

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2015

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Independent Auditor's Report

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

I have audited the accompanying financial statements of Software Freedom Conservancy, Inc., which comprise the Statement of Financial Position as of February 28, 2015, and the related Statement 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

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 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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 28, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

I have previously audited Software Freedom Conservancy, Inc.'s year ended February 28, 2014 financial statements, and my report dated December 23, 2014, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 13, 2016



Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2015
(With Summarized Financial Information for 2014)

	February 28, <u>2015</u>	February 28, <u>2014</u>
Assets		
Current Assets		
Cash	\$ 941,817	\$ 954,799
Security deposit	600	-
Prepaid expenses	1,554	2,377
Contributions receivable	73,261	71,160
Total Current Assets	<u>1,017,232</u>	<u>1,028,336</u>
Total Assets	<u><u>\$ 1,017,232</u></u>	<u><u>\$ 1,028,336</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 58,861	\$ 63,786
Unearned income - advance program registration fees	<u>62,594</u>	<u>81,349</u>
Total Current Liabilities	<u>121,455</u>	<u>145,135</u>
Net Assets		
Unrestricted	(37,732)	118,618
Temporarily restricted	<u>933,509</u>	<u>764,583</u>
Total Net Assets	<u>895,777</u>	<u>883,201</u>
Total Liabilities and Net Assets	<u><u>\$ 1,017,232</u></u>	<u><u>\$ 1,028,336</u></u>

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

Software Freedom Conservancy, Inc.
Statement of Activities
For the Year Ended February 28, 2015
(With Summarized Financial Information for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Year Ended February 28, 2015</u>	<u>Year Ended February 28, 2014</u>
Support and Revenue				
Contributions	\$ 279,280	\$ 296,390	\$ 575,670	\$ 597,519
Conference registration fees	-	95,955	95,955	220,988
Honoraria	8,050	-	8,050	1,000
Book royalties	413	4,160	4,573	5,645
Trademark licensing income	200	1,800	2,000	-
Interest and currency conversion income	57	621	678	331
Conference sponsorship income	-	675	675	11,919
Promotional items sales	475	-	475	671
	<u>288,475</u>	<u>399,601</u>	<u>688,076</u>	<u>838,073</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	230,675	(230,675)	-	-
Total Support and Revenue	<u>519,150</u>	<u>168,926</u>	<u>688,076</u>	<u>838,073</u>
Expenses				
Program services	<u>508,919</u>	<u>-</u>	<u>508,919</u>	<u>597,330</u>
Supporting services:				
General and administrative	148,123	-	148,123	126,809
Fund-raising	18,458	-	18,458	8,701
Total Supporting services	<u>166,581</u>	<u>-</u>	<u>166,581</u>	<u>135,510</u>
Total Expenses	<u>675,500</u>	<u>-</u>	<u>675,500</u>	<u>732,840</u>
Change in Net Assets	(156,350)	168,926	12,576	105,233
Beginning Net Assets	118,618	764,583	883,201	777,968
Ending Net Assets	<u>\$ (37,732)</u>	<u>\$ 933,509</u>	<u>\$ 895,777</u>	<u>\$ 883,201</u>

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

Software Freedom Conservancy, Inc.
Statement of Cash Flows
For the Year Ended February 28, 2015
(With Summarized Financial Information for 2014)

	Year Ended February 28, <u>2015</u>	Year Ended February 28, <u>2014</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 12,576	\$ 105,233
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Receipt of gifted stock	-	(6,593)
(Increase) decrease in operating assets:		
Prepaid expenses	823	3,838
Contributions receivable	(2,101)	44,923
Security deposit	(600)	2,125
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,925)	21,102
Unearned income - advance program registration fees	(18,755)	(3,160)
Net cash provided by (used in) operating activities	<u>(12,982)</u>	<u>167,468</u>
Cash Flows from Investing Activities		
Proceeds from sale of gifted stock	-	6,593
Net cash provided by investing activities	<u>-</u>	<u>6,593</u>
Net Increase (Decrease) in Cash	(12,982)	174,061
Beginning Cash	954,799	780,738
Ending Cash	<u>\$ 941,817</u>	<u>\$ 954,799</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Unrelated business income taxes paid	<u>\$ -</u>	<u>\$ 604</u>

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

Software Freedom Conservancy, Inc.
Statement of Functional Expenses
Year Ended February 28, 2015
(With Summarized Financial Information for 2014)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>	
		<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Year Ended February 28, 2015</u>	<u>Year Ended February 28, 2014</u>	
Salaries and wages	\$ 190,803	\$ 89,727	\$ 6,830	\$ 287,360	\$ 196,919	
Payroll taxes	15,747	7,542	585	23,874	15,066	
Employee benefits	57,295	28,153	2,210	87,658	38,202	
Technology expenses	13,538	3,055	-	16,593	14,315	
Mentoring student software developers	15,250	-	-	15,250	1,000	
Copyright license enforcement	11,042	-	-	11,042	188	
Travel, meals and lodging	392	1,350	7,261	9,003	76	
Bank charges and other fees	52	4,263	-	4,315	2,908	
Trademark registration & enforcement	3,382	-	-	3,382	2,289	
Insurance	-	1,687	-	1,687	1,652	
Office supplies and other	647	382	30	1,059	2,765	
Payroll processing fees	620	366	34	1,020	665	
Membership	-	475	-	475	700	
Bad debt expenses	373	-	-	373	-	
Occupancy	153	90	9	252	13,292	
Taxes and government assessments	92	142	-	234	1,185	
Grants	200	-	-	200	10,825	
Professional services:						
Software development and design	39,994	-	-	39,994	81,497	
Accounting and audit	-	10,500	-	10,500	10,500	
Graphic design	3,505	-	-	3,505	300	
Promotional	61	61	1,469	1,591	-	
Non-license enforcement legal fees	559	330	30	919	1,080	
	<u>353,705</u>	<u>148,123</u>	<u>18,458</u>	<u>520,286</u>	<u>395,424</u>	
Direct conference expenses:						
Travel, meals and lodging	92,042	-	-	92,042	179,988	
Venue rental	34,124	-	-	34,124	94,732	
Audio / video	19,579	-	-	19,579	23,501	
Bank charges and other fees	3,106	-	-	3,106	6,739	
Services	2,917	-	-	2,917	2,500	
Materials	2,741	-	-	2,741	18,865	
Registration service fees	625	-	-	625	47	
Badges	80	-	-	80	553	
T-shirts	-	-	-	-	5,263	
Other conference expenses	-	-	-	-	5,228	
	<u>155,214</u>	<u>-</u>	<u>-</u>	<u>155,214</u>	<u>337,416</u>	
Total Expenses	\$ 508,919	\$ 148,123	\$ 18,458	\$ 675,500	\$ 732,840	

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2015

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

Nature of Activities

Software Freedom Conservancy, Inc. (the Organization) is a not-for-profit organization that helps promote, improve, develop, and defend Free, Libre, and Open Source Software (FLOSS) projects. Conservancy provides a nonprofit 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.

FLOSS projects whose applications are accepted become part of the Organization (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. The Organization aggregates the work of running a FLOSS non-profit for its many members.

The Organization 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. The Organization provides fiscal oversight to ensure that these funds are spent in a manner that advances the project and fits with the Organization's 501(c)(3) mission to promote, advance, and defend software freedom.

If the member project's leaders want, the Organization 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, the Organization can assist in defending the rights represented in these assets. For example, the Organization is available to assist member projects in enforcing the terms of the projects' FLOSS license.

Finally, developers of the Organization'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 accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services. If funds are raised and set aside by the Board for future use, these are considered unrestricted. Temporarily restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as unrestricted.

See independent auditor's report.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2015

Note 1 - (Continued)

Financial Statement Presentation (Continued)

Temporarily restricted net assets represent resources available for use, but expendable only for the purpose specifically stated by the donor. As of February 28, 2015, there were \$933,509 of temporarily restricted net assets.

Permanently restricted net assets are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on only related investments for general or specific purpose. As of February 28, 2015, there were no permanently restricted net assets.

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

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 between the program and supporting services benefited.

Cash

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in a major financial institution and in funds that are currently U.S. federal government insured. Recoverability of investments is dependent upon the performance of the issuer.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with original maturities of three months or less when purchased to be cash equivalents.

Revenue Recognition

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

Income is recognized on an accrual basis when earned.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through adjustments to valuation allowances based on its assessment of the current status of individual receivables. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance. For the year ended February 28, 2015, the allowance for doubtful accounts was \$0.

See independent auditor's report.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2015

Note 1 - (Continued)

Reclassifications

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

Income Taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been provided for in the accompanying financial statements.

Tax Uncertainties

The Organization's policy is to record interest expense and penalties in operating expenses. For the year ended February 28, 2015, there was no interest and penalties expense recorded.

The Organization's Federal Forms 990 are open for examination for the years ended February 28, 2012, and thereafter.

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 contributions were provided by one organization.

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Subsequent Events

In preparing these financial statements, the Organization, has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements January 13, 2016, the date the financial statements were available to be issued.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2016, that was received during the year ended February 28, 2015.

See independent auditor's report.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2015

Note 3 - Temporarily Restricted Net Assets

Temporarily restricted net assets by revenue source and changes therein for the year ended February 28, 2015, were as follows:

	Balance as of March 1, 2014	Additions	Releases From Restrictions	Balance as of February 28, 2014
Restricted as to purpose for the following projects:				
ArgoUML	\$ 12,641	\$ 30	\$ 1	\$ 12,670
Boost	131,885	75,934	65,620	142,199
Buildbot	1,914	1,108	8	3,014
BusyBox	116,762	13	-	116,775
Coreboot	1,800	-	-	1,800
Darcs	1,682	111	6	1,787
Evergreen	34,408	37,278	42,196	29,490
Foresight	393	-	-	393
Gevent	251	4,851	115	4,987
Git	11,491	5,417	650	16,258
Inkscape	31,171	13,338	9,605	34,904
K3D	2,857	-	-	2,857
Kallithea	-	63	2	61
Kohana	3,268	78	559	2,787
Libbraille	459	-	-	459
Linux Compliance	-	60,000	10,021	49,979
LuxRender	-	391	18	373
Mercurial	7,345	2,564	53	9,856
Metalink	885	27	1	911
OpenChange	4,730	20	2,211	2,539
PyPy	30,276	44,347	23,408	51,215
SWIG	2,913	12	1	2,924
Samba	177,941	11,832	29,265	160,508
Selenium	95,511	51,054	943	145,622
Squeak	678	86	515	249
Sugar	39,445	44,660	4,373	79,732
Twisted	16,183	6,487	5,150	17,520
Wine	16,306	5,316	3,594	18,028
Xapian	-	3,000	-	3,000
jQuery	5,370	-	5,370	-
phpMyAdmin	16,018	31,584	26,990	20,612
	<u>\$ 764,583</u>	<u>\$ 399,601</u>	<u>\$ 230,675</u>	<u>\$ 933,509</u>

See independent auditors' report