

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Financial Statements
February 28, 2022

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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, 2022, 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, 2022, 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 12, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended February 28, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 16, 2023

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Statement of Financial Position
February 28, 2022
(With Summarized Financial Information for 2021)

	February 28, 2022	February 28, 2021
Assets		
Current Assets		
Cash	\$ 3,902,128	\$ 5,132,847
Investment in marketable securities	2,468,386	-
Prepaid expenses	33,543	26,650
Contributions receivable	218,183	215,037
Security deposit	1,000	600
Total Current Assets	6,623,240	5,375,134
Total Assets	\$ 6,623,240	\$ 5,375,134
 Liabilities and Net Assets		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 244,961	\$ 166,156
Total Current Liabilities	244,961	166,156
 Net Assets		
Net Assets		
Without donor restrictions	1,728,461	1,552,807
With donor restrictions	4,649,818	3,656,171
Total Net Assets	6,378,279	5,208,978
Total Liabilities and Net Assets	\$ 6,623,240	\$ 5,375,134

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, 2022
(With Summarized Financial Information for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Year Ended February 28, 2022</u>	<u>Year Ended February 28, 2021</u>
Support and Revenue				
Contributions	\$ 1,113,205	\$ 3,233,348	\$ 4,346,553	\$ 3,177,281
Investment Income	12,632	-	12,632	7,748
Realized gain on marketable securities	1,411	-	1,411	-
Book royalties	56	525	581	700
Promotional items sales	7	63	70	32
Unrealized losses on marketable securities	(21,993)	-	(21,993)	-
Realized loss on currency conversion	(4,241)	-	(4,241)	(1,721)
Software development	-	-	-	40,000
Honoraria	-	-	-	3,000
Trademark licensing income	-	-	-	2,948
	<u>1,101,077</u>	<u>3,233,936</u>	<u>4,335,013</u>	<u>3,229,988</u>
Net Assets released from restrictions:				
Satisfaction of program restrictions	2,240,289	(2,240,289)	-	-
Total Support and Revenue	<u>3,341,366</u>	<u>993,647</u>	<u>4,335,013</u>	<u>3,229,988</u>
Expenses				
Program services	<u>2,727,208</u>	-	<u>2,727,208</u>	<u>2,146,964</u>
Supporting services:				
General and administrative	347,669	-	347,669	330,549
Fund-raising	90,835	-	90,835	114,120
Total Supporting services	<u>438,504</u>	-	<u>438,504</u>	<u>444,669</u>
Total Expenses	<u>3,165,712</u>	-	<u>3,165,712</u>	<u>2,591,633</u>
Change in Net Assets	175,654	993,647	1,169,301	638,355
Beginning Net Assets	1,552,807	3,656,171	5,208,978	4,570,623
Ending Net Assets	<u>\$ 1,728,461</u>	<u>\$ 4,649,818</u>	<u>\$ 6,378,279</u>	<u>\$ 5,208,978</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, 2022
(With Summarized Financial Information for 2021)

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u> <u>Year Ended</u> <u>February 28,</u> <u>2022</u>	<u>Year Ended</u> <u>February 28,</u> <u>2021</u>
			<u>General</u> <u>and</u> <u>Administrative</u>	<u>Fund-raising</u>		
Salaries and wages	\$ 329,827	\$ 214,989	\$ 53,569	\$ 598,385	\$ 527,966	
Employee benefits	91,050	37,713	14,639	143,402	106,961	
Internships	978,679	-	-	978,679	744,661	
Copyleft license enforcement	156,782	-	-	156,782	18,526	
Grants	127,942	-	-	127,942	70,426	
Technology expenses	40,864	10,217	580	51,661	46,747	
Payroll taxes	25,386	15,967	4,029	45,382	39,297	
Bank charges and other fees	-	33,884	-	33,884	26,008	
Insurance	-	7,398	-	7,398	5,022	
Taxes and government assessments	2,426	2,100	-	4,526	4,822	
Office supplies and other	1,103	1,224	949	3,276	6,701	
Travel, meals and lodging	3,088	43	-	3,131	-	
Payroll processing fees	1,749	1,124	257	3,130	2,661	
Bad debt expenses	2,000	76	-	2,076	31,553	
Occupancy	-	841	-	841	318	
Membership	323	-	-	323	198	
Mentoring student software developers	-	-	-	-	1,627	
Professional services:						
Software development and design	853,563	1,027	1,386	855,976	791,263	
Program Coordination	71,161	2,500	-	73,661	56,377	
Non-license enforcement legal fees	18,343	243	-	18,586	61,354	
Promotional	19,112	-	2,078	21,190	1,537	
Accounting and audit	-	18,323	-	18,323	14,866	
Fundraising Services	-	-	12,598	12,598	10,173	
Graphic design	3,570	-	750	4,320	4,000	
	<u>2,726,968</u>	<u>347,669</u>	<u>90,835</u>	<u>3,165,472</u>	<u>2,573,064</u>	
Direct conference expenses:						
Registration service fees	240	-	-	240	-	
Travel, meals and lodging	-	-	-	-	16,375	
Venue rental	-	-	-	-	-	
Audio / video	-	-	-	-	-	
Bank charges and other fees	-	-	-	-	194	
Services	-	-	-	-	99	
Materials	-	-	-	-	1,901	
Other conference expenses	-	-	-	-	-	
	<u>240</u>	<u>-</u>	<u>-</u>	<u>240</u>	<u>18,569</u>	
Total Expenses	<u>\$ 2,727,208</u>	<u>\$ 347,669</u>	<u>\$ 90,835</u>	<u>\$ 3,165,712</u>	<u>\$ 2,591,633</u>	

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, 2022
(With Summarized Financial Information for 2021)

	Year Ended February 28, <u>2022</u>	Year Ended February 28, <u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,169,301	\$ 638,355
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Unrealized loss on marketable securities	21,993	-
(Increase) decrease in operating assets:		
Prepaid expenses	(6,893)	(3,693)
Contributions receivable	(3,146)	124,406
Security deposit	(400)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	78,805	(17,389)
Net cash provided by operating activities	1,259,660	741,679
Cash Flows from Investing Activities		
Purchases of investments	(2,490,379)	-
Net cash used in investing activities	(2,490,379)	-
Net Increase (Decrease) in Cash	(1,230,719)	741,679
Beginning Cash	5,132,847	4,391,168
Ending Cash	\$ 3,902,128	\$ 5,132,847

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, 2022

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, 2022

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.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2022

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, 2022, the allowance for doubtful accounts was \$0.

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

Concentrations

Approximately 46% of contributions receivable (\$100,000) was due from one contributor on February 28, 2022. The contribution was paid on October 3, 2022.

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.

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, 2022, 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 16, 2023 the date the financial statements were available to be issued.

COVID-19

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management is carefully monitoring the situation and evaluating its options during this time. No adjustment have been made to these financial statements as a result of this uncertainty.

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2022

Note 2 – Donor restricted net assets

Donor restricted net assets by revenue source and changes therein for the year ended February 28, 2022, were as follows:

	Balance as of February 28, 2021	Additions	Releases from Restrictions	Balance as of February 28, 2022
Restricted as to purpose for The following projects:				
Argo UML	\$ 12,736	\$ -	\$ -	\$12,736
Backdrop	1,402	947	487	1,862
Boost	122,217	729	4,284	118,662
Buildbot	9,563	45	340	9,268
BusyBox	68,016	1,100	24	69,091
CommonWorkflow Language	684	166	7	843
Coreboot	43,354	3,898	97	47,155
Darcs	1,878	75	34	1,919
DrupalNJ	39,030	-	3	39,027
Etherpad	394	1,098	-	1,492
Evergreen	26,327	-	26,327	-
Gevent	10,012	-	-	10,012
Git	64,989	5,400	176	70,213
Godot	289,773	546,566	509,834	326,505
Harvey	581	1,800	-	2,381
Homebrew	211,842	78,414	17,216	273,040
Houdini	3,251	-	3,075	176
ICR	16,620	117,514	53,401	80,733
Inkscape	275,468	93,333	19,846	348,955
K3D	2,846	-	-	2,846
Kaltihea	30	-	12	18
LiberHealth	28,616	2,880	12,531	18,965
Linux Compliance	25,536	-	-	25,536
Linux XIA	7,761	-	-	7,761
Mercurial	15,702	179	78	15,803
Metalink	930	-	-	930
MicroBlocks	24,867	-	6,000	18,867
North Bay Python	6,828	-	-	6,828
OpenWRT	12,367	10,741	414	22,694
Outreachy	1,073,754	1,728,340	1,142,439	1,659,655
phpMyAdmin	212,279	86,634	61,512	237,401
QEMU	27,082	12,751	2,115	37,718
Racket	25,519	4,281	948	28,852
Reproducible Builds	147,504	459,111	272,059	334,556
Samba	83,031	29,154	10,105	102,080
Selenium	526,269	42,447	3,140	565,576
SpecOps	8,755	-	-	8,755
Squeak	1,042	131	799	374
Sugar	88,316	-	88,316	-
SWIG	3,926	23	5	3,944
Teaching Open Source	91,782	-	33	91,749
Twisted	14,109	-	4,184	9,925
Wine	10,786	5,099	400	15,485
Xapian	18,397	1,080	48	19,429
	\$ 3,656,171	\$3,233,936	\$2,240,289	\$4,649,818

See Independent Auditor's Report

Software Freedom Conservancy, Inc.
(a Not-for-Profit Corporation)
Notes to Financial Statements
February 28, 2022

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 \$18,700 to the plan during the year ended February 28th, 2022.

Note 4 – Investment 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 28th, 2022:

	Level 1	Level 2	Level 3	Total
Ultra-Short-Term Bond Fund Admiral	\$ 825,105	\$ -	\$ -	\$ 825,105
Short Term Inflation Protected Securities ETF	828,644	-	-	828,644
Short Term Bond ETF	814,637	-	-	814,637
	<u>\$ 2,468,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,468,386</u>

Note 5 – 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	\$ 3,902,128
Investment in marketable securities	2,468,386
Contributions receivable	<u>218,183</u>
Total financial assets	6,588,697
Less: Donor restricted net assets	<u>(4,659,818)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,928,879</u>

See Independent Auditor's Report