

**FREE SOFTWARE FOUNDATION, INC.**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
September 30, 2015**

**FREE SOFTWARE FOUNDATION, INC.  
STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2015**

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**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 1,005,779
Investments	214,707
Accounts receivable (net)	2,618
Contributions receivable	7,019
Inventory	33,235
Prepaid expenses	1,315

<b>Total current assets</b>	<u>1,264,673</u>
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**Property, plant and equipment**

Office furniture and equipment	175,906
Accumulated depreciation	<u>(161,236)</u>

<b>Total net property, plant and equipment</b>	<u>14,670</u>
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**Noncurrent assets**

<u>9,715</u>
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<b>Total noncurrent assets</b>	<u>9,715</u>
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<b>Total assets</b>	<u><u>\$ 1,289,058</u></u>
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**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	\$ 44,219
Accrued payroll	<u>53,360</u>

<b>Total current liabilities</b>	<u>97,579</u>
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**Net assets**

Unrestricted net assets	<u>1,191,479</u>
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<b>Total net assets</b>	<u>1,191,479</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 1,289,058</u></u>
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**FREE SOFTWARE FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 1,113,423	\$ -	\$ 1,113,423
GNU press mail order revenue	94,431	-	94,431
Interest income	1,343	-	1,343
Net realized and unrealized gain (loss) on investments	(20,588)	-	(20,588)
Other income	8,025	-	8,025
<b>Total revenue and support</b>	<b>1,196,633</b>	<b>-</b>	<b>1,196,633</b>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b>45,000</b>	<b>(45,000)</b>	<b>-</b>
<b>EXPENSES</b>			
Program services	1,045,326	-	1,045,326
Fundraising	84,923	-	84,923
Management and general	100,665	-	100,665
<b>Total expenses</b>	<b>1,230,915</b>	<b>-</b>	<b>1,230,915</b>
<b>CHANGE IN NET ASSETS</b>	<b>10,718</b>	<b>(45,000)</b>	<b>(34,282)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,180,761</b>	<b>45,000</b>	<b>1,225,761</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,191,479</b>	<b>\$ -</b>	<b>\$ 1,191,479</b>

**FREE SOFTWARE FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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<b>OPERATING ACTIVITIES</b>	
Change in net assets	\$ (34,282)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation	6,371
Loss on disposal of equipment	553
Net realized and unrealized loss on investments	20,588
Decrease in accounts receivable	3,369
Increase in contributions receivable	(5,131)
Increase in prepaid expenses	(1,275)
Increase in inventory	(2,602)
Increase in accounts payable and accrued expenses	3,095
Increase in accrued payroll	<u>11,404</u>
Net cash and cash equivalents provided by operating activities	2,091
<b>INVESTING ACTIVITIES</b>	
Property, plant and equipment purchases	<u>(5,540)</u>
Net cash and cash equivalents used in investing activities	<u>(5,540)</u>
Net decrease in cash	(3,449)
Cash and cash equivalents, beginning of year	<u>1,009,228</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,005,779</u></u>

**FREE SOFTWARE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE 1 DESCRIPTION OF ORGANIZATION**

Free Software Foundation, Inc. (the Organization) was formed to encourage, foster, and promote the free exchange of computer software and information related to computers, to create, distribute and disseminate software and to increase the public's access to computers.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for Not-For-Profits. The significant accounting and reporting policies used by the organization are described subsequently to enhance the usefulness and understandability of the financial statements.

**Financial Statement Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) No. 958-205, Not-for-Profit Entities Presentation of Financial Statements. Under ASC 958-205, the Organization is required to report 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. The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

**Use of Estimates**

In preparing the Organization's financial statements in conformity with generally accepted accounting principles in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition**

The statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted, and unrestricted) when applicable. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

During the year ending September 30, 2015, the Organization derived approximately 92% of its total revenue from other non-profit agencies, foundations, and individual donors, approximately 8% from merchandise sales, and less than 1% from other sources.

**FREE SOFTWARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**NOTE 2    SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash deposit balances with banks located in Massachusetts. At times the amount in the banks exceed the federally insured limit. The Organization minimizes its risk by maintaining its cash with a highly reputable financial institutions.

*Accounts Receivable*

Accounts receivable consists of a vendor overpayment and amounts due for merchandise sales, which were not received by the Organization at year-end, and is stated at the amount management expects to collect from outstanding balances. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible accounts receivable has been provided at September 30, 2015.

*Contributions Receivable*

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable are expected to be collected in less than one year and are reported at net realizable value. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Management believes that all outstanding contributions receivable are collectible in full. Therefore, no allowance for uncollectible contributions receivable has been provided at September 30, 2015.

*Inventory*

Inventory consists of merchandise held for sale and is stated at the lower of cost (first-in, first out) or market.

*Fixed Assets*

Fixed assets are stated at cost or fair value at date of donation. Additions and betterments of \$1,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. No amounts have been reflected in the financial statements for donated services as they did not meet this criteria.

**FREE SOFTWARE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Donated Assets*

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation.

*Concentration of Source of Supply Labor*

The Organization's staff other than management (representing approximately 92% of the Organization's employees) are members of the United Automobile Aerospace and Agricultural Implement Workers of America (UAW), Local #1596. The Organization's contract with the union is subject to renegotiation annually.

*Shipping and Handling*

Shipping and handling costs of \$11,471 for the year ended September 30, 2015 are included in program services expenses on the statement of activities.

*Promotions and Marketing*

Promotion and marketing costs are expensed as incurred. Promotions and marketing costs of \$1,364 for the year ended September 30, 2015 are included in program services expenses on the statement of activities.

*Financial Instruments*

The carrying amounts of the Organization's financial instruments, which include cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable, and accrued expenses, approximate their fair values due to their short maturities.

*Income Taxes*

The Organization qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and therefore no provision for income taxes is reflected in the statements. The Organization qualifies for the charitable contribution deduction for individuals under the Internal Revenue Code.

The Organization adopted Topic 740 of the FASB Accounting Standards Codification (ASC 740) relating to the accounting for uncertainty in income taxes. As required by this topic, the Organization has evaluated its tax positions, applying a "More Likely Than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by the applicable taxing authorities, federal or state.

Generally, all tax years prior to 2011 are closed via the passing of the statute of limitations. No notices have been received from the Internal Revenue service addressing any subsequent year.

**FREE SOFTWARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Functional Allocation of Expenses*

The cost of providing various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates of allocation of staff time. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**NOTE 3 FAIR VALUE MEASUREMENTS**

The Organization categorizes the fair value of its financial assets and liabilities according to the hierarchy established by the FASB, which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to directly assess.

Level 2 Valuations based on quoted prices for similar assets or liabilities; valuations for interest-bearing securities based on non-daily quoted prices in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In circumstances in which a quoted price in an active market for the identical liability is not available, the Organization is required to use the quoted price of the identical liability when traded as an asset, quoted prices for similar liabilities, or quoted prices for similar liabilities when traded as assets. If these quoted prices are not available, the Organization is required to use another valuation technique, such as income approach or a market approach.

The following table presents the fair value hierarchy for those financial assets measured at fair value on a recurring basis as of September 30, 2015:

	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Commodity fund	\$ 129,717	\$ -	\$ -	\$ 129,717
Mutual fund	84,990	-	-	84,990
	<u>\$ 214,707</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,707</u>



**FREE SOFTWARE FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

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**NOTE 3 FAIR VALUE MEASUREMENTS - CONTINUED**

Level 1 investments include shares of a commodity fund and of mutual funds as of September 30, 2015, which are valued based on quoted prices in an active market of the underlying assets owned by the fund, minus its liabilities, then divided by the number of shares outstanding.

Investment loss consisted of the following for the year ending September 30, 2015:

Interest and dividends	\$ 564
Net realized and unrealized loss	(20,588)
Total loss on investments	<u>\$ (20,025)</u>

**NOTE 4 INVENTORY**

Inventory consists of the following as of September 30, 2015:

	Amount
Manuals	18,670
Clothing	7,157
Emblems	2,128
Other	5,279
	<u>33,235</u>

**NOTE 5 PROPERTY, PLANT AND EQUIPMENT**

Fixed assets consists of office furniture and equipment at September 30, 2015. Depreciation was \$6,371 for the year ending September 30, 2015.

**NOTE 6 OPERATING LEASE COMMITMENTS**

The Organization is committed to an operating lease for property located in Boston, Massachusetts at a monthly rate of \$5,998 as of September 30, 2015 plus storage rental and a share of real estate taxes and utilities. In August of each year the monthly base rent increases as stated in the lease agreement. The operating lease expires in August 2017. Rent expense for the year ended September 30, 2015 was \$74,627. The future minimum lease payments, exclusive of escalation clauses and optional renewals, as of September 30, 2015 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	72,200
2017	68,466
	<u>\$ 140,666</u>

**FREE SOFTWARE FOUNDATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

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**NOTE 7 RETIREMENT PLAN**

The Organization maintains a retirement plan under which eligible employees may contribute to an annuity plan which is qualified under Section 403(b) of the Internal Revenue Code. In addition, under the terms of the plan and as required by the contract with the UAW union, the Organization contributes a maximum of 3% of an eligible employee's contribution. Eligible employees may contribute up to a maximum of 10% of their annual income. Eligibility requirements are fulfilled when an employee works a minimum of 20 hours per week and has completed a twelve-month waiting period. The Organization contributed \$285 to employee accounts during the year ended September 30, 2015.

**NOTE 8 CONCENTRATIONS OF CREDIT RISK ARISING FROM INVESTMENT HOLDINGS**

Approximately 60%, or \$129,717, of total investments consist of shares in a single commodity fund as of September 30, 2015.

**NOTE 9 RESTRICTIONS OF NET ASSETS**

At September 30, 2015 the Organization did not have any restricted net assets.

**NOTE 10 SUBSEQUENT EVENTS**

Management of the Organization has performed an evaluation of subsequent events through August 12, 2016, which is the date these financial statements were available to be issued. No material subsequent events have occurred since September 30, 2015 that required recognition of disclosure in these financial statements.

**FREE SOFTWARE FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services	Supporting Services		Total Expenses
		Fundraising	Management & General	
Personnel expenses	\$ 716,920	\$ 34,142	\$ 73,101	\$ 824,163
Occupancy	69,027	2,483	9,607	81,116
Contractors and consultants	96,866	733	1,564	99,163
Cost of inventory shipped	22,936	-	-	22,936
Promotion and marketing	1,364	-	-	1,364
Conferences and meetings	33,978	-	-	33,978
Special events and mailings	30,063	11,746	-	41,809
Office expenses	8,516	405	865	9,786
Shipping and materials	25,800	-	1,507	27,307
Depreciation	6,136	18	217	6,371
Professional fees	8,374	399	4,977	13,750
Credit card processing fees	5,989	33,939	-	39,928
Telephone	3,013	144	1,791	4,948
Outside services	5,472	261	1,057	6,789
Meetings and entertainments	3,282	156	1,950	5,388
Insurance	4,505	167	2,083	6,754
Internet	1,539	73	915	2,527
Licenses and permits	1,013	-	1,013	2,027
Loss on disposal of asset	533	2	19	553
Loss on foreign exchange	-	256	-	256
<b>TOTAL EXPENSES</b>	<b>\$ 1,045,326</b>	<b>\$ 84,923</b>	<b>\$ 100,665</b>	<b>\$ 1,230,915</b>