Software Freedom Conservancy, Inc.
Financial Statements
February 29, 2012

Index

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Independent Auditor's Report

To the Board of Directors of
Software Freedom Conservancy, Inc.

I have audited the accompanying statement of financial position of Software Freedom Conservancy, Inc., as of February 29, 2012, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Software Freedom Conservancy, Inc., as of February 29, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 25, 2013

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 29, 2012
(With Summarized Financial Information for 2011)

		February 29, 2012		February 28, 2011
Assets				
Current Assets				
Cash	$	975,592	$	691,398
Prepaid expenses		3,567		-
Contributions receivable		160,069		17,475
Loans receivable		132,000		-
		1,271,228		708,873
Security deposit		2,125		950
	$	1,273,353	$	709,823
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	90,129	$	62,967
Unearned income - advance program registration fees		68,040		48,274
		158,169		111,241
Net Assets				
Unrestricted		69,667		45,205
Temporarily restricted		1,045,517		553,377
		1,115,184		598,582
	$	1,273,353	$	709,823

See notes to these financial statements and independent auditor's report.

Software Freedom Conservancy, Inc.
Statement of Activities
For the Year Ended February 29, 2012
(With Summarized Financial Information for 2011)

	Unrestricted	Temporarily Restricted	Total Year Ended February 29, 2012	Year Ended February 28, 2011
Support and Revenue				
Contributions	$ 193,093	$ 857,791	$ 1,050,884	$ 398,016
Conference registration fees	-	470,144	470,144	260,926
Legal settlements	49,517	78,619	128,136	204,750
Trademark sales	1,600	30,400	32,000	-
Book royalties	918	18,834	19,752	16,530
Trademark licensing	478	9,092	9,570	-
Conference sponsorship income	-	11,233	11,233	1,231
Advertising	1,015	9,471	10,486	-
Promotional items sales	-	2,467	2,467	-
Other program service income	900	1,411	2,311	-
Investment income	94	1,389	1,483	482
Satisfaction of program restrictions	998,711	(998,711)	-	-
	1,246,326	492,140	1,738,466	881,935
Expenses				
Program services	1,104,982	-	1,104,982	603,787
Supporting services:				
General and administrative	105,475	-	105,475	44,991
Fund-raising	11,407	-	11,407	166
	116,882	-	116,882	45,157
Total expenses	1,221,864	-	1,221,864	648,944
Increase in net assets	24,462	492,140	516,602	232,991
Beginning net assets	45,205	553,377	598,582	365,591
Ending net assets	$ 69,667	$ 1,045,517	$ 1,115,184	598,582

See notes to these financial statements and independent auditor's report.

Software Freedom Conservancy, Inc.
Statement of Cash Flows
For the Year Ended February 29, 2012
(With Summarized Financial Information for 2011)

	Year Ended February 29, 2012	Year Ended February 28, 2011
Cash Flows from Operating Activities		
Increase in net assets	$ 516,602	$ 232,991
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Increase (decrease) in:		
Prepaid expenses	(3,567)	-
Contributions receivable	(142,594)	101,044
Security deposit	(1,175)	(950)
Increase in:		
Accounts payable and accrued expenses	27,162	55,811
Unearned income - advance program registration fees	19,766	48,274
Net cash provided by operating activities	416,194	437,170
Cash Flows from Investing Activities		
Change in loans receivable	(132,000)	-
Increase in Cash	284,194	437,170
Beginning Cash	691,398	254,228
Ending Cash	$ 975,592	$ 691,398

See notes to these financial statements and independent auditor's report.

Software Freedom Conservancy, Inc.
Statement of Functional Expenses
For the Year Ended February 29, 2012
(With Summarized Financial Information for 2011)

	Program Services	Supporting Services		Total	
		General and Administrative	Fund-raising	Year Ended February 29, 2012	Year Ended February 28, 2011
Salaries and wages	$ 67,261	$ 64,229	$ 7,310	$ 138,800	$ 15,000
Payroll taxes	6,134	5,789	688	12,611	1,544
Employee benefits	2,293	2,727	232	5,252	-
Payroll processing fees	710	629	91	1,430	64
License enforcement expenses	61,167	-	-	61,167	2,985
Non-license enforcement legal fees	6,010	893	-	6,903	82,404
Occupancy	7,678	6,799	996	15,473	2,639
Technology expenses	6,643	5,321	781	12,745	13,667
Audit fees	-	12,515	-	12,515	10,000
Mentoring student software developers	6,475	-	-	6,475	7,430
Travel, meals and lodging	4,827	-	1,278	6,105	53,055
Merchandise	4,464	-	-	4,464	-
Office supplies and other	1,130	3,208	-	4,338	2,930
Bank charges and other fees	-	2,801	-	2,801	3,124
Insurance	241	214	31	486	-
Membership	-	350	-	350	1,199
Professional services:					
Software development and design	353,895	-	-	353,895	208,999
Promotional	145,000	-	-	145,000	-
Graphic design	600	-	-	600	550
	674,528	105,475	11,407	791,410	405,590
Direct conference expenses:					
Venue rental	271,686	-	-	271,686	170,047
Travel, meals and lodging	94,194	-	-	94,194	39,368
Other conference expenses	35,680	-	-	35,680	5,278
Services	17,364	-	-	17,364	-
Bank charges and other fees	11,530	-	-	11,530	7,153
Registration service fees	-	-	-	-	6,618
Video	-	-	-	-	5,860
Materials	-	-	-	-	4,385
T-shirts	-	-	-	-	3,466
Badges	-	-	-	-	1,179
	430,454	-	-	430,454	243,354
	$ 1,104,982	$ 105,475	$ 11,407	1,221,864	$ 648,944

See notes to these financial statements and independent auditor's report.

Software Freedom Conservancy, Inc.
Supplemental Schedule of Temporarily Restricted Net Assets
For the Year Ended February 29, 2012

		Balance as of March 1, 2011		Additions		Releases From Restrictions		Balance as of February 29, 2012
Restricted by purpose to the following projects:								
Amarok	$	5,090	$	1,983	$	1,167	$	5,906
ArgoUML		7,597		4,993		4		12,586
Boost		76,452		52,775		30,256		98,971
BusyBox		123,695		78,672		49,364		153,003
Coreboot		-		1,800		-		1,800
Darcs		2,078		500		620		1,958
Evergreen		-		30,148		21,055		9,093
Foresight		373		20		-		393
Gevent		114		10		1		123
Git		592		5,778		190		6,180
Inkscape		13,817		8,799		2,315		20,301
K3D		2,874		10		1		2,883
Kohana		894		3,940		1,448		3,386
Libbraille		459		-		-		459
Mercurial		33,985		36,951		48,705		22,231
Mifos		-		7,500		497		7,003
OpenChange		4,850		2		369		4,483
PyPy		1,024		95,066		15,925		80,165
SWIG		586		-		-		586
Samba		98,666		78,608		28,321		148,953
Selenium		28,915		146,066		98,057		76,924
Squeak		3,969		257		692		3,534
Sugar		19,863		149,512		149,552		19,823
Twisted		17,005		26,507		4,405		39,107
Wine		1,943		8,939		1,735		9,147
jQuery		108,536		752,015		544,032		316,519
	$	553,377	$	1,490,851	$	998,711	$	1,045,517

See notes to these financial statements and independent auditor's report.

Gary S. Eisenkraft
Certified Public Accountant

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Software Freedom Conservancy (Conservancy) is a not-for-profit organization that helps promote, improve, develop, and defend Free, Libre, and Open Source Software (FLOSS) projects. Conservancy provides a non-profit home and infrastructure for FLOSS projects. This allows FLOSS developers to focus on what they do best — writing and improving FLOSS for the general public — while Conservancy takes care of the projects' needs that do not relate directly to software development and documentation.

FLOSS projects whose applications are accepted become part of the Software Freedom Conservancy (akin to a separate department of a large agency). Once joined, the "member project" receives most of the benefits of existing as a non-profit corporate entity without engaging in the arduous work of forming a separate, new organization. Conservancy aggregates the work of running a FLOSS non-profit for its many members.

The Conservancy provides many important services for its member projects. Member projects can take directed donations, which allows donors to earmark their donations for the benefit of a specific FLOSS project. Conservancy provides fiscal oversight to ensure that these funds are spent in a manner that advances the project and fits with Conservancy's 501(c)(3) mission to promote, advance, and defend software freedom.

If the member project's leaders want, Conservancy can also hold other assets and titles on behalf of the projects, such as copyrights, trademarks, domain names, online hosting accounts, and title and ownership of physical hardware. Also at discretion of the project's leaders, Conservancy can assist in defending the rights represented in these assets. For example, Conservancy is available to assist member projects in enforcing the terms of the projects' FLOSS license.

Finally, developers of Conservancy's member projects, when operating in their capacity as project leaders, could receive some protection from personal liability for their work on the project.

Software Freedom Conservancy, Inc., was incorporated in the State of New York in 2006.

Basis of Accounting

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

Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. Conservancy has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Income is recognized when earned.

Note 1 - (Continued)

Use of 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 and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

Software Freedom Conservancy, Inc., is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore no provision for income taxes has been made in the accompanying financial statements.

Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, Software Freedom Conservancy, Inc., has evaluated events and transactions for potential recognition or disclosure through January 25, 2013, the date the financial statements were available to be issued.

Concentrations

The Organization maintains cash balances in two financial institutions. Balances in one of those institutions at times exceed federally insured limits. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

Approximately 30% of the Organization's donation's were contributed in support of one project.