

**Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2019**

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February 28, 2019

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 14, 2020



CPA PLLC

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2019
(With Summarized Financial Information for 2018)

| | February 28, <u>2019</u> | February 28, <u>2018</u> |
|--|-------------------------------------|-------------------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 3,860,415 | \$ 2,619,555 |
| Receivable from PayPal | 228 | 10,119 |
| Prepaid expenses | 13,656 | 12,973 |
| Contributions receivable | 622,974 | 507,592 |
| Security deposit | 600 | 600 |
| Total Current Assets | 4,497,873 | 3,150,839 |
| Total Assets | \$ 4,497,873 | \$ 3,150,839 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 332,235 | \$ 132,470 |
| Unearned income - advance program registration fees | 28,548 | 41,121 |
| Total Current Liabilities | 360,783 | 173,591 |
| Net Assets | | |
| Net Assets | | |
| Without donor restrictions | 1,149,854 | 781,511 |
| With donor restrictions | 2,987,236 | 2,195,737 |
| Total Net Assets | 4,137,090 | 2,977,248 |
| Total Liabilities and Net Assets | \$ 4,497,873 | \$ 3,150,839 |

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, 2019
(With Summarized Financial Information for 2018)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total Year Ended February 28, 2019</u> | <u>Year Ended February 28, 2018</u> |
|--|---------------------------------------|------------------------------------|---|---|
| Support and Revenue | | | | |
| Contributions | \$ 985,251 | \$ 2,093,073 | \$ 3,078,324 | \$ 1,894,577 |
| Contributions - property | - | - | - | 319,385 |
| Conference registration fees | 7,682 | 167,203 | 174,885 | 483,639 |
| Honoraria | 6,000 | - | 6,000 | - |
| Book royalties | 89 | 836 | 925 | 2,214 |
| Trademark licensing income | 1,726 | 15,537 | 17,263 | - |
| Interest and currency conversion gains | 33,437 | 8,827 | 42,264 | 17,275 |
| Realized loss on commodities | - | - | - | (67,538) |
| Conference sponsorship income | - | 3,205 | 3,205 | 25,955 |
| Promotional items sales | 2 | 2,509 | 2,511 | 4,574 |
| | <hr/> 1,034,187 | <hr/> 2,291,190 | <hr/> 3,325,377 | <hr/> 2,680,081 |
| Net Assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 1,499,691 | (1,499,691) | - | - |
| Total Support and Revenue | <hr/> 2,533,878 | <hr/> 791,499 | <hr/> 3,325,377 | <hr/> 2,680,081 |
| Expenses | | | | |
| Program services | <hr/> 1,838,898 | <hr/> - | <hr/> 1,838,898 | <hr/> 1,736,645 |
| Supporting services: | | | | |
| General and administrative | 265,938 | - | 265,938 | 205,781 |
| Fund-raising | 60,699 | - | 60,699 | 46,479 |
| Total Supporting services | <hr/> 326,637 | <hr/> - | <hr/> 326,637 | <hr/> 252,260 |
| Total Expenses | <hr/> 2,165,535 | <hr/> - | <hr/> 2,165,535 | <hr/> 1,988,905 |
| Change in Net Assets | 368,343 | 791,499 | 1,159,842 | 691,176 |
| Beginning Net Assets | 781,511 | 2,195,737 | 2,977,248 | 2,286,072 |
| Ending Net Assets | <hr/> <u>\$ 1,149,854</u> | <hr/> <u>\$ 2,987,236</u> | <hr/> <u>\$ 4,137,090</u> | <hr/> <u>\$ 2,977,248</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, 2019
(With Summarized Financial Information for 2018)

| | <u>Program Services</u> | | <u>Supporting Services</u> | | <u>Total</u> <u>Year Ended</u> <u>February 28,</u> <u>2019</u> | <u>Year Ended</u> <u>February 28,</u> <u>2018</u> |
|--------------------------------------|-------------------------|-------------------|---|---------------------|---|---|
| | | | <u>General</u> <u>and</u> <u>Administrative</u> | <u>Fund-raising</u> | | |
| Salaries and wages | \$ 241,655 | \$ 126,054 | \$ 44,718 | \$ 412,427 | \$ 393,221 | |
| Employee benefits | 55,079 | 31,757 | 7,969 | 94,805 | 124,305 | |
| Internships | 475,750 | - | - | 475,750 | 442,757 | |
| Payroll taxes | 20,006 | 8,834 | 2,744 | 31,584 | 31,456 | |
| Technology expenses | 28,407 | 9,023 | - | 37,430 | 18,495 | |
| Bad debt expenses | 12,960 | 2,694 | - | 15,654 | 290 | |
| Bank charges and other fees | - | 22,052 | - | 22,052 | 11,945 | |
| Office supplies and other | 254 | 1,162 | 2,024 | 3,440 | 2,141 | |
| Travel, meals and lodging | - | 357 | - | 357 | 699 | |
| Taxes and government assessments | 1,424 | 2,502 | - | 3,926 | 2,599 | |
| Trademark registration & enforcement | 9,662 | 9,545 | - | 19,207 | 2,874 | |
| Membership | 2,349 | 675 | - | 3,024 | 3,024 | |
| Insurance | - | 3,989 | - | 3,989 | 1,777 | |
| Payroll processing fees | 1,256 | 638 | 145 | 2,039 | 1,608 | |
| Copyright license enforcement | 2,747 | - | - | 2,747 | 5,940 | |
| Occupancy | 248 | 126 | 28 | 402 | 384 | |
| Grants | 189,733 | - | - | 189,733 | 2,195 | |
| Professional services: | | | | | | |
| Software development and design | 358,731 | - | - | 358,731 | 266,808 | |
| Accounting and audit | - | 13,678 | - | 13,678 | 13,180 | |
| Promotional | 3,810 | 3,071 | 3,071 | 9,952 | 1,723 | |
| Non-license enforcement legal fees | 3,111 | 24,303 | - | 27,414 | 2,822 | |
| Graphic design | 2,819 | - | - | 2,819 | 463 | |
| Program Coordination | 46,162 | 5,446 | - | 51,608 | 46,003 | |
| Fundraising Services | 8,605 | 32 | - | 8,637 | 1,713 | |
| | <u>1,464,768</u> | <u>265,938</u> | <u>60,699</u> | <u>1,791,405</u> | <u>1,378,422</u> | |
| Direct conference expenses: | | | | | | |
| Travel, meals and lodging | 234,773 | - | - | 234,773 | 336,969 | |
| Venue rental | 67,346 | - | - | 67,346 | 123,263 | |
| Audio / video | 45,022 | - | - | 45,022 | 90,381 | |
| Bank charges and other fees | 3,305 | - | - | 3,305 | 8,521 | |
| Services | 4,590 | - | - | 4,590 | 12,108 | |
| Registration service fees | 2,021 | - | - | 2,021 | 2,480 | |
| Materials | 9,948 | - | - | 9,948 | 23,173 | |
| Badges | 1,328 | - | - | 1,328 | 5,673 | |
| Honoraria | 2,840 | - | - | 2,840 | 884 | |
| T-shirts | 2,567 | - | - | 2,567 | 6,469 | |
| Other conference expenses | 390 | - | - | 390 | 562 | |
| | <u>374,130</u> | <u>-</u> | <u>-</u> | <u>374,130</u> | <u>610,483</u> | |
| Total Expenses | <u>\$ 1,838,898</u> | <u>\$ 265,938</u> | <u>\$ 60,699</u> | <u>\$ 2,165,535</u> | <u>\$ 1,988,905</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, 2019
(With Summarized Financial Information for 2018)

| | Year Ended February 28, <u>2019</u> | Year Ended February 28, <u>2018</u> |
|---|--|--|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 1,159,842 | \$ 691,176 |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| (Increase) decrease in operating assets: | | |
| Contributions - property | - | (319,385) |
| Realized loss on sale of commodities | - | 67,538 |
| Receivable from PayPal | 9,891 | (10,119) |
| Prepaid expenses | (683) | (9,305) |
| Contributions receivable | (115,382) | 30,509 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 199,765 | (49,009) |
| Unearned income - advance program registration fees | (12,573) | (237,666) |
| Net cash provided by operating activities | <u>1,240,860</u> | <u>163,739</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from the sale of commodities | - | 251,847 |
| Net cash used in investing activities | <u>-</u> | <u>251,847</u> |
| | | |
| Net Increase in Cash | 1,240,860 | 415,586 |
| Beginning Cash | 2,619,555 | 2,203,969 |
| Ending Cash | <u>\$ 3,860,415</u> | <u>\$ 2,619,555</u> |

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

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

Software Freedom Conservancy, Inc. 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 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 without donor restrictions. 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 represent resources available for use, but expendable only for the time and/or purpose specifically stated by the donor. On February 28, 2019, there was \$2,987,236 of net assets with donor restrictions.

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

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, Software Freedom Conservancy, Inc 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. For the year ended February 28, 2019, the allowance for doubtful accounts was \$0.

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

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

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.

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, 2020, the date the financial statements were available to be issued.

Note 2 - Unearned Income

Unearned income represents income for the year ending February 28, 2020, that was received during the year ended February 28, 2019.

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 \$5,400 to the plan during the year ended February 28th, 2019.

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 | \$ 3,860,415 |
| Contributions receivable | 622,974 |
| Less: Donor restricted net assets | <u>(2,987,236)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,496,153</u> |

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 5 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 28, 2019, were as follows:

| | Balance as of February 28, 2018 | Additions | Releases from Restrictions | Balance as of February 28, 2019 |
|-------------------------------------|------------------------------------|-----------|-------------------------------|------------------------------------|
| Restricted as to purpose for | | | | |
| The following projects: | | | | |
| Argo UML | \$ 12,717 | \$ 16 | \$ 1 | \$ 12,732 |
| Backdrop | - | 90 | 3 | 87 |
| Boost | 123,067 | 94,521 | 90,442 | 127,146 |
| Bro | 155,157 | - | 132,049 | 23,108 |
| Buildbot | 9,900 | 5,182 | 5,160 | 9,922 |
| BusyBox | 67,624 | 1,753 | 3,086 | 66,291 |
| Clojars | 15,929 | 63,372 | 41,022 | 38,279 |
| CommonWorkflow Language | - | 91 | 5 | 86 |
| Coreboot | 10,541 | 7,773 | 160 | 18,154 |
| Darcs | 1,675 | 23 | 14 | 1,684 |
| Diversity Grant | 15,000 | - | 15,000 | - |
| DrupalNJ | - | 38,537 | 15,153 | 23,384 |
| Etherpad | - | 208 | 7 | 201 |
| Evergreen | 64,305 | 43,429 | 75,993 | 31,741 |
| Foresight | 393 | - | - | 393 |
| Gevent | 9,630 | 14 | 3 | 9,641 |
| Git | 29,703 | 15,423 | 2,278 | 42,848 |
| Godot | 34,880 | 148,684 | 100,681 | 82,883 |
| Harvey | 494 | - | - | 494 |
| Homebrew | 12,350 | 81,074 | 11,245 | 82,179 |
| Inkscape | 80,906 | 71,544 | 24,030 | 128,420 |
| K3D | 2,880 | - | - | 2,880 |
| Kalitheia | 312 | - | 2 | 310 |
| Kohana | 2,313 | - | - | 2,313 |
| LibreHealth | 12,255 | 17,856 | 2,672 | 27,439 |
| Linux Compliance | 28,952 | - | 1,000 | 27,952 |
| Linux XIA | 4,593 | 5,130 | 819 | 8,904 |
| LuxRender | 4,143 | 193 | 3,371 | 965 |
| Mercurial | 22,957 | 9,461 | 11,889 | 20,529 |
| Metalink | 928 | 2 | 1 | 929 |
| MicroBlocks | - | 2,095 | 749 | 1,346 |
| North Bay Python | 7,273 | 39,119 | 42,142 | 4,250 |
| OpenChange | 2,544 | - | 1 | 2,543 |
| Outreachy | 400,643 | 818,721 | 592,435 | 626,929 |
| phpMyAdmin | 185,824 | 81,964 | 47,817 | 219,971 |
| PyGMO | (249) | - | - | (249) |
| PyPy | 68,760 | 2,459 | 508 | 70,711 |
| QEMU | 12,685 | 5,078 | 921 | 16,842 |
| Racket | - | 16,378 | 312 | 16,066 |
| Reproducible Builds | - | 544,995 | 193,851 | 351,144 |
| Samba | 164,882 | 28,372 | 26,427 | 166,827 |
| SWIG | 3,898 | 19 | 2 | 3,915 |
| Selenium | 418,855 | 85,180 | 9,619 | 494,416 |
| SpecOps | 11,465 | 18,000 | 15,568 | 13,897 |
| Squeak | 1,746 | 14 | 1 | 1,759 |
| Sugar | 91,974 | 18,575 | 6,695 | 103,854 |

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2019

Note 5 - (Continued)

| | | | | |
|----------------------|---------------------|---------------------|---------------------|---------------------|
| Teaching Open Source | 72,757 | - | 4,532 | 68,225 |
| Twisted | 12,823 | 4,870 | 1,531 | 16,162 |
| Wine | 8,937 | 17,100 | 19,335 | 6,702 |
| Xapian | 7,316 | 3,875 | 1,159 | 10,032 |
| | \$ 2,195,737 | \$ 2,291,190 | \$ 1,499,691 | \$ 2,987,236 |