

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Financial Statements
February 28, 2023

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Independent Auditor's Report

To the Board of Directors of
Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)

Opinion

We have audited the accompanying financial statements of Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation) which comprise the Statement of Financial Position as of February 28, 2023, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation) as of February 28, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation) and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

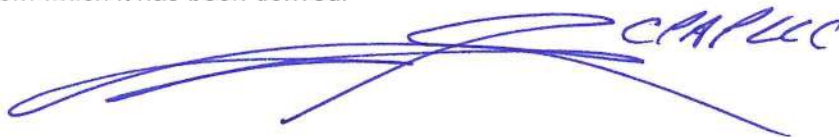
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation)'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation)'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation)'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 15, 2024



Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Statement of Financial Position
February 28, 2023
(With Summarized Financial Information for 2022)

	February 28, <u>2023</u>	February 28, <u>2022</u>
Assets		
Current Assets		
Cash	\$ 3,386,404	\$ 3,902,128
Investments in marketable securities	2,389,347	2,468,386
Prepaid expenses	63,548	33,543
Contributions receivable	1,401,787	218,183
Security deposit	1,400	1,000
Total Current Assets	<u>7,242,486</u>	<u>6,623,240</u>
Total Assets	<u><u>\$ 7,242,486</u></u>	<u><u>\$ 6,623,240</u></u>
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 374,378	\$ 244,961
Deferred revenue	94,002	-
Total Current Liabilities	<u>468,380</u>	<u>244,961</u>
Total Liabilities	<u>468,380</u>	<u>244,961</u>
Net Assets		
Net Assets		
Without donor restrictions	2,298,111	1,728,461
With donor restrictions	4,475,995	4,649,818
Total Net Assets	<u>6,774,106</u>	<u>6,378,279</u>
Total Liabilities and Net Assets	<u><u>\$ 7,242,486</u></u>	<u><u>\$ 6,623,240</u></u>

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

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Statement of Activities
For the Year Ended February 28, 2023
(With Summarized Financial Information for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Year Ended February 28, 2023</u>	<u>Year Ended February 28, 2022</u>
Support and Revenue				
Contributions	\$ 1,572,219	\$ 2,446,025	\$ 4,018,244	\$ 4,346,553
Conference sponsorship income	-	15,600	15,600	-
Conference registration fees	-	14,400	14,400	-
Investment Income	140,495	-	140,495	12,632
Realized gain on marketable securities	217	-	217	1,411
Book royalties	49	463	512	581
Promotional items sales	1	13	14	70
Unrealized losses on marketable securities	(129,235)	-	(129,235)	(21,993)
Realized loss on currency conversion	(2,511)	-	(2,511)	(4,241)
Honoraria	225	-	225	-
	<u>1,581,460</u>	<u>2,476,501</u>	<u>4,057,961</u>	<u>4,335,013</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	2,650,324	(2,650,324)	-	-
Total Support and Revenue	<u>4,231,784</u>	<u>(173,823)</u>	<u>4,057,961</u>	<u>4,335,013</u>
Expenses				
Program services	<u>3,121,891</u>	<u>-</u>	<u>3,121,891</u>	<u>2,727,208</u>
Supporting services:				
General and administrative	401,363	-	401,363	347,669
Fund-raising	138,880	-	138,880	90,835
Total Supporting services	<u>540,243</u>	<u>-</u>	<u>540,243</u>	<u>438,504</u>
Total Expenses	<u>3,662,134</u>	<u>-</u>	<u>3,662,134</u>	<u>3,165,712</u>
Change in Net Assets	569,650	(173,823)	395,827	1,169,301
Net Assets, Beginning of Year	1,728,461	4,649,818	6,378,279	5,208,978
Net Assets, End of Year	<u>\$ 2,298,111</u>	<u>\$ 4,475,995</u>	<u>\$ 6,774,106</u>	<u>\$ 6,378,279</u>

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

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Statement of Functional Expenses
Year Ended February 28, 2023
(With Summarized Financial Information for 2022)

	<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, 2023</u>	<u>Year Ended February 28, 2022</u>
Salaries and wages	\$ 357,641	\$ 250,798	\$ 69,869	\$ 678,308	\$ 598,385
Employee benefits	102,944	45,106	20,222	168,272	143,402
Internships	967,340	-	-	967,340	978,679
Grants	417,410	-	-	417,410	127,942
Copyright license enforcement	208,548	-	-	208,548	156,782
Technology expenses	65,511	17,450	598	83,559	51,661
Payroll taxes	26,332	16,713	5,094	48,139	45,382
Bank charges and other fees	-	29,012	-	29,012	33,884
Office supplies and other	623	5,925	4,678	11,226	3,276
Insurance	-	7,485	-	7,485	7,398
Payroll processing fees	2,553	1,984	455	4,992	3,130
Taxes and government assessments	3,975	660	-	4,635	4,526
Travel, meals and lodging	2,589	185	-	2,774	3,131
Occupancy	-	1,514	-	1,514	841
Membership	347	426	-	773	323
Bad debt expenses	-	-	-	-	2,076
Professional services:					
Software development and design	680,098	-	-	680,098	855,976
Program Coordination	163,791	700	-	164,491	73,661
Non-license enforcement legal fees	13,830	5,319	-	19,149	18,586
Graphic design	3,740	-	1,000	4,740	4,320
Fundraising Services	-	-	31,521	31,521	12,598
Promotional	16,120	-	5,443	21,563	21,190
Accounting and audit	-	18,086	-	18,086	18,323
	<u>3,033,392</u>	<u>401,363</u>	<u>138,880</u>	<u>3,573,635</u>	<u>3,165,472</u>
Direct conference expenses:					
Travel, meals and lodging	53,488	-	-	53,488	-
Venue rental	17,143	-	-	17,143	-
Audio / video	6,930	-	-	6,930	-
Registration service fees	4,655	-	-	4,655	240
Materials	4,184	-	-	4,184	-
Services	2,099	-	-	2,099	-
	<u>88,499</u>	<u>-</u>	<u>-</u>	<u>88,499</u>	<u>240</u>
Total Expenses	\$ 3,121,891	\$ 401,363	\$ 138,880	\$ 3,662,134	\$ 3,165,712

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

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Statement of Cash Flows
For the Year Ended February 28, 2023
(With Summarized Financial Information for 2022)

	Year Ended February 28, <u>2023</u>	Year Ended February 28, <u>2022</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 395,827	\$ 1,169,301
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized gain on marketable securities	112,499	21,993
(Increase) decrease in operating assets:		
Prepaid expenses	(30,005)	(6,893)
Contributions receivable	(1,183,604)	(3,146)
Security deposit	(400)	(400)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	129,417	78,805
Deferred revenue	94,002	
Net cash provided by (used in) operating activities	<u>(482,264)</u>	<u>1,259,660</u>
Cash Flows from Investing Activities		
Purchases of investments	<u>(33,460)</u>	<u>(2,490,379)</u>
Net cash used in investing activities	<u>(33,460)</u>	<u>(2,490,379)</u>
 Net Decrease in Cash	 (515,724)	 (1,230,719)
Cash, Beginning of Year	3,902,128	5,132,847
Cash, End of Year	<u>\$ 3,386,404</u>	<u>\$ 3,902,128</u>

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

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

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

Nature of Activities

Software Freedom Conservancy, Inc. (a Not-for-Profit Corporation) (the Organization) 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.

The Organization 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.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

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.

The Organization hosted conferences dedicated to promote the use, development, and improvement of free and open source software. Registration fees comprise the related revenue.

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.

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

Note 1 - (Continued)

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 28, 2023, the allowance for doubtful accounts was \$0.

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

Concentrations

Approximately 53% of contributions receivable (\$739,000) was due from a 501(c)(3) organization on February 28, 2023. The contribution was collected on May 9, 2023.

Advertising Costs

Advertising costs were \$21,190 and are included in promotional on the statement of functional expenses. Advertising costs are expensed in the year incurred.

Fair Value Measurements and Disclosures

Carrying values of financial instruments, including cash, contributions receivable, security deposit and accounts payable, approximated their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions during the year ending February 28, 2023.

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, 2023, there was no interest and penalties expense recorded and no accrued interest and penalties.

Gifts In-Kind - Services

Unpaid volunteers contribute their time to the Organization. The value of that time is not included in these statements as those services did not meet the requirements of GAAP for recognition and no cash was expended for those services.

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 15, 2024 the date the financial statements were available to be issued.

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

Note 2 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 28, 2023, were as follows:

	Balance as of February 28, 2022	Additions	Releases from Restrictions	Balance as of February 28, 2023
Restricted as to purpose for The following projects:				
Argo UML	\$ 12,736	\$ -	\$ -	\$12,736
Backdrop	1,862	2,491	58	4,295
Boost	118,662	117	118,779	-
Buildbot	9,268	158	238	9,188
BusyBox	69,091	-	-	69,091
CommonWorkflow Language	843	2,898	2	3,739
Coreboot	47,155	29,434	181	76,408
Darcs	1,919	60	34	1,945
DrupalNJ	39,027	-	36,107	2,920
Etherpad	1,492	1,409	-	2,901
FreeDV	-	378,000	-	378,000
Gevent	10,012	-	-	10,012
Git	70,213	12,787	2,498	80,502
Godot	326,505	229,609	359,207	198,907
Harvey	2,381	-	-	2,381
Homebrew	273,040	985	268,165	5,860
Houdini	176	-	-	176
ICR	80,733	96,209	90,009	86,933
Inkscape	348,955	81,427	25,321	405,061
K3D	2,846	-	-	2,846
Kaltihea	18	45	14	49
LiberHealth	18,965	2,790	1,291	20,464
Linux Compliance	25,536	-	-	25,536
Linux XIA	7,761	-	-	7,761
Mercurial	15,803	154	108	15,849
Metalink	930	-	4	926
MicroBlocks	18,868	-	3,961	14,907
North Bay Python	6,828	-	4,350	2,478
OpenWRT	22,694	21,529	545	43,678
Outreachy	1,659,655	1,246,198	1,296,231	1,609,622
Outreachy Internships for C Programming	-	7,000	-	7,000
Outreachy Internships for Firefox	-	11,745	-	11,745
Outreachy Internships for Guix	-	5,850	-	5,850
Outreachy Internships for LLVM	-	15,700	-	15,700
Outreachy Internships for SymbiFlow	-	2,925	-	2,925
Outreachy Internships for Tensor Flow	-	33,950	-	33,950
phpMyAdmin	237,401	91,216	49,161	279,456
QEMU	37,718	3,126	7,918	32,926
Racket	28,852	5,473	2,815	31,510
Reproducible Builds	334,556	33,752	277,825	90,483
Samba	102,080	28,154	9,041	121,193
Selenium	565,576	118,230	85,638	598,168
SpecOps	8,755	-	-	8,755
Squeak	374	2,918	3,292	-

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

Note 2 – Donor restricted net assets (Continued)

SWIG	3,944	498	24	4,418
Teaching Open Source	91,749	-	2,500	89,249
Twisted	9,925	4,500	4,136	10,289
Wine	15,485	4,624	2,743	17,366
Xapian	19,429	540	22	19,947
	<u>\$ 4,649,818</u>	<u>\$2,476,501</u>	<u>\$2,650,324</u>	<u>\$4,475,995</u>

Note 3 – 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 \$36,380 the plan during the year ended February 28, 2023.

Note 4 – Investments in Marketable Securities

The Organization's financial assets, which are carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by U.S. generally accepted accounting principles.

Level 1 assets have observable market prices.

Level 2 assets do not have observable prices, but have inputs that are based on observable prices.

Level 3 assets have inputs that do not have observable prices.

Securities held of the following at market value as of February 28, 2023:

	Level 1	Level 2	Level 3	Total
Ultra-Short-Term Bond Fund	\$ 830,937	\$ -	\$ -	\$ 830,937
Short Term Inflation Protected Securities ETF	770,267	-	-	770,267
Short Term Bond ETF	753,007	-	-	753,007
S&P 500 Index	25,136	-	-	25,136
Series I Savings Bond	-	-	10,000	10,000
	<u>\$ 2,379,347</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 2,389,347</u>

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2023

Note 5 – Deferred Revenue

Deferred revenue represents income for the year ending February 29, 2024 that was received during the year ended February 28, 2023.

Note 6 – Liquidity and Availability of Financial Assets

The Organization manages its liquidity and reserves following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs. 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 goal of the Organization is to maintain available financial assets to meet its next 90 day of operating expense.

The Organization receives contribution restricted by donors and considers contribution restricted for programs which are not ongoing, major and central to its annual operations to not be available to meet cash needs for general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year comprise the following:

Cash	\$ 3,386,404
Investments in marketable securities	2,389,347
Contributions receivable	<u>1,401,787</u>
Total financial assets	7,177,538
Less: Donor restricted net assets	<u>(4,475,995)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,701,543</u>