	-	-	-	-	-	19,000	19,000
Miscellaneous	-	-	-	-	-	-	-
Discretionary Fund	-	-	-	-	-	1,094	1,094
Other Expense	-	43	-	-	43	-	43
Total expenses	\$ 325,791	\$ 268,205	\$ 44,153	\$ 209,517	\$ 847,666	\$ 423,963	\$ 1,271,629

The accompanying notes are an integral part of these financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECISION SCIENCE RESEARCH INSTITUTE, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Decision Science Research Institute, Inc. dba Decision Research (Decision Research) is an independent, nonprofit research institute, dedicated to research and education in the behavioral, social, and decision sciences. Its main source of funding is through federal, state, and private grants and contracts. Decision Research is subject to regulatory action surrounding these grants and contracts.

Decision Research was incorporated under the laws of the state of Oregon with the purpose of providing charitable, scientific, and educational research.

Basis of Presentation and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Classification of Contributions and Net Assets

The accompanying financial statements have been prepared in accordance with the Not-for-Profit Entities Topic of FASB Accounting Standards Codification (ASC) Section 958. On August 18, 2016 the FASB issued Accounting Standards Update 2016-14, Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASC Section 958 requires the organization to present its net assets and its revenue and gains (losses) based on the existence or absence of donor-imposed restrictions. ASC Section 958 also provides enhanced disclosures about endowment funds, both donor-restricted and board designated. Decision Research adopted this guidance as of March 31, 2019 using the retrospective method. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor restrictions as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. Included in this classification are board designated funds and property and equipment, net of accumulated depreciation.

Net Assets With Donor Restrictions – Net assets that are contributions subject to donor-imposed restrictions whether by time or purpose.

Cash and Cash Equivalents

Cash consists of cash maintained in checking accounts, savings accounts, and money market accounts with regional west coast financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, these deposits may exceed FDIC insurance limitations.

DECISION SCIENCE RESEARCH INSTITUTE, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Grants and Contracts Receivable

Grants and contracts receivable consist of amounts that are due from government agencies, foundations, nonprofit organizations, and private companies. Funding sources are geographically disbursed throughout the United States of America, with nominal amounts arising from outside the country. Management believes all receivables are fully collectable; therefore, there is no allowance for uncollectable amounts.

Fixed Assets

Furniture and equipment are recorded at cost. Donated properties are recorded at their estimated fair market value on the date of gift. Expenditures for maintenance and repairs are charged against income, while renewals and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are eliminated from the accounts, and the resulting gains or losses are reflected in revenue and expenses.

Depreciation is provided over the estimated useful lives, ranging from 3 to 40 years, of the related assets using the straight-line method.

Revenue Recognition

Decision Research recognizes revenue on cost reimbursement grants and contracts as qualified expenses are incurred, subject to the amount authorized in the agreement. Unreimbursed grant or contract expenses are reflected in the financial statements as receivables and revenues. Cash receipts related to future grant or contract expenses are recorded as deferred revenue in the statements of financial position.

Indirect Rate Calculation

Indirect costs are allocated proportionally on the basis of modified total direct costs (total direct costs excluding capital expenditures, participant support, and subcontract costs exceeding \$25,000 per subaward).

Income Taxes

Under the provisions of the Internal Revenue Code Section 501c (3) and applicable state law, Decision Research has been granted exemption from state and federal income taxes. Decision Research has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions.

Cash and Cash Equivalents

Cash equivalents are stated at cost and totaled \$ 240,469 and \$ 214,725 at March 31, 2019 and 2018 respectively.

DECISION SCIENCE RESEARCH INSTITUTE, INC.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

Note 2. Commitments and Contingencies

Grants and Contracts

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed costs could become a liability of Decision Research. Management believes that unallowable costs, if any, would not be significant or material.

Operating Leases

The following is a schedule of estimated future minimum rental payments required under an operating lease for office space that has an initial or remaining lease term in excess of one year as of March 31, 2019:

Year Ending March 31,

2020 \$ 88,000

The term of the lease is five years ending February 28, 2020. Both parties have the right to cancel the lease upon six months' notice and payment of \$5,000.

Rent expenses associated with the above lease for the fiscal years ended March 31, 2019 and 2018, were \$88,000 and \$87,215, respectively.

Note 3. Liquidity Disclosure

The schedule below reflects Decision Research's financial assets as of the statement date, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts that could be utilized if the board of directors approved the use.

Financial assets at year-end (cash plus receivables)	\$ 374,237
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	(91,165)
Board designations for future projects	<u>(24,268)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 258,804</u>

Decision Research is partially supported by government grants which have restrictions. The restrictions are related to programs designated by the grants. These restrictions are typically settled within the fiscal year in which the money is received. The Board of Directors is responsible for liquidity management. Decision Research has policies that govern the management of financial assets so that the monies are available to meet general expenditures, liabilities and other obligations as they become due. Excess funds are invested in short-term CDs and money market funds which are easily accessed in the case of unexpected cash flow needs.

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

Note 4. Employee Retirement Plan

Decision Research maintains a defined contribution pension plan for substantially all permanent employees. Employees are 100 percent vested in employer contributions. Effective January 1, 2016, Decision Research contributes an amount equal to 6 percent of compensation as a profit-sharing contribution, and will make safe-harbor matching contributions equal to 100 percent of employee salary deferrals up to 3 percent of compensation, plus 50 percent of salary deferrals greater than 3 percent, up to and including 5 percent of compensation.

Employer contributions to the plan for the fiscal years ended March 31, 2019 and 2018, were \$16,340 and \$45,865, respectively.

Note 5. Concentrations

During 2019, Decision Research received grant revenue of approximately 51 percent from four grant contracts. During 2018, Decision Research received grant revenue of approximately 56 percent from four grant contracts.

Note 6. Donor Restricted Net Assets

Donor restricted net assets consists of AOC Website in the amount of \$4,196 and Understanding and managing 21st Century Risks in the amount of \$86,969 for a total of \$91,165. Board designated net assets consists of \$24,268 for future projects.

Note 7. Subsequent Events

Management evaluates events and transactions that occur after the statements of financial position as potential subsequent events. Management has performed this evaluation through the date of the independent auditor's report.

FEDERAL COMPLIANCE SECTION

*INDEPENDENT AUDITOR'S REPORT 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*

Emerald CPA Group, LLP

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**INDEPENDENT AUDITOR'S REPORT 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**

The Executive Board
Decision Science Research Institute, Inc.
1201 Oak Street, Suite 200
Eugene, Oregon 97401

We have audited, in accordance with the auditing standards 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 Decision Science Research Institute, Inc., which comprise the statements of financial position as of March 31, 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Decision Science Research Institute, Inc.'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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Decision Science Research Institute, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Decision Science Research Institute, Inc.'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Decision Research's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit 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 weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Decision Science Research Institute, Inc.'s financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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 Decision Research's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Decision Research's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Emerald CPA Group LLP

Certified Public Accountants

Eugene, Oregon

November 18, 2019

***INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE***

Emerald CPA Group, LLP

450 Country Club Road, Suite 155
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Executive Board
Decision Science Research Institute, Inc.
1201 Oak Street, Suite 200
Eugene, Oregon 97401

Report on Compliance for Each Major Federal Program

We have audited Decision Science Research Institute, Inc.'s (Decision Research) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Decision Research's major federal programs for the year ended March 31, 2019. Decision Research'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 Decision Research'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 the 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 Decision Research'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 Decision Research's compliance.

Opinion on Each Major Federal Program

In our opinion, Decision Research 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 March 31, 2019.

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Report on Internal Control over Compliance

Management of Decision Research 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 Decision Research'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 Decision Research'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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

EMERALD CPA GROUP, LLP
Certified Public Accountants

Eugene, Oregon
November 18, 2019

**DECISION SCIENCE RESEARCH INSTITUTE INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2019**

Federal Grantor/Pass-Through Grantor/Federal Program Name/Project Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Expenditures passed through to subrecipients
National Science Foundation				
Direct Grants:				
Social, Behavioral and Economic Sciences:				
1	Psychological Mechanisms Behind Organ Donation Decisions	47.075	\$ 100,738	\$ 33,025
2	Hazard Manager Stereotypes as Influences on Trust, Confidence, and Cooperation	47.075	150	-
3	RAPID: Assessing the Variance, Effects, and Sources of Aversion to Zika Solutions	47.075	7,304	-
4	Pubic Interpretations of and Responses to Scientific Disputes	47.075	48,864	-
5	Estimating the Net Benefits of Environmental, Public Health and Safety Regulations	47.075	169,286	76,742
6	Evaluating Social and Cultural Impacts: Decision Theory Meets Practice	47.075	197,789	25,333
7	Does Introspection Increase Humanitarian Concerns in Judgment and Decision Making?	47.075	141,640	40,428
8	RAPID: Workshop on Providing Timely and Accurate Scientific Information to Legislators: November 2018, Tokyo, Japan	47.075	85,405	-
	Total Social, Behavioral and Economic Sciences		<u>751,176</u>	<u>175,528</u>
	Total National Science Foundation		<u>751,176</u>	<u>175,528</u>
National Aeronautics and Space Administration				
Passed through ASRC Research & Technology Solutions LLC:				
Aeronautics:				
9	Operational Decision Making in Increasingly Automated Aerospace Environments	43.002	43,817	-
	Total National Aeronautics and Space Administration		<u>43,817</u>	<u>-</u>
Department of Health & Human Services - National Institutes of Health				
Passed through Board of Regents of the University System of Georgia for and on behalf of Georgia State University:				
Family Smoking Prevention and Tobacco Control Act Regulatory Research:				
10	The Science of Decision Making: Connecting People and Policy	93.077	8,359	-
	Total Department of Health & Human Services		<u>8,359</u>	<u>-</u>
Department of Homeland Security				
Passed through Arizona Board of Regents for and on behalf of Arizona State University:				
Centers for Homeland Security:				
11	Enhancing Aviation Security through the Use of Signal Detection Theory	97.061	30,440	-
Passed through University of Southern California:				
Centers for Homeland Security:				
Using Inoculating Communication to Increase Public Resistance to Fake News Based on Disformation				
12		97.061	94247993	109,622
	Total Centers for Homeland Security		<u>140,062</u>	<u>-</u>
	Total Department of Homeland Security		<u>140,062</u>	<u>-</u>
Total Research and Development Cluster			<u>\$943,414</u>	<u>\$ 175,528</u>

DECISION SCIENCE RESEARCH INSTITUTE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended March 31, 2019

1. Purpose of Schedule

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to Decision Research's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Decision Research, it is not intended to and does not present either the financial position, changes in net assets, or the revenues and expenditures of Decision Research.

2. Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note 1 to Decision Research's financial statements. The Schedule includes all federal financial assistance programs obtained by Decision Research for the fiscal year ended March 31, 2019.

Basis of Presentation and Accounting

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). Receipts and expenditures of federal awards are accounted for under the accrual method of accounting. Revenues are recorded when earned or, in the case of grants where expenditures are the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred.

Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between Decision Research and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance Subpart F 200.518. Programs with similar requirements may be grouped into a cluster for testing purposes.

3. Indirect Cost Rate

Decision Research did not elect to use the ten percent (10%) de minimis indirect cost rate of modified total direct costs allowed under the Uniform Guidance.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2019

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>None</u>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>None</u>
Noncompliance material to financial statements noted?	<u>None</u>

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	<u>None</u>
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>None</u>
Type of report of independent auditor issued on compliance for the major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.216 (a)?	<u>None</u>

Identification of major programs:

Research and Development Cluster:

- 43.002 Operational Decision Making in Increasingly Automated Aerospace Environments
- 47.075 Psychological Mechanisms Behind Organ Donation Decisions
- 47.075 Hazard Manager Stereotypes as Influences on Trust, Confidence, and Cooperation
- 47.075 RAPID: Assessing the Variance, Effects, and Sources of Aversion to Zika Solutions
- 47.075 Pubic Interpretations of and Responses to Scientific Disputes
- 47.075 Estimating the Net Benefits of Environmental, Public Health and Safety Regulations
- 47.075 Evaluating Social and Cultural Impacts: Decision Theory Meets Practice
- 47.075 Does introspection increase Humanitarian Concerns in Judgment and Decision Making?
- 47.075 RAPID: Workshop on Providing Timely and Accurate Scientific Information to Legislators: November 2018, Tokyo, Japan
- 93.077 The Science of Decision Making: Connecting People and Policy
- 97.061 Enhancing Aviation Security Through the Use of Signal Detection Theory
- 97.061 Using Inoculating Communication to Increase Public Resistance to Fake News Based on Disinformation

DECISION SCIENCE RESEARCH INSTITUTE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended March 31, 2019

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

DECISION SCIENCE RESEARCH INSTITUTE, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended March 31, 2019

SECTION IV – PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

No matters were reported.