

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2019

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Software Freedom Conservancy, Inc., which comprise the Statement of Financial Position as of February 28, 2019, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Software Freedom Conservancy, Inc., as of February 28, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Software Freedom Conservancy, Inc., Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 14, 2020

 **CPA PLLC**

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2019
(With Summarized Financial Information for 2018)

	February 28, <u>2019</u>	February 28, <u>2018</u>
Assets		
Current Assets		
Cash	\$ 3,860,415	\$ 2,619,555
Receivable from PayPal	228	10,119
Prepaid expenses	13,656	12,973
Contributions receivable	622,974	507,592
Security deposit	600	600
Total Current Assets	<u>4,497,873</u>	<u>3,150,839</u>
Total Assets	<u><u>\$ 4,497,873</u></u>	<u><u>\$ 3,150,839</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 332,235	\$ 132,470
Unearned income - advance program registration fees	<u>28,548</u>	<u>41,121</u>
Total Current Liabilities	<u>360,783</u>	<u>173,591</u>
Net Assets		
Net Assets		
Without donor restrictions	1,149,854	781,511
With donor restrictions	<u>2,987,236</u>	<u>2,195,737</u>
Total Net Assets	<u>4,137,090</u>	<u>2,977,248</u>
Total Liabilities and Net Assets	<u><u>\$ 4,497,873</u></u>	<u><u>\$ 3,150,839</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, 2019
(With Summarized Financial Information for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Year Ended February 28, 2019</u>	<u>Year Ended February 28, 2018</u>
Support and Revenue				
Contributions	\$ 985,251	\$ 2,093,073	\$ 3,078,324	\$ 1,894,577
Contributions - property	-	-	-	319,385
Conference registration fees	7,682	167,203	174,885	483,639
Honoraria	6,000	-	6,000	-
Book royalties	89	836	925	2,214
Trademark licensing income	1,726	15,537	17,263	-
Interest and currency conversion gains	33,437	8,827	42,264	17,275
Realized loss on commodities	-	-	-	(67,538)
Conference sponsorship income	-	3,205	3,205	25,955
Promotional items sales	2	2,509	2,511	4,574
	<u>1,034,187</u>	<u>2,291,190</u>	<u>3,325,377</u>	<u>2,680,081</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	1,499,691	(1,499,691)	-	-
Total Support and Revenue	<u>2,533,878</u>	<u>791,499</u>	<u>3,325,377</u>	<u>2,680,081</u>
Expenses				
Program services	<u>1,838,898</u>	<u>-</u>	<u>1,838,898</u>	<u>1,736,645</u>
Supporting services:				
General and administrative	265,938	-	265,938	205,781
Fund-raising	60,699	-	60,699	46,479
Total Supporting services	<u>326,637</u>	<u>-</u>	<u>326,637</u>	<u>252,260</u>
Total Expenses	<u>2,165,535</u>	<u>-</u>	<u>2,165,535</u>	<u>1,988,905</u>
Change in Net Assets	368,343	791,499	1,159,842	691,176
Beginning Net Assets	781,511	2,195,737	2,977,248	2,286,072
Ending Net Assets	<u>\$ 1,149,854</u>	<u>\$ 2,987,236</u>	<u>\$ 4,137,090</u>	<u>\$ 2,977,248</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, 2019
(With Summarized Financial Information for 2018)

	<u>Program Services</u>	<u>Supporting Services</u>			
		<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Total Year Ended February 28, 2019</u>	<u>Year Ended February 28, 2018</u>
Salaries and wages	\$ 241,655	\$ 126,054	\$ 44,718	\$ 412,427	\$ 393,221
Employee benefits	55,079	31,757	7,969	94,805	124,305
Internships	475,750	-	-	475,750	442,757
Payroll taxes	20,006	8,834	2,744	31,584	31,456
Technology expenses	28,407	9,023	-	37,430	18,495
Bad debt expenses	12,960	2,694	-	15,654	290
Bank charges and other fees	-	22,052	-	22,052	11,945
Office supplies and other	254	1,162	2,024	3,440	2,141
Travel, meals and lodging	-	357	-	357	699
Taxes and government assessments	1,424	2,502	-	3,926	2,599
Trademark registration & enforcement	9,662	9,545	-	19,207	2,874
Membership	2,349	675	-	3,024	3,024
Insurance	-	3,989	-	3,989	1,777
Payroll processing fees	1,256	638	145	2,039	1,608
Copyright license enforcement	2,747	-	-	2,747	5,940
Occupancy	248	126	28	402	384
Grants	189,733	-	-	189,733	2,195
Professional services:					
Software development and design	358,731	-	-	358,731	266,808
Accounting and audit	-	13,678	-	13,678	13,180
Promotional	3,810	3,071	3,071	9,952	1,723
Non-license enforcement legal fees	3,111	24,303	-	27,414	2,822
Graphic design	2,819	-	-	2,819	463
Program Coordination	46,162	5,446	-	51,608	46,003
Fundraising Services	8,605	32	-	8,637	1,713
	<u>1,464,768</u>	<u>265,938</u>	<u>60,699</u>	<u>1,791,405</u>	<u>1,378,422</u>
Direct conference expenses:					
Travel, meals and lodging	234,773	-	-	234,773	336,969
Venue rental	67,346	-	-	67,346	123,263
Audio / video	45,022	-	-	45,022	90,381
Bank charges and other fees	3,305	-	-	3,305	8,521
Services	4,590	-	-	4,590	12,108
Registration service fees	2,021	-	-	2,021	2,480
Materials	9,948	-	-	9,948	23,173
Badges	1,328	-	-	1,328	5,673
Honoraria	2,840	-	-	2,840	884
T-shirts	2,567	-	-	2,567	6,469
Other conference expenses	390	-	-	390	562
	<u>374,130</u>	<u>-</u>	<u>-</u>	<u>374,130</u>	<u>610,483</u>
Total Expenses	\$ 1,838,898	\$ 265,938	\$ 60,699	\$ 2,165,535	\$ 1,988,905

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, 2019
(With Summarized Financial Information for 2018)

	Year Ended February 28, <u>2019</u>	Year Ended February 28, <u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,159,842	\$ 691,176
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Contributions - property	-	(319,385)
Realized loss on sale of commodities	-	67,538
Receivable from PayPal	9,891	(10,119)
Prepaid expenses	(683)	(9,305)
Contributions receivable	(115,382)	30,509
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	199,765	(49,009)
Unearned income - advance program registration fees	(12,573)	(237,666)
Net cash provided by operating activities	<u>1,240,860</u>	<u>163,739</u>
Cash Flows from Investing Activities		
Proceeds from the sale of commodities	-	251,847
Net cash used in investing activities	<u>-</u>	<u>251,847</u>
 Net Increase in Cash	 1,240,860	 415,586
Beginning Cash	2,619,555	2,203,969
Ending Cash	<u>\$ 3,860,415</u>	<u>\$ 2,619,555</u>

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

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

Software Freedom Conservancy, Inc. reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and donor restricted net assets.

Net assets without donor restrictions 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 without donor restrictions. Donor restricted contributions that are expended for their restricted purpose in the same reporting period as received may be recorded as without donor restrictions.

Net assets with donor restrictions represent resources available for use, but expendable only for the time and/or purpose specifically stated by the donor. On February 28, 2019, there was \$2,987,236 of net assets with donor restrictions.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 1 - (Continued)

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 program and other activities have been summarized on a functional basis in the statement of activities. Certain expenses have been classified based on direct expenditures, other cost were allocated based on estimates made by management such as time spent, quantities of items consumed and the proportion of physical space used.

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, Software Freedom Conservancy, Inc 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 without donor restrictions or with donor restrictions depending on the existence and / or nature of any restrictions the donor has placed on the contributions.

Income is recognized on an accrual basis when earned.

Reclassifications

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

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from outstanding balances. 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, 2019, the allowance for doubtful accounts was \$0.

All pledges and grants receivable are expected to be collected within the current operating cycle of one year.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 1 - (Continued)

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.

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 14, 2020, the date the financial statements were available to be issued.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2020, that was received during the year ended February 28, 2019.

Note 3 – Employee benefits

The Organization maintains a 403(b) retirement plan. In addition to employee contributions The Organization contributes 5% of eligible salaries for qualified employees.

The Organization contributed \$5,400 to the plan during the year ended February 28th, 2019.

Note 4 – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to the timing of program and fundraising activities. Monthly cash outflows vary each year based on the specific requirements of the program activities. To manage liquidity the Organization budgets cash flow and conducts fundraising and program activities that are timed according to expected requirements.

The following reflects the Organization's financial assets as of the balance sheet date:

Cash	\$ 3,860,415
Contributions receivable	622,974
Less: Donor restricted net assets	<u>(2,987,236)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,496,153</u>

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 5 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 28, 2019, were as follows:

	Balance as of February 28, 2018	Additions	Releases from Restrictions	Balance as of February 28, 2019
Restricted as to purpose for The following projects:				
Argo UML	\$ 12,717	\$ 16	\$ 1	\$ 12,732
Backdrop	-	90	3	87
Boost	123,067	94,521	90,442	127,146
Bro	155,157	-	132,049	23,108
Buildbot	9,900	5,182	5,160	9,922
BusyBox	67,624	1,753	3,086	66,291
Clojars	15,929	63,372	41,022	38,279
CommonWorkflow Language	-	91	5	86
Coreboot	10,541	7,773	160	18,154
Darcs	1,675	23	14	1,684
Diversity Grant	15,000	-	15,000	-
DrupalNJ	-	38,537	15,153	23,384
Etherpad	-	208	7	201
Evergreen	64,305	43,429	75,993	31,741
Foresight	393	-	-	393
Gevent	9,630	14	3	9,641
Git	29,703	15,423	2,278	42,848
Godot	34,880	148,684	100,681	82,883
Harvey	494	-	-	494
Homebrew	12,350	81,074	11,245	82,179
Inkscape	80,906	71,544	24,030	128,420
K3D	2,880	-	-	2,880
Kalitheia	312	-	2	310
Kohana	2,313	-	-	2,313
LibreHealth	12,255	17,856	2,672	27,439
Linux Compliance	28,952	-	1,000	27,952
Linux XIA	4,593	5,130	819	8,904
LuxRender	4,143	193	3,371	965
Mercurial	22,957	9,461	11,889	20,529
Metalink	928	2	1	929
MicroBlocks	-	2,095	749	1,346
North Bay Python	7,273	39,119	42,142	4,250
OpenChange	2,544	-	1	2,543
Outreachy	400,643	818,721	592,435	626,929
phpMyAdmin	185,824	81,964	47,817	219,971
PyGMO	(249)	-	-	(249)
PyPy	68,760	2,459	508	70,711
QEMU	12,685	5,078	921	16,842
Racket	-	16,378	312	16,066
Reproducible Builds	-	544,995	193,851	351,144
Samba	164,882	28,372	26,427	166,827
SWIG	3,898	19	2	3,915
Selenium	418,855	85,180	9,619	494,416
SpecOps	11,465	18,000	15,568	13,897
Squeak	1,746	14	1	1,759
Sugar	91,974	18,575	6,695	103,854

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 5 - (Continued)

Teaching Open Source	72,757	-	4,532	68,225
Twisted	12,823	4,870	1,531	16,162
Wine	8,937	17,100	19,335	6,702
Xapian	7,316	3,875	1,159	10,032
	<u>\$ 2,195,737</u>	<u>\$ 2,291,190</u>	<u>\$ 1,499,691</u>	<u>\$ 2,987,236</u>