



**Free Software Foundation, Inc
Financial Statement
For the Year Ended September 30, 2022**

Independent Auditors' Report

To the Board of Directors of
Free Software Foundation, Inc
Boston, MA

We have audited the accompanying financial statements of Free Software Foundation, Inc (a nonprofit Corporation), which comprise the statement of financial position as of September 30, 2022 and the related statement 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 Free Software Foundation, Inc as of September 30, 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 Free Software Foundation, Inc 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.

Responsibility of Management's 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.

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 Free Software Foundation, Inc ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 judgment made by a reasonable user based on the financial statements.

Auditor's Responsibility (continued)

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 Free Software Foundation, Inc 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 Free Software Foundation, Inc 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.

A handwritten signature in cursive script, reading "Mariya Babson", followed by a horizontal line and a period. A vertical yellow line is positioned to the right of the signature.

Mariya Babson, Certified Public Accountant
Duxbury, Massachusetts
October 10, 2023

Free Software Foundation, Inc

Index

September 30, 2022

Independent Auditors Report

Financial Statements:

Statement of Financial Position as of September 30, 2022

Statement of Activities for the Year Ended September 30, 2022

Statement of Functional Expenses for the Year Ended September 30, 2022

Statement of Cash Flows for the Year Ended September 30, 2022

Notes to Financial Statements

Free Software Foundation, Inc

Statement of Financial Position

As of September 30, 2022

Assets

Current Assets

	2022
Cash and cash equivalents	\$ 1,835,897
Certificates of Deposit	203,918
Inventory	18,754
Total current assets	2,058,569

Fixed Assets

Equipment	78,623
Leasehold improvements	22,571
Total fixed assets	101,194
Less: accumulated depreciation	85,221
Total net fixed assets	15,973

Other Assets

Investments	276,107
Security deposit	13,228
Total other assets	289,335

Total Assets	\$ 2,363,877
---------------------	---------------------

Liabilities and Net Assets

Current Liabilities

Accounts payable	3,530
Accrued expenses	83,060
Total current liabilities	86,590

Total liabilities	\$ 86,590
--------------------------	------------------

Net Assets

Without donor restrictions	1,529,611
With donor restrictions	747,676
Total net assets	2,277,287

Total Liabilities and Net Assets	\$ 2,363,877
-----------------------------------------	---------------------

Free Software Foundation, Inc
Statement of Activities
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Revenue and Support			
Contributions	\$ 281,401	10,163	\$ 291,564
Government grants (PPP loan forgiven)	225,300	-	225,300
Membership dues	710,428	-	710,428
Non cash contributions (note 2):			
BitCoin	132,415	-	132,415
Services in-kind	8,700	-	8,700
Product sales, net	28,325	-	28,325
Loss on investments, net	(76,296)	-	(76,296)
Interest income	6,083	-	6,083
Other revenues	9,111	-	9,111
Net assets released from restrictions (note 4)	9,924	(9,924)	-
Total revenue and support	\$ 1,335,391	239	1,335,630
Expenses			
Program services	1,382,820		1,382,820
Management, general and administrative	128,741		128,741
Fundraising	77,812		77,812
Total expenses	\$ 1,589,373	-	1,589,373
Change in Net Assets	(253,982)	239	(253,743)
Net Assets at Beginning of Year	1,783,592	747,438	2,531,030
Net Assets at End of Year	\$ 1,529,610	747,677	\$ 2,277,287

See accountants' audit report and accompanying notes to the financial statements.

Free Software Foundation, Inc
Statement of Functional Expenses
For the Year Ended September 30, 2022

		Program	Management General & Administrative	Fundraising		2022 Total
Salaries	\$	771,846	72,338	40,266	\$	884,450
Taxes		71,339	6,021	2,925		80,285
Benefits		172,720	9,198	3,982		185,900
	\$	1,015,905	87,557	47,173		1,150,635
Occupancy	\$	145,107	12,248	5,949	\$	163,304
Professional fees		79,627	23,776	-		103,403
Credit card processing fees		41,894	-	812		42,706
Special events & mailings		26,349	267	267		26,883
Conference & meetings		18,848	179	732		19,759
Outside services		12,586	1,062	516		14,164
Shipping & materials		11,834	640	1,537		14,011
Purchases		12,642	-	-		12,642
Loss on currency exchange		-	-	11,041		11,041
Professional fees - in kind		-	-	8,700		8,700
Insurance		7,497	548	266		8,311
Telecommunications		5,290	446	217		5,953
Office supplies & expenses		4,447	375	182		5,004
Utilities		4,268	360	175		4,803
Other services		3,645	308	149		4,102
Depreciation		2,330	197	96		2,623
Promotion & marketing		2,415	-	-		2,415
Licenses & permits		778	778	-		1,556
Total Functional Expenses	\$	1,395,462	128,741	77,812	\$	1,602,015
Less items included within Statement of Activities						
Cost of product sales		(12,642)	-	-		(12,642)
Total Functional Expenses Presented on the Statement of Activities	\$	1,382,820	128,741	77,812	\$	1,589,373

See accountants' audit report and accompanying
notes to the financial statements.

Free Software Foundation, Inc
Statement of Cash Flows
For the Year Ended September 30, 2022

Cash Flows from Operating Activities	<u>2022</u>
Change in Net Assets	\$ (253,743)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	2,622
Net unrealized and realized (gains) / losses on investments	19,868
Decrease (increase) in assets	
Accounts receivable, net	200,000
Inventory	(2,808)
Increase (decrease) in liabilities	
Accounts payable	3,466
Accrued expenses	14,908
Net Cash (Used in) Provided by Operating Activities	<u>\$ (15,687)</u>
Cash Flows from Investing Activities	
Certificates of Deposit Interest	(686)
Net Cash (Used in) Provided by Investing Activities	<u>\$ (686)</u>
Cash Flows from Financing Activities	
Proceeds from Paycheck Protection Program	(225,300)
Net Cash (Used in) Provided by Financing Activities	<u>\$ (225,300)</u>
Net Change in Cash, Cash Equivalents, & Restricted Cash	(241,673)
Cash, Cash Equivalents, & Restricted Cash - Beginning	<u>2,077,570</u>
Cash, Cash Equivalents, & Restricted Cash - Ending	<u><u>\$ 1,835,897</u></u>

See accountants' audit report and accompanying notes to the financial statements.

Free Software Foundation, Inc

Notes to Financial Statements

1. Nature of the Business

Free Software Foundation, Inc (the "Organization") was created in 1985 under the provision of the General Laws of Massachusetts, and qualifies as a tax exempt, not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Donors may deduct contributions made to the Organization within the IRC requirements.

The Organization promotes and defends the rights of all computer users, to use, study, copy, and modify the software on their computers, as well as the related documentation. The Organization assists in the development and use of free software and documentation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis with net assets, revenues, expenses, gains, and losses classified in two categories based on the existence or absence of externally imposed restrictions. Operating revenues consist of those monies received and contributions attributable to the Organization's ongoing efforts. The net assets of the Organization are classified and defined as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations are considered unrestricted. Net assets without donor restriction may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Recent Pronouncements Effective in Future Years

During fiscal year ended on September 30, 2022 the Organization has adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard provides donors better information without causing nonprofits to incur too much cost to provide the information. The updated standard will provide more prominent presentation of gifts-in-kind by requiring nonprofits to show contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. It only calls for enhanced disclosures about the valuation of those contributions and their use in programs and other activities. Nonprofits will be required to split out the amount of contributed nonfinancial assets it received by category and it footnotes to the financial statements. The new standard did not change the recognition and measurement requirements for those assets. ASU 2020-07 takes effect for annual periods beginning after June 15, 2021, and interim periods within fiscal years after June 15, 2022. Retrospective application had no effect on the net assets.

Free Software Foundation, Inc

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Recent Pronouncements continued

In February 2016, the FASB issued *ASU 2016-02, Leases*. The standard required all leases with lease term over twelve months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's fiscal year ending September 30, 2023 and early adoption is permitted. The Organization is in the process of adopting this ASU.

Use of Estimates

The preparation of the financial statements is in conformity with generally accepted accounting principles in the United States of America ("GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent 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.

Cash and Cash Equivalents, Concentration of Credit Risk

The Organization considers all highly liquid investments, money market funds, and deposits with an original maturity of three months or less, when acquired, to be cash equivalents. The Organization maintains cash balances with financial institution insured by the Federal Deposit Insurance Corporation. The balances in some accounts exceed federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash.

Certificates of Deposit

Certificates of deposit consist of the following as of September 30, 2022

	9/30/22
Certificate at 0.995%, maturing 05/08/2023	\$ 101,917
Certificate at 0.995%, maturing 05/08/2023	102,001
Total certificates of deposit	<u>\$ 203,918</u>

Contributions Receivable

The Organization recognizes contributions receivable at an amount equal to uncollected but promised without conditions or earned revenue less an allowance for doubtful accounts. On a periodic basis, the Organization evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. As of September 30, 2022, management has determined any allowance would be immaterial.

Inventory

The inventory consists of merchandise held for sale and primarily includes books and clothing and sold through the Organization's website. Inventory is stated at the lower of cost or net realizable value and is accounted for on a first-in, first-out basis.

Free Software Foundation, Inc

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost at the time of acquisition or fair market value at the time of donation. Expenditures for maintenance and repairs are charged to expense as incurred; major betterments are capitalized. The Organization has capitalization policy and only capitalizes those assets that are over \$5,000 in value individually and have lives of more than one year. When assets are sold or retired, the related costs and accumulated depreciation are removed from the respective accounts and any resulting gain or loss is credited or charged to operations. Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. The Organization depreciates equipment and office furniture over 5 years, and it depreciates lease improvements over 10 years which is the term of the lease agreement. Depreciation expense for the year ended September 30, 2022 amounted to \$2,623

Investment Policy

The Organization's investment policy is to maintain a high-quality portfolio that preserves principal, meets liquidity needs, and delivers a suitable return based on market conditions and relative benchmarks. The Board of Directors oversees investment performance and has the discretion to change the investment objectives.

Contributions

Contributions, including unconditional promises to give, are recognized as net assets with or without donor restrictions, depending on the existence and or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions, if restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

In-kind donations and services

Contributed services represent the estimated fair value of services provided to the Organization. Contributed services are recognized for services that require specialized skills and are provided by persons possessing those skills in the period in which they are received. During the fiscal year ended on September 30, 2022 the Organization has received an estimate of \$8,700 of professional contributed services in the form of legal counseling.

Contributions of noncash assets, marketable securities, or cryptocurrency are recorded at their fair market value upon the date of the donation. The Organization has received an estimate of \$132,415 of Bitcoin and Litecoin contributions in the year ended on September 30, 2022 which was recorded at Fair Value on the day the gift was received. All cryptocurrency was sold for \$56,119 and a loss on investment was recognized for \$76,296 due to the decrease in value of the cryptocurrency between the donation and the sale time.

Free Software Foundation, Inc

Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization recognizes revenue in accordance with Financial Accounting Standard Board (FASB) Accounting Standard Update (ASU) 2014-09, Revenue from Contract with Customer, as amended. ASU 2014-09 applies to exchange transaction with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The Organization records the following exchange transaction revenue in its statement of activities and changes in net assets:

Product Sales: The Organization sells merchandise on a retail basis to customer. The performance obligation is the delivery of the merchandise to the customer. The transaction price is established by the Organization. As each item is individually priced, not allocation of the transaction price is necessary. The revenue is recognized as the customer pays and takes possession of the merchandise. Some merchandise is sold with a right of return. If probable, customer returns exist at the end of an accounting period, the organization estimates and records in its financial statement a liability for such returns, which offset revenue. Not liability for probable customer returns was considered necessary as of September 30, 2022.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis amongst its various functions. All of the Organization's allocated expenditures have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses that cannot be identified with specific program and support services are allocated directly to their expenditure classification. Management, general and administrative 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 and include those costs related to the internal management and accounting for program services. Fundraising costs include all activities related to maintaining contributor information, distribution of materials and other similar projects related to the procurement of funds.

Compensated Vacation

Regular full-time employees working at least 40 hours per week are eligible to accrue paid vacation time. Full time employees are eligible to accrue and roll forward to the next year up to 30 days (240 hours) of paid vacation annually. Part time employees are eligible to accrue paid vacations at prorated rates. The Organization has accrued \$43,026 of paid time off as of September 30, 2022.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising and promotion costs were \$1,435 for the year ended September 30, 2022

Income Taxes

The Organization is a tax-exempt entity under Code Section 501(c)(3) of the Internal Revenue Code (the "Code"), and is exempt from federal and state income taxes. The Organization is subject to federal and state income taxes on unrelated business income. The Organization is not a private foundation within the meaning of the Code. During the year ended September 30, 2022, the Organization did not earn any unrelated business income. Accordingly, no provision for income taxes is included in the financial statements. The Organization's management has determined that it has no uncertain tax positions, however, the information and tax returns are subject to examination by Federal and State jurisdictions.

Free Software Foundation, Inc

Notes to Financial Statements

3. Net Assets with Donor Restrictions

Donor restricted Net Assets as of September 30, 2022 consisted of the following:

Restricted purpose:	9/30/21	Additions	Releases	09/30/22
GNU related projects	\$ 513,514	\$ 9,219	\$ (9,742)	\$ 512,991
End software patents	30,000	690	-	30,690
SeaGL project	183	-	(183)	-
Replicant project	203,741	254	-	203,995
Total net assets with donor restrictions	<u>\$ 747,438</u>	<u>\$ 10,163</u>	<u>\$ (9,925)</u>	<u>\$ 747,676</u>

4. Operating Lease

The Organization has renewed lease for the office space in August 2017 located in Boston, MA. The renewed lease extends through August 2024 with base rental fee of \$11.666 and a proportional share of real estate taxes and utilities, all of which subject to increase each year as outlined in the lease agreement. The lease contains an early termination clause effective October 31, 2022 with a formula for termination consideration. In addition, the Organization leases off-site server space and pays licensing and related fees on a monthly basis. Rent and related utility and services expenses under the lease agreements were \$180,778 for the year ended September 30, 2022.

Future minimum lease commitments are as follows for the years ending on September 30:

	9/30/22
FYE 9/30/2023	<u>146,551</u>
FYE 9/30/2024	<u>136,982</u>
Total:	<u>\$ 328,367</u>

5. Liquidity and Availability

The Organization follows a policy to manage its liquidity and reserves by following three principal guidelines, which include operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term goals will be met. The following reflects the Organization's financial assets as of September 30, 2022.

	9/30/22
Cash and cash equivalents	\$ 1,835,897
Certificates of deposit	203,918
Investments	<u>276,107</u>
	\$ 2,315,922
Less assets with donor restrictions	(747,676)
Financial assets available for one year of general expenditures	<u>\$ 1,568,246</u>

Free Software Foundation, Inc

Notes to Financial Statements

6. Note Payable – Paycheck Protection Program (PPP)

The Paycheck Protection Program (PPP) was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and provides for loans to qualifying businesses for the amounts up to 2.5 times of the average monthly payroll expenses. During the fiscal year ended on September 30, 2020, the Organization received its first PPP loan in the amount of \$220,200 which was fully forgiven in June, 2021 and recognized as grant revenue in the financial statements as of September 30, 2021. In March 2021 the Organization received a second PPP loan in the amount of \$225,300. The funds from the PPP loan were used for payroll and related expenses, and as a result, the loan was fully forgiven in March 2022. The Organization has recognized the loan as a grant revenue in fiscal year ending on September 30, 2022.

7. Retirement Savings Plan

The Organization offers all employees the opportunity to participate in its 403(b) retirement Plan. The Plan allows employees to defer a maximum of 10% of their annual compensation on a pre-tax basis for retirement. Under terms of the Plan, the Organization contributes a maximum of 3% of an eligible employee's contribution. The Organization contributed \$349 to employee accounts during the year ended September 30, 2022.

8. Investments and fair value measurements

The Organization follows the authoritative guidance for fair value measurements relating to financial and nonfinancial assets and liabilities, including presentation of required disclosures in its financial statements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance also establishes a fair value hierarchy, which requires maximizing the use of observable inputs when measuring fair value. The three levels of inputs that may be used are:

Level 1 – Observable inputs such as quoted prices in active markets.

Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly. The Organization did not hold or acquire any assets or liabilities requiring Level 2 valuation inputs of September 30, 2022.

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. The inputs into the determination of fair value of these investments are based upon the best information in the circumstances, including the use of models, and may require significant management judgment. The Organization did not hold or acquire any assets or liabilities requiring Level 3 valuation inputs of September 30, 2022.

The fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The methodologies used to determine fair value measurements are consistent with those used in the prior fiscal year. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value measurements.

The following table presents the fair value hierarchy for those financial assets measured at fair value on a recurring basis as of September 30, 2022:

	Level 1	Level 2	Level 3	Total
Mutual bond funds	\$ 81,210	-	-	\$ 81,210
Commodity funds	190,717	-	-	190,717
Cryptocurrency	-	-	4,180	4,180
Total market value	\$ 271,927	\$ -	\$ 4,180	\$ 276,107

Free Software Foundation, Inc

Notes to Financial Statements

9. Investments and fair value measurements (continued)

Investment performance during the year ended September 30, 2022 consists of:

	<u>9/30/22</u>
Interest & dividend income	\$ 6,083
Realized & unrealized loss	<u>(76,296)</u>
Total loss on investments	<u>\$ (70,213)</u>

10. Investment Risk

The Organization has some exposure to investment risks, including interest rate, market and credit risks, for both marketable securities and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect amounts reported in the financial statements.

11. Subsequent Events

The Organization has evaluated events subsequent to its year-ended September 30, 2022 and through the date of this report. Management has determined that no subsequent events requiring disclosure have occurred as of October 10, 2023, which is the date financial statements were available to be issued.