

Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2013

Index

Independent Auditor's Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 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., the statement of financial position as of February 28, 2013, the related statements of activities, cash flows and functional expenses 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, 2013, 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. 2012 financial statements, and my report dated January 25, 2013, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended February 29, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to be 'A. R. ...', written in a cursive style.

January 8, 2014

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2013
(With Summarized Financial Information for 2012)

	February 28, <u>2013</u>	February 29, <u>2012</u>
Assets		
Current Assets		
Cash	\$ 780,738	\$ 975,592
Prepaid expenses	6,215	3,772
Contributions receivable	116,083	159,864
Loans receivable	-	132,000
	903,036	1,271,228
Security deposit	2,125	2,125
	\$ 905,161	\$ 1,273,353
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 42,684	\$ 90,129
Unearned income - advance program registration fees	84,509	68,040
	127,193	158,169
Net Assets		
Unrestricted	26,816	69,667
Temporarily restricted	751,152	1,045,517
	777,968	1,115,184
	\$ 905,161	\$ 1,273,353

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

Software Freedom Conservancy, Inc.
Statement of Activities
For the Year Ended February 28, 2013
(With Summarized Financial Information for 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total Year Ended February 28, 2013</u>	<u>Year Ended February 29, 2012</u>
Support and Revenue				
Contributions	\$ 213,821	\$ 154,608	\$ 368,429	\$ 1,050,884
Conference registration fees	-	174,534	174,534	470,144
Legal settlements	-	10,000	10,000	128,136
Consulting	-	13,515	13,515	-
Trademark sales	-	-	-	32,000
Book royalties	158	2,749	2,907	19,752
Trademark licensing	-	-	-	9,570
Conference sponsorship income	-	8,549	8,549	11,233
Advertising	336	3,021	3,357	10,486
Promotional items sales	-	-	-	2,467
Other program service income	-	368	368	1,561
Honoraria	100	-	100	750
Investment income	325	5,421	5,746	1,483
Satisfaction of program restrictions	667,130	(667,130)	-	-
	<u>881,870</u>	<u>(294,365)</u>	<u>587,505</u>	<u>1,738,466</u>
Expenses				
Program services	<u>787,828</u>	-	<u>787,828</u>	<u>1,104,982</u>
Supporting services:				
General and administrative	122,853	-	122,853	105,475
Fund-raising	14,040	-	14,040	11,407
	<u>136,893</u>	-	<u>136,893</u>	<u>116,882</u>
Total expenses	<u>924,721</u>	-	<u>924,721</u>	<u>1,221,864</u>
Increase (decrease) in net assets	(42,851)	(294,365)	(337,216)	516,602
Beginning net assets	69,667	1,045,517	1,115,184	598,582
Ending net assets	<u>\$ 26,816</u>	<u>\$ 751,152</u>	<u>\$ 777,968</u>	<u>1,115,184</u>

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

Software Freedom Conservancy, Inc.
Statement of Cash Flows
For the Year Ended February 28, 2013
(With Summarized Financial Information for 2012)

	Year Ended February 28, <u>2013</u>	Year Ended February 29, <u>2012</u>
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (337,216)	\$ 516,602
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Prepaid expenses	(2,648)	(3,567)
Contributions receivable	43,986	(142,594)
Security deposit	-	(1,175)
Increase (decrease) in:		
Accounts payable and accrued expenses	(47,445)	27,162
Unearned income - advance program registration fees	16,469	19,766
Net cash provided by (used in) operating activities	(326,854)	416,194
Cash Flows from Investing Activities		
Change in loans receivable	132,000	(132,000)
Increase (decrease) in Cash	(194,854)	284,194
Beginning Cash	975,592	691,398
Ending Cash	\$ 780,738	\$ 975,592

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

Software Freedom Conservancy, Inc.
Statement of Functional Expenses
For the Year Ended February 28, 2013
(With Summarized Financial Information for 2012)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total Year Ended February 28, 2013</u>	<u>Year Ended February 29, 2012</u>				
			<u>General and Administrative</u>	<u>Fund-raising</u>						
Salaries and wages	\$	120,888	\$	73,754	\$	8,918	\$	203,560	\$	138,800
Payroll taxes		9,882		6,027		730		16,639		12,611
Employee benefits		12,570		12,235		2,458		27,263		5,252
Payroll processing fees		572		348		43		963		1,430
Copyright license enforcement		9,255		-		-		9,255		61,167
Trademark registration & enforcement		40		-		-		40		825
Non-license enforcement legal fees		311		133		-		444		6,903
Occupancy		11,658		7,088		874		19,620		15,473
Technology expenses		13,829		4,022		-		17,851		12,745
Taxes and government assessments		64		3,213		-		3,277		307
Accounting and audit fees		-		11,796		-		11,796		12,515
Mentoring student software developers		3,325		-		-		3,325		6,475
Travel, meals and lodging		175		8		529		712		6,105
Merchandise		-		-		-		-		4,464
Office supplies and other		1,169		711		88		1,968		2,901
Bank charges and other fees		-		1,730		-		1,730		2,801
Insurance		-		1,228		-		1,228		486
Membership		-		-		-		-		350
Professional services:										
Software development and design		385,208		560		-		385,768		353,895
Promotional		2,390		-		-		2,390		145,305
Graphic design		-		-		400		400		600
		<u>571,336</u>		<u>122,853</u>		<u>14,040</u>		<u>708,229</u>		<u>791,410</u>
Direct conference expenses:										
Venue rental		114,873		-		-		114,873		271,686
Travel, meals and lodging		75,742		-		-		75,742		94,194
Other conference expenses		-		-		-		-		35,680
Services		2,000		-		-		2,000		17,364
Bank charges and other fees		6,473		-		-		6,473		11,530
Registration service fees		1,742		-		-		1,742		-
Audio / video		10,731		-		-		10,731		-
Materials		1,703		-		-		1,703		-
T-shirts		1,590		-		-		1,590		-
Badges		1,638		-		-		1,638		-
		<u>216,492</u>		<u>-</u>		<u>-</u>		<u>216,492</u>		<u>430,454</u>
	<u>\$</u>	<u>787,828</u>	<u>\$</u>	<u>122,853</u>	<u>\$</u>	<u>14,040</u>	<u>\$</u>	<u>924,721</u>	<u>\$</u>	<u>1,221,864</u>

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2013

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

Nature of Activities

The Software Freedom Conservancy (Conservancy) is a not-for-profit organization that helps promote, improve, develop, and defend Free, Libre, and Open Source Software (FLOSS) projects. Conservancy provides a non-profit 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 — while Conservancy takes care of the projects' needs that do not relate directly to software development and documentation.

FLOSS projects whose applications are accepted become part of the Software Freedom Conservancy (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. Conservancy aggregates the work of running a FLOSS non-profit for its many members.

The Conservancy 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. Conservancy provides fiscal oversight to ensure that these funds are spent in a manner that advances the project and fits with Conservancy's 501(c)(3) mission to promote, advance, and defend software freedom.

If the member project's leaders want, Conservancy 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, Conservancy can assist in defending the rights represented in these assets. For example, Conservancy is available to assist member projects in enforcing the terms of the projects' FLOSS license.

Finally, developers of Conservancy'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 generally accepted accounting principles.

Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and / or nature of any donor restrictions. Conservancy has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

Income is recognized when earned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2013

Note 1 - (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes

Software Freedom Conservancy, Inc., is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

Reclassification

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

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 among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, Software Freedom Conservancy, Inc., has evaluated events and transactions for potential recognition or disclosure through January 8, 2014, the date the financial statements were available to be issued.

Concentrations

The Organization maintains cash balances in two financial institutions. Balances in one of those institutions at times exceed federally insured limits. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk.

Note 2 - Commitment

Software Freedom Conservancy, Inc., leases its premises on a month by month basis.

Payments during the year ended February 28, 2013 amounted to \$19,500.

Note 3 - Loans Receivable

Software Freedom Conservancy, Inc. loaned \$132,000 to a foundation. The loan matured on July 31, 2012, and bore interest at the rate of 10%. The loan was repaid during the year ended February 28, 2013.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2013

Note 4 - Temporarily Restricted Net Assets

Temporarily restricted net assets by revenue source and changes therein for the year ended February 28, 2013, were as follows:

	Balance as of March 1, 2012	Additions	Releases From Restrictions	Balance as of February 28, 2013
Restricted by purpose to the following projects:				
Amarok	\$ 5,906	\$ 1,130	\$ 390	\$ 6,646
ArgoUML	12,586	26	(18)	12,630
Boost	98,971	68,151	42,423	124,699
Buildbot	-	900	76	824
BusyBox	153,003	23,561	52,681	123,883
Coreboot	1,800	-	-	1,800
Darcs	1,958	255	601	1,612
Evergreen	9,093	63,264	31,741	40,616
Foresight	393	-	-	393
Gevent	123	128	6	245
Git	6,180	3,337	867	8,650
Inkscape	20,301	6,958	1,654	25,605
K3D	2,883	-	25	2,858
Kohana	3,386	435	340	3,481
Libbraille	459	-	-	459
Mercurial	22,231	14,341	34,979	1,593
Metalink	-	1,800	906	894
Mifos	7,003	86	753	6,336
OpenChange	4,483	252	8	4,727
PyPy	80,165	27,930	53,612	54,483
SWIG	586	2,816	487	2,915
Samba	148,953	42,684	20,708	170,929
Selenium	76,924	101,251	96,093	82,082
Squeak	3,534	48	2,389	1,193
Sugar	19,823	(1,699)	9,451	8,673
Twisted	39,107	(2,918)	8,333	27,856
Wine	9,147	12,752	6,973	14,926
jQuery	316,519	5,277	301,652	20,144
	<u>\$ 1,045,517</u>	<u>\$ 372,765</u>	<u>\$ 667,130</u>	<u>\$ 751,152</u>

See independent auditor's report.