

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2018

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2017

Index

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

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, 2018, 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

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, 2018, 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., Organization's 2017 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated January 16, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 14, 2019



Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2018
(With Summarized Financial Information for 2017)

	<u>February 28,</u> <u>2018</u>	<u>February 28,</u> <u>2017</u>
Assets		
Current Assets		
Cash	\$ 2,619,555	\$ 2,203,969
Receivable from PayPal	10,119	-
Prepaid expenses	12,973	3,668
Contributions receivable	507,592	538,101
Security deposit	600	600
Total Current Assets	3,150,839	2,746,338
Total Assets	\$ 3,150,839	\$ 2,746,338
Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 132,470	\$ 181,479
Unearned income - advance program registration fees	41,121	278,787
Total Current Liabilities	173,591	460,266
Net Assets		
Net Assets		
Unrestricted	781,511	482,172
Temporarily restricted	2,195,737	1,803,900
Total Net Assets	2,977,248	2,286,072
Total Liabilities and Net Assets	\$ 3,150,839	\$ 2,746,338

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, 2018
(With Summarized Financial Information for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Year Ended February 28, 2018</u>	<u>Year Ended February 28, 2017</u>
Support and Revenue				
Contributions - cash	\$ 645,917	\$ 1,248,660	\$ 1,894,577	\$ 1,810,882
Contributions - property	319,385	-	319,385	-
Conference registration fees	-	483,639	483,639	286,767
Book royalties	218	1,996	2,214	2,209
Trademark licensing income	-	-	-	2,000
Interest and currency conversion gains	11,266	6,009	17,275	3,608
Realized loss on commodities	(67,538)	-	(67,538)	-
Conference sponsorship income	-	25,955	25,955	19,437
Promotional items sales	-	4,574	4,574	767
	<u>909,248</u>	<u>1,770,833</u>	<u>2,680,081</u>	<u>2,125,670</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	1,378,996	(1,378,996)	-	-
Total Support and Revenue	<u>2,288,244</u>	<u>391,837</u>	<u>2,680,081</u>	<u>2,125,670</u>
Expenses				
Program services	1,736,645	-	1,736,645	1,255,859
Supporting services:				
General and administrative	205,781	-	205,781	184,043
Fund-raising	46,479	-	46,479	60,307
Total Supporting services	<u>252,260</u>	<u>-</u>	<u>252,260</u>	<u>244,350</u>
Total Expenses	<u>1,988,905</u>	<u>-</u>	<u>1,988,905</u>	<u>1,500,209</u>
Change in Net Assets	299,339	391,837	691,176	625,461
Beginning Net Assets	482,172	1,803,900	2,286,072	1,660,611
Ending Net Assets	<u>\$ 781,511</u>	<u>\$ 2,195,737</u>	<u>\$ 2,977,248</u>	<u>\$ 2,286,072</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, 2018
(With Summarized Financial Information for 2017)

	<u>Program Services</u>		<u>Supporting Services</u>		Total Year Ended February 28, 2018	Year Ended February 28, 2017				
			General and Administrative	Fund-raising						
Salaries and wages	\$	242,480	\$	119,916	\$	30,825	\$	393,221	\$	337,414
Employee benefits		83,662		33,121		7,522		124,305		108,367
Internships		442,757		-		-		442,757		457,265
Payroll taxes		21,020		8,540		1,896		31,456		27,661
Technology expenses		6,204		12,291		-		18,495		14,403
Bad debt expenses		-		290		-		290		10,130
Bank charges and other fees		-		11,945		-		11,945		9,427
Office supplies and other		1,079		531		531		2,141		8,893
Travel, meals and lodging		104		595		-		699		5,022
Taxes and government assessments		1,969		630		-		2,599		4,783
Trademark registration & enforcement		1,479		1,395		-		2,874		3,371
Membership		2,925		99		-		3,024		2,478
Insurance		-		1,777		-		1,777		1,687
Payroll processing fees		1,004		491		113		1,608		1,356
Copyright license enforcement		5,940		-		-		5,940		1,075
Occupancy		240		117		27		384		372
Mentoring student software developers		2,195		-		-		2,195		-
Professional services:										
Software development and design		266,808		-		-		266,808		90,884
Accounting and audit		-		13,180		-		13,180		12,742
Promotional		983		-		740		1,723		6,166
Non-license enforcement legal fees		1,762		863		197		2,822		707
Graphic design		413		-		50		463		462
Program Coordination		43,138		-		2,865		46,003		8,357
Fundraising Services		-		-		1,713		1,713		-
		<u>1,126,162</u>		<u>205,781</u>		<u>46,479</u>		<u>1,378,422</u>		<u>1,111,575</u>
Direct conference expenses:										
Travel, meals and lodging		336,969		-		-		336,969		292,418
Venue rental		123,263		-		-		123,263		41,661
Audio / video		90,381		-		-		90,381		28,672
Bank charges and other fees		8,521		-		-		8,521		10,066
Services		12,108		-		-		12,108		7,151
Registration service fees		2,480		-		-		2,480		5,135
Materials		23,173		-		-		23,173		2,161
Sponsorship		-		-		-		-		1,000
Badges		5,673		-		-		5,673		356
Honoraria		884		-		-		884		14
T-shirts		6,469		-		-		6,469		-
Miscellaneous conference expenses		562		-		-		562		-
		<u>610,483</u>		<u>-</u>		<u>-</u>		<u>610,483</u>		<u>388,634</u>
Total Expenses	\$	1,736,645	\$	205,781	\$	46,479	\$	1,988,905	\$	1,500,209

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, 2018
(With Summarized Financial Information for 2017)

	Year Ended February 28, <u>2018</u>	Year Ended February 28, <u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 691,176	\$ 625,461
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions - property	(319,385)	-
Realized loss on sale of commodities	67,538	-
(Increase) decrease in operating assets:		
Receivable from PayPal	(10,119)	-
Prepaid expenses	(9,305)	1,227
Contributions receivable	30,509	29,505
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(49,009)	130,815
Unearned income - advance program registration fees	(237,666)	65,175
Net cash provided by operating activities	163,739	852,183
Cash Flows from Investing Activities		
Proceeds from the sale of commodities	251,847	-
Net cash used in investing activities	251,847	-
Net Increase in Cash	415,586	852,183
Beginning Cash	2,203,969	1,351,786
Ending Cash	\$ 2,619,555	\$ 2,203,969

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2018

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, 2018

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, 2018, there were \$2,195,737 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, 2018, 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.

Reclassifications

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

See independent auditor's report.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2018

Note 1 - (Continued)

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, 2018, the allowance for doubtful accounts was \$0.

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

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, 2019, the date the financial statements were available to be issued.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2019, that was received during the year ended February 28, 2018.

Note 3 – Contributed Property

Contributed property is comprised of certain commodities that were contributed to the Organization totaling \$319,385. The contributor originally gave commodities valued at \$250,000. The Organization did not have facilities to sell them until the market value dropped, resulting in a loss of \$67,538. The donor subsequently gave \$67,538 worth of commodities so that the Organization would have the total intended resulting cash of \$250,000.

Note 4 – 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 \$4,550 to the plan during the year ended February 28th, 2018.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2018

Note 5 – Temporarily Restricted Net Assets

Temporarily restricted net assets by revenue source and changes therein for the year ended February 28, 2018, were as follows:

	Balance as of February 28, 2017	Additions	Releases from Restrictions	Balance as of February 28, 2018
Restricted as to purpose for				
The following projects:				
Argo UML	\$ 12,708	\$ 9	\$ -	\$ 12,717
Boost	148,907	86,296	112,137	123,066
Bro	277,718	64,595	187,156	155,157
Buildbot	9,900	-	-	9,900
BusyBox	66,836	788	-	67,624
Clojars	-	16,288	359	15,929
Coreboot	1,800	8,918	177	10,541
Darcs	1,675	-	-	1,675
Diversity Grant	15,000	-	-	15,000
Evergreen	55,187	72,099	62,981	64,305
Foresight	393	-	-	393
Gevent	9,616	14	-	9,630
Git	21,227	9,348	872	29,703
Godot	12,545	55,804	33,469	34,880
Harvey	-	500	6	494
Homebrew	4,578	8,690	918	12,350
Inkscape	41,746	43,932	4,772	80,906
K3D	2,880	-	-	2,880
Kalitheia	270	45	3	312
Kohana	2,311	2	-	2,313
Libbraille	464	-	464	-
LibreHealth	923	13,320	1,988	12,255
Linux Compliance	34,892	-	5,940	28,952
Linux XIA	2,649	3,330	1,386	4,593
LuxRender	3,688	491	36	4,143
Mercurial	17,243	21,274	15,560	22,957
Metalink	928	-	-	928
North Bay Python	-	51,219	43,946	7,273
OpenChange	2,544	-	-	2,544
Outreachy	359,224	587,318	545,899	400,643
PyGMO	(249)	-	-	(249)
PyPy	67,178	3,121	1,539	68,760
QEMU	7,424	5,272	11	12,685
SWIG	3,875	24	1	3,898
Samba	150,906	31,695	17,719	164,882
Selenium	198,663	472,008	251,816	418,855
SpecOps	13,715	-	2,250	11,465
Squeak	1,742	4	-	1,746
Sugar	82,164	24,942	15,132	91,974
Teaching Open Source	-	90,707	17,950	72,757
Twisted	13,580	758	1,515	12,823
Wine	11,764	6,870	9,697	8,937
Xapian	4,740	4,232	1,653	7,317
phpMyAdmin	140,546	86,920	41,642	185,824
	\$ 1,803,900	\$ 1,770,833	\$ 1,378,996	\$ 2,195,737

See independent auditor's report.