

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2021

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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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 12, 2022

A handwritten signature in blue ink, appearing to read 'Amy A. [unclear]', is written over a horizontal line.

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2021
(With Summarized Financial Information for 2020)

	February 28, <u>2021</u>	February 29, <u>2020</u>
Assets		
Current Assets		
Cash	\$ 5,128,943	\$ 4,388,902
Receivable from PayPal	3,904	2,267
Prepaid expenses	26,650	22,957
Contributions receivable	215,037	339,442
Security deposit	600	600
Total Current Assets	<u>5,375,134</u>	<u>4,754,168</u>
Total Assets	<u><u>\$ 5,375,134</u></u>	<u><u>\$ 4,754,168</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 166,156	\$ 183,545
Total Current Liabilities	<u>166,156</u>	<u>183,545</u>
Net Assets		
Net Assets		
Without donor restrictions	1,552,807	1,243,328
With donor restrictions	3,656,171	3,327,295
Total Net Assets	<u>5,208,978</u>	<u>4,570,623</u>
Total Liabilities and Net Assets	<u><u>\$ 5,375,134</u></u>	<u><u>\$ 4,754,168</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, 2021
(With Summarized Financial Information for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Year Ended February 28, 2021</u>	<u>Year Ended February 29, 2020</u>
Support and Revenue				
Contributions	\$ 1,100,206	\$ 2,077,075	\$ 3,177,281	\$ 2,510,140
Software development	-	40,000	40,000	239,994
Conference registration fees	-	-	-	117,314
Interest and currency conversion gains	7,748	-	7,748	66,759
Conference sponsorship income	-	-	-	33,275
Trademark licensing income	294	2,654	2,948	4,820
Book royalties	68	632	700	807
Promotional items sales	3	29	32	289
Realized gain (loss) on currency conversion	(1,721)	-	(1,721)	(2,791)
Honoraria	300	2,700	3,000	-
	<u>1,106,898</u>	<u>2,123,090</u>	<u>3,229,988</u>	<u>2,970,607</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	1,794,214	(1,794,214)	-	-
Total Support and Revenue	<u>2,901,112</u>	<u>328,876</u>	<u>3,229,988</u>	<u>2,970,607</u>
Expenses				
Program services	<u>2,146,964</u>	<u>-</u>	<u>2,146,964</u>	<u>2,121,477</u>
Supporting services:				
General and administrative	330,549	-	330,549	341,621
Fund-raising	114,120	-	114,120	73,976
Total Supporting services	<u>444,669</u>	<u>-</u>	<u>444,669</u>	<u>415,597</u>
Total Expenses	<u>2,591,633</u>	<u>-</u>	<u>2,591,633</u>	<u>2,537,074</u>
Change in Net Assets	309,479	328,876	638,355	433,533
Beginning Net Assets	1,243,328	3,327,295	4,570,623	4,137,090
Ending Net Assets	<u>\$ 1,552,807</u>	<u>\$ 3,656,171</u>	<u>\$ 5,208,978</u>	<u>\$ 4,570,623</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, 2021
(With Summarized Financial Information for 2020)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Year Ended February 28, 2021</u>	<u>Year Ended February 29, 2020</u>
		<u>General and Administrative</u>	<u>Fund-raising</u>		
Salaries and wages	\$ 268,044	\$ 206,388	\$ 53,534	\$ 527,966	\$ 476,776
Employee benefits	58,485	35,452	13,024	106,961	130,054
Internships	744,661	-	-	744,661	486,000
Payroll taxes	19,604	15,766	3,927	39,297	38,081
Technology expenses	31,916	14,242	589	46,747	51,860
Bad debt expenses	6,350	31	25,172	31,553	57,161
Copyright license enforcement	18,526	-	-	18,526	19,138
Office supplies and other	127	2,250	4,324	6,701	1,811
Travel, meals and lodging	-	-	-	-	3,959
Taxes and government assessments	3,462	1,325	35	4,822	7,684
Bank charges and other fees	-	26,008	-	26,008	27,128
Membership	198	-	-	198	99
Insurance	-	5,022	-	5,022	4,157
Payroll processing fees	687	1,886	88	2,661	2,612
Occupancy	-	318	-	318	411
Mentoring student software developers	1,627	-	-	1,627	4,750
Grants	70,426	-	-	70,426	110,118
Professional services:					
Software development and design	791,263	-	-	791,263	619,810
Accounting and audit	-	14,866	-	14,866	14,087
Promotional	1,189	-	348	1,537	8,724
Non-license enforcement legal fees	59,464	1,890	-	61,354	31,604
Graphic design	4,000	-	-	4,000	11,056
Program Coordination	48,366	5,105	2,906	56,377	60,157
Fundraising Services	-	-	10,173	10,173	9,018
	<u>2,128,395</u>	<u>330,549</u>	<u>114,120</u>	<u>2,573,064</u>	<u>2,176,255</u>
Direct conference expenses:					
Travel, meals and lodging	16,375	-	-	16,375	183,715
Venue rental	-	-	-	-	106,281
Audio / video	-	-	-	-	32,008
Bank charges and other fees	194	-	-	194	2,170
Services	99	-	-	99	10,139
Materials	1,901	-	-	1,901	5,996
T-shirts	-	-	-	-	1,506
Other conference expenses	-	-	-	-	19,004
	<u>18,569</u>	<u>-</u>	<u>-</u>	<u>18,569</u>	<u>360,819</u>
Total Expenses	<u>\$ 2,146,964</u>	<u>\$ 330,549</u>	<u>\$ 114,120</u>	<u>\$ 2,591,633</u>	<u>\$ 2,537,074</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, 2021
(With Summarized Financial Information for 2020)

	Year Ended February 29, <u>2021</u>	Year Ended February 29, <u>2020</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 638,355	\$ 433,533
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets:		
Receivable from PayPal	(1,638)	(2,039)
Prepaid expenses	(3,693)	(9,301)
Contributions receivable	124,406	283,532
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(17,389)	(148,690)
Unearned income - advance program registration fees	-	(28,548)
Net cash provided by operating activities	<u>740,041</u>	<u>528,487</u>
Net Increase in Cash	740,041	528,487
Beginning Cash	4,388,902	3,860,415
Ending Cash	<u>\$ 5,128,943</u>	<u>\$ 4,388,902</u>

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2021

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.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2021

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

Contribution Revenue

Contribution revenue is recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the same reporting period in which the Contribution revenue is recognized. All other donor restricted contributions are reported as increases in donor restricted net assets. When a restriction expires donor restricted net assets are reclassified to net assets without donor restrictions.

Revenue from Contracts with Customers

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services.

From time to time the organization provides software development services. Performance obligations are satisfied and the related revenue is recognized upon completion and delivery of the contract specified services.

Reclassifications

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2021

Note 1 - (Continued)

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 28, 2021, the allowance for doubtful accounts was \$0.

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

Concentrations

Approximately 47% of contributions receivable (\$100,000) was due from one contributor on February 28, 2021. The contribution was paid on March 16, 2021.

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 28, 2021, 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 12, 2022 the date the financial statements were available to be issued.

COVID-19

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 affect its operations and results. The extent of the impact of COVID-19 on the Organization's 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.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2021

Note 1 - (Continued)

New Accounting Pronouncement

Effective January 1, 2019 the Organization adopted FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This Update affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. This Update requires entities to make new judgments and estimates and provide expanded disclosures about revenue. The adoption of this pronouncement had no material effect on the financial statements.

Note 2 – Employee benefits

The Organization maintains a 403(b) retirement plan. In addition to employee contributions The Organization contributes matches up to \$2,500 of eligible salaries for qualified employees.

The Organization contributed \$ 16,300 to the plan during the year ended February 28th, 2021.

Note 3 – 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	\$ 5,128,943
Receivable from PayPal	3,904
Contributions receivable	<u>215,037</u>
Total financial assets	<u>5,347,884</u>
Less: Donor restricted net assets	<u>(3,656,171)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,691,713</u>

Note 4 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 28, 2021, were as follows:

	Balance as of February 29, 2020	Additions	Releases from Restrictions	Balance as of February 28, 2021
Restricted as to purpose for The following projects:				
Argo UML	\$ 12,736	\$ -	\$ -	\$12,736
Backdrop	222	1,235	55	1,402
Boost	127,899	2,871	8,553	122,217

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2021

Note 4 – (continued)

	Balance as of February 28, 2020	Additions	Releases from Restrictions	Balance as of February 29, 2021
Restricted as to purpose for The following projects:				
Bro	-	-	-	-
Buildbot	9,930	-	367	9,563
BusyBox	67,999	18	1	68,016
Clojars	48,026	20,902	68,928	-
CommonWorkflow Language	188	513	17	684
Coreboot	34,870	8,574	90	43,354
Darcs	1,751	164	37	1,878
DrupalNJ	39,083	90	143	39,030
Etherpad	287	108	1	394
Evergreen	22,673	16	(3,638)	26,327
Foresight	393	-	393	-
Gevent	10,012	-	-	10,012
Git	62,242	4,433	1,686	64,989
Godot	111,203	527,506	348,936	289,773
Harvey	494	90	3	581
Homebrew	141,667	84,054	13,879	211,842
Houdini	176	13,500	10,425	3,251
ICR	22,500	23,044	28,924	16,620
Inkscape	174,737	106,593	5,862	275,468
K3D	2,869	-	23	2,846
Kaltihea	-	45	15	30
Kohana	17	-	17	-
LiberHealth	27,336	4,211	2,931	28,616
Linux Compliance	27,096	-	1,560	25,536
Linux XIA	7,761	-	-	7,761
LuxRender	965	-	965	-
Mercurial	17,573	314	2,185	15,702
Metalink	929	1	-	930
MicroBlocks	25,471	4,357	4,961	24,867
North Bay Python	6,945	-	117	6,828
OpenChange	-	-	-	-
OpenWRT	12,000	1,614	1,247	12,367
Outreachy	902,711	1,004,270	833,227	1,073,754
phpMyAdmin	206,261	69,249	63,231	212,279
PyGMO	-	-	-	-
PyPy	26,008	158	26,266	-
QEMU	17,272	10,528	718	27,082
Racket	22,023	3,903	407	25,519
Reproducible Builds	271,354	152,516	276,366	147,504
Samba	162,317	2,243	81,529	83,031
Selenium	470,643	63,749	8,123	526,269
SpecOps	8,755	-	-	8,755
Squeak	1,057	288	303	1,042
Sugar	88,355	-	39	88,316
SWIG	3,916	12	2	3,926
Teaching Open Source	91,782	-	-	91,782
Twisted	14,542	4,608	5,041	14,109
Wine	6,903	4,208	325	10,786
Xapian	15,346	3,105	54	18,397
	\$ 3,327,295	\$2,123,090	\$1,794,214	\$3,656,171

See Independent Auditor's Report