

Software Freedom Conservancy, Inc.
Financial Statements
February 29, 2020

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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 29, 2020, 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 29, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 13, 2021

A handwritten signature in blue ink is written over a blue ink stamp that reads 'CPA PLLC'.

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 29, 2020
(With Summarized Financial Information for 2019)

	February 29, <u>2020</u>	February 28, <u>2019</u>
Assets		
Current Assets		
Cash	\$ 4,388,902	\$ 3,860,415
Receivable from PayPal	2,267	228
Prepaid expenses	22,957	13,656
Contributions receivable	339,442	622,974
Security deposit	600	600
Total Current Assets	<u>4,754,168</u>	<u>4,497,873</u>
Total Assets	<u><u>\$ 4,754,168</u></u>	<u><u>\$ 4,497,873</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 183,545	\$ 332,235
Unearned income - advance program registration fees	<u>-</u>	<u>28,548</u>
Total Current Liabilities	<u>183,545</u>	<u>360,783</u>
Net Assets		
Net Assets		
Without donor restrictions	1,243,328	1,149,854
With donor restrictions	<u>3,327,295</u>	<u>2,987,236</u>
Total Net Assets	<u>4,570,623</u>	<u>4,137,090</u>
Total Liabilities and Net Assets	<u><u>\$ 4,754,168</u></u>	<u><u>\$ 4,497,873</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 29, 2020
(With Summarized Financial Information for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Year Ended February 29, 2020</u>	<u>Year Ended February 28, 2019</u>
Support and Revenue				
Contributions	\$ 826,181	\$ 1,683,959	\$ 2,510,140	\$ 3,078,324
Software development	7,499	232,495	239,994	-
Conference registration fees	2,388	114,926	117,314	174,885
Interest and currency conversion gains	57,329	9,430	66,759	42,264
Conference sponsorship income	-	33,275	33,275	3,205
Trademark licensing income	482	4,338	4,820	17,263
Book royalties	78	729	807	925
Promotional items sales	4	285	289	2,511
Realized gain (loss) on currency conversion	(2,791)	-	(2,791)	-
Honoraria	-	-	-	6,000
	<u>891,170</u>	<u>2,079,437</u>	<u>2,970,607</u>	<u>3,325,377</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	1,739,378	(1,739,378)	-	-
Total Support and Revenue	<u>2,630,548</u>	<u>340,059</u>	<u>2,970,607</u>	<u>3,325,377</u>
Expenses				
Program services	<u>2,121,477</u>	<u>-</u>	<u>2,121,477</u>	<u>1,838,898</u>
Supporting services:				
General and administrative	341,621	-	341,621	265,938
Fund-raising	73,976	-	73,976	60,699
Total Supporting services	<u>415,597</u>	<u>-</u>	<u>415,597</u>	<u>326,637</u>
Total Expenses	<u>2,537,074</u>	<u>-</u>	<u>2,537,074</u>	<u>2,165,535</u>
Change in Net Assets	93,474	340,059	433,533	1,159,842
Beginning Net Assets	1,149,854	2,987,236	4,137,090	2,977,248
Ending Net Assets	<u>\$ 1,243,328</u>	<u>\$ 3,327,295</u>	<u>\$ 4,570,623</u>	<u>\$ 4,137,090</u>

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

Software Freedom Conservancy, Inc.
Statement of Functional Expenses
Year Ended February 29, 2020
(With Summarized Financial Information for 2019)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Year Ended February 29, 2020</u>	<u>Year Ended February 28, 2019</u>
		<u>General and Administrative</u>	<u>Fund-raising</u>		
Salaries and wages	\$ 238,710	\$ 193,903	\$ 44,163	\$ 476,776	\$ 412,427
Employee benefits	63,346	54,875	11,832	130,054	94,805
Internships	486,000	-	-	486,000	475,750
Payroll taxes	17,334	17,556	3,191	38,081	31,584
Technology expenses	41,399	10,278	183	51,860	37,430
Bad debt expenses	56,771	390	-	57,161	15,654
Copyright license enforcement	19,138	-	-	19,138	2,747
Office supplies and other	537	609	665	1,811	3,440
Travel, meals and lodging	450	3,337	172	3,959	357
Taxes and government assessments	7,258	418	8	7,684	3,926
Trademark registration & enforcement	-	-	-	-	19,207
Bank charges and other fees	-	27,128	-	27,128	22,052
Membership	99	-	-	99	3,024
Insurance	-	4,157	-	4,157	3,989
Payroll processing fees	-	2,612	-	2,612	2,039
Occupancy	411	-	-	411	402
Mentoring student software developers	4,750	-	-	4,750	-
Grants	110,118	-	-	110,118	189,733
Professional services:					
Software development and design	619,810	-	-	619,810	358,731
Accounting and audit	-	14,087	-	14,087	13,678
Promotional	5,924	-	2,800	8,724	9,952
Non-license enforcement legal fees	25,854	5,120	630	31,604	27,414
Graphic design	11,056	-	-	11,056	2,819
Program Coordination	51,693	7,151	1,313	60,157	51,608
Fundraising Services	-	-	9,018	9,018	8,637
	<u>1,760,658</u>	<u>341,621</u>	<u>73,976</u>	<u>2,176,255</u>	<u>1,791,405</u>
Direct conference expenses:					
Travel, meals and lodging	183,715	-	-	183,715	234,773
Venue rental	106,281	-	-	106,281	67,346
Audio / video	32,008	-	-	32,008	45,022
Bank charges and other fees	2,170	-	-	2,170	3,305
Services	10,139	-	-	10,139	4,590
Registration service fees	-	-	-	-	2,021
Materials	5,996	-	-	5,996	9,948
Badges	-	-	-	-	1,328
Honoraria	-	-	-	-	2,840
T-shirts	1,506	-	-	1,506	2,567
Other conference expenses	19,004	-	-	19,004	390
	<u>360,819</u>	<u>-</u>	<u>-</u>	<u>360,819</u>	<u>374,130</u>
Total Expenses	\$ 2,121,477	\$ 341,621	\$ 73,976	\$ 2,537,074	\$ 2,165,535

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 29, 2020
(With Summarized Financial Information for 2019)

	Year Ended February 29, <u>2020</u>	Year Ended February 28, <u>2019</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 433,533	\$ 1,159,842
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Receivable from PayPal	(2,039)	9,891
Prepaid expenses	(9,301)	(683)
Contributions receivable	283,532	(115,382)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(148,690)	199,765
Unearned income - advance program registration fees	(28,548)	(12,573)
Net cash provided by operating activities	<u>528,487</u>	<u>1,240,860</u>
Net Increase in Cash	528,487	1,240,860
Beginning Cash	3,860,415	2,619,555
Ending Cash	<u>\$ 4,388,902</u>	<u>\$ 3,860,415</u>

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2020

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 two classes of net assets: without donor restrictions and donor restricted net assets.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. 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: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. On February 29, 2020, there was \$3,327,295 of net assets with donor restrictions.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2020

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, 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 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. On February 29, 2020, the allowance for doubtful accounts was \$0.

Contributions receivable are expected to be collected within the current operating cycle of one year.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2020

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.

The Organization's policy is to record interest expense and penalties in operating expenses. As of February 29, 2020, there was no interest and penalties expense recorded and no accrued interest and penalties.

Contributed Services

Contributed 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 through January 13, 2021 the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. The COVID-19 outbreak is also disrupting supply chains and affecting production and sales across a wide range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter may negatively impact its operating results. The extent of the impact of COVID-19 on the Companies operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Organization's donors and customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition of the Organization or results of operations is uncertain.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2021, that was received during the year ended February 29, 2020.

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 \$ 4,500 to the plan during the year ended February 29th, 2020.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2020

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	\$ 4,388,902
Contributions receivable	339,442
Less: Donor restricted net assets	<u>(3,327,295)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,401,049</u>

Note 5 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 29, 2020, were as follows:

	Balance as of February 28, 2019	Additions	Releases from Restrictions	Balance as of February 29, 2020
Restricted as to purpose for				
The following projects:				
Argo UML	\$ 12,732	\$ 4	\$ -	\$12,736
Backdrop	87	140	5	222
Boost	127,146	75,851	75,098	127,899
Bro	23,108	(13,462)	9,646	-
Buildbot	9,922	90	82	9,930
BusyBox	66,291	1,708	-	67,999
Clojars	38,279	105,385	95,638	48,026
CommonWorkflow Language	86	42,604	42,502	188
Coreboot	18,153	17,380	663	34,870
Darcs	1,684	104	37	1,751
DrupalNJ	23,384	29,657	13,958	39,083
Etherpad	201	90	4	287
Evergreen	31,741	400	9,468	22,673
Foresight	393	-	-	393
Gevent	9,641	380	9	10,012
Git	42,848	20,753	1,359	62,242
Godot	82,884	218,711	190,392	111,203
Harvey	494	-	-	494
Homebrew	82,179	75,423	15,935	141,667
Houdini	-	176	-	176
ICR	-	22,500	-	22,500
Inkscape	128,419	58,761	12,443	174,737
K3D	2,880	-	11	2,869
Kalithea	310	-	310	-
Kohana	2,313	-	2,296	17
LibreHealth	27,439	5,401	5,504	27,336
Linux Compliance	27,952	-	856	27,096

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 29, 2020

Note 5 – (continued)

	Balance as of February 28, 2019	Additions	Releases from Restrictions	Balance as of February 29, 2020
Restricted as to purpose for The following projects:				
Linux XIA	8,904	27	1,170	7,761
LuxRender	965	-	-	965
Mercurial	20,529	5,034	7,990	17,573
Metalink	929	-	-	929
MicroBlocks	1,347	51,709	27,585	25,471
North Bay Python	4,250	26,478	23,783	6,945
OpenChange	2,543	-	2,543	-
OpenWRT	-	12,000	-	12,000
Outreachy	626,929	857,273	581,491	902,711
phpMyAdmin	219,971	75,229	88,939	206,261
PyGMO	(249)	249	-	-
PyPy	70,712	1,742	46,446	26,008
QEMU	16,842	4,883	4,453	17,272
Racket	16,066	30,473	24,516	22,023
Reproducible Builds	351,144	227,800	307,590	271,354
Samba	166,826	31,866	36,375	162,317
Selenium	494,416	38,873	62,646	470,643
SpecOps	13,897	-	5,142	8,755
Squeak	1,760	-	703	1,057
Sugar	103,854	8,520	24,019	88,355
SWIG	3,915	2	1	3,916
Teaching Open Source	68,225	36,387	12,830	91,782
Twisted	16,162	371	1,991	14,542
Wine	6,701	3,063	2,861	6,903
Xapian	10,032	5,402	88	15,346
	<u>\$ 2,987,236</u>	<u>\$2,079,437</u>	<u>\$1,739,378</u>	<u>\$3,327,295</u>