Software Freedom Conservancy, Inc.
Financial Statements
February 28, 2011

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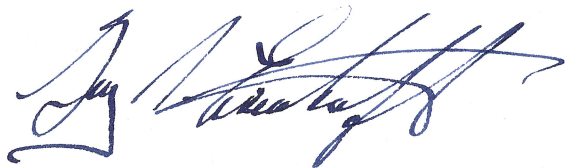Telephone (212) 689-2655   Fax (646) 619-4723
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Independent Auditor's Report

To the Board of Directors of
Software Freedom Conservancy, Inc.

I have audited the accompanying statement of financial position of Software Freedom Conservancy, Inc., as of February 28, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my 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, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

January 6, 2012

Software Freedom Conservancy, Inc.
Statement of Financial Position
February 28, 2011

Assets

Current Assets
Cash	$	692,348
Contributions receivable		17,475
	$	709,823

Liabilities and Net Assets

Current Liabilities
Accounts payable and accrued expenses	$	62,967
Unearned income - advance program registration fees		48,274
		111,241

Net Assets
Unrestricted		45,205
Temporarily restricted		553,377
		598,582
	$	709,823

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

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Software Freedom Conservancy, Inc.
Statement of Activities
For the Year Ended February 28, 2011

	Unrestricted		Temporarily Restricted		Total
Support and Revenue					
Contributions	$	32,741	$	365,275	$	398,016
Conference registration fees		-		260,926		260,926
Legal settlements		-		204,750		204,750
Book royalties		783		15,747		16,530
Sponsorship benefit income		-		1,231		1,231
Investment income		18		464		482
Satisfaction of program restrictions		622,339		(622,339)		-
		655,881		226,054		881,935
Expenses					
Program services		603,787		-		603,787
Supporting services:					
General and administrative		44,991		-		44,991
Fund-raising		166		-		166
		45,157		-		45,157
Total expenses		648,944		-		648,944
Increase in net assets		6,937		226,054		232,991
Beginning net assets		38,268		327,323		365,591
Ending net assets	$	45,205	$	553,377	$	598,582

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

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Cash Flows from Operating Activities

Increase in net assets	$	232,991
Adjustment to increase in net assets		
to net cash provided by operating activities:		
Decrease in:		
Receivables		101,044
Increase in:		
Accounts payable and accrued expenses		55,811
Unearned income - advance program		
registration fees		48,274
Net cash provided by operating activities		438,120

Increase in Cash		438,120
Beginning Cash		254,228
Ending Cash	$	692,348

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Software Freedom Conservancy, Inc.
Statement of Functional Expenses
For the Year Ended February 28, 2011

	Program Services	General and Administrative	Fund-raising	Total 2011
		Supporting Services		
Salaries and wages	$ 10,950	$ 3,900	$ 150	$ 15,000
Payroll taxes	1,127	401	16	1,544
Legal fees	82,404	-	-	82,404
Travel, meals and lodging	52,943	112	-	53,055
Technology expenses	10,730	2,937	-	13,667
Audit fees	-	10,000	-	10,000
Mentoring student software developers	7,430	-	-	7,430
Bank charges and other fees	-	3,124	-	3,124
Office supplies and other	1,404	1,590	-	2,994
License enforcement expenses	2,985	-	-	2,985
Occupancy	-	2,639	-	2,639
Membership	-	1,199	-	1,199
Professional services:	-	-	-	-
Software development and design	208,999	-	-	208,999
Graphic design	400	150	-	550
	379,372	26,052	166	405,590
Conference expenses:	-	-	-	-
Venue rental	170,047	-	-	170,047
Travel, meals and lodging	36,762	2,606	-	39,368
Other conference expenses	2,716	2,562	-	5,278
Bank charges and other fees	-	7,153	-	7,153
Registration service fees	-	6,618	-	6,618
Video	5,860	-	-	5,860
Materials	4,385	-	-	4,385
T-shirts	3,466	-	-	3,466
Badges	1,179	-	-	1,179
	224,415	18,939	-	243,354
	$ 603,787	$ 44,991	$ 166	$ 648,944

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

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Software Freedom Conservancy, Inc.
Supplemental Schedule of Temporarily Restricted Net Assets
For the Year Ended February 28, 2011

	Balance as of March 1, 2010	Additions	Releases From Restrictions	Balance as of February 28, 2011
Restricted by purpose to the following projects:				
Amarok	$ 2,406	$ 5,198	$ 2,514	$ 5,090
ArgoUML	7,556	41	-	7,597
Boost	72,197	35,174	30,919	76,452
BusyBox	15,000	204,790	96,095	123,695
Darcs	2,045	600	567	2,078
Foresight	98	285	10	373
Gevent	-	114	-	114
Git	520	2,167	2,095	592
Inkscape	13,912	1,987	2,082	13,817
K3D	2,868	6	-	2,874
Kohana	-	2,313	1,419	894
Libbraille	435	25	1	459
Mercurial	8,817	100,230	75,062	33,985
OpenChange	3,842	2,059	1,051	4,850
PyPy	-	1,046	22	1,024
SWIG	-	589	3	586
Samba	113,904	13,173	28,411	98,666
Selenium	-	33,185	4,270	28,915
Squeak	-	4,005	36	3,969
Sugar	30,667	5,087	15,891	19,863
Twisted	13,759	8,334	5,088	17,005
Wine	5,251	7,477	10,785	1,943
jQuery	34,046	420,508	346,018	108,536
	$ 327,323	$ 848,393	$ 622,339	$ 553,377

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

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Software Freedom Conservancy, Inc.
Notes to Financial Statements
February 28, 2011

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

Nature of Activities

The Software Freedom 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.

During the year ended February 28, 2011, Conservancy changed from the cash basis to accrual basis 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.

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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.

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 6, 2012, 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.

Approximately 46% and 25% of the Organization's donation's were contributed in support of jQuery and Mercurial projects, respectively.

Note 2 - Commitment

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

Payments during the year ended February 28, 2011 amounted to $2,155.

Note 3 - Related Party Transaction

During fiscal year ending February 28, 2011, Conservancy had three board members who had roles during that year at a non-profit organization, Software Freedom Law Center (SFLC). Specifically, Daniel B Ravicher, who served as a Conservancy director until December 23, 2010, was an SFLC employee and SFLC's Vice-President. Eben Moglen, who served as a Conservancy director until May 2, 2011, is an SFLC employee, SFLC's President, and an SFLC Director. Bradley M. Kuhn, who is the President and a Director of Conservancy, was an employee of SFLC until September 30, 2010.

During the year ended February 28, 2011, SFLC performed legal services for Conservancy for fees and expense reimbursements totaling $82,404.

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