

# THE DRUPAL ASSOCIATION

## Financial Statements

For the Years Ended December 31, 2018 (Audited)  
and December 31, 2017 (Reviewed)



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Drupalcon, Inc. dba The Drupal Association

We have audited the accompanying financial statements of Drupalcon, Inc. dba The Drupal Association (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2018, 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 organization'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 organization'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 The Drupal Association as of December 31, 2018 and 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.

*Other Matters*

We have previously reviewed Drupalcon, Inc. dba The Drupal Association's 2017 financial statements, and in our report thereon, dated March 8, 2018, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion in the financial statements taken as a whole.

*McDonald Jacobz, P.C.*

Portland, Oregon  
March 19, 2019

THE DRUPAL ASSOCIATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2018 and 2017

	<u>2018</u> <u>(Audited)</u>	<u>2017</u> <u>(Reviewed)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,227,295	\$ 770,087
Accounts receivable	205,326	132,582
Prepaid expenses and other assets	181,957	186,823
Property and equipment, net	<u>11,155</u>	<u>27,020</u>
 TOTAL ASSETS	 <u>\$ 1,625,733</u>	 <u>\$ 1,116,512</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 81,528	\$ 101,192
Fiscal sponsorships	114,707	186,213
Deferred revenue	<u>1,046,681</u>	<u>320,865</u>
Total liabilities	<u>1,242,916</u>	<u>608,270</u>
Net assets without donor restrictions:		
Undesignated	371,662	481,222
Net property and equipment	<u>11,155</u>	<u>27,020</u>
Total net assets without donor restrictions	<u>382,817</u>	<u>508,242</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,625,733</u>	 <u>\$ 1,116,512</u>

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

THE DRUPAL ASSOCIATION  
STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2018 and 2017

	2018 <u>(Audited)</u>	2017 <u>(Reviewed)</u>
Changes in net assets without donor restrictions:		
Support and revenue:		
Contributions and sponsorships	\$ 1,254,701	\$ 1,633,940
Conference and training registrations	1,163,016	1,946,688
Donated materials and services	13,000	13,000
Dues and memberships	612,860	576,439
Advertising and other income	493,820	709,290
Net realized and unrealized gain (loss) from currency translation	<u>(6,823)</u>	<u>21,627</u>
Total support and revenue	<u>3,530,574</u>	<u>4,900,984</u>
Expenses:		
Program	2,546,597	3,231,096
Management and general	1,026,910	1,011,459
Fundraising	<u>82,492</u>	<u>58,033</u>
Total expenses	<u>3,655,999</u>	<u>4,300,588</u>
Change in net assets	(125,425)	600,396
Net assets (deficit) without donor restrictions:		
Beginning of year	<u>508,242</u>	<u>(92,154)</u>
End of year	<u>\$ 382,817</u>	<u>\$ 508,242</u>

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

THE DRUPAL ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2018

(Audited)

	Program			Total Program	Management and General	Fundraising	Total
	DrupalCons	Drupal.org Website	Other Programs				
Salaries and related expenses	\$ 389,727	\$ 439,725	\$ 156,370	\$ 985,822	\$ 487,903	\$ 72,273	\$ 1,545,998
Professional fees	24,481	-	-	24,481	102,556	-	127,037
Events and conferences	1,138,333	-	-	1,138,333	-	-	1,138,333
Scholarships and grants	23,027	-	600	23,627	-	-	23,627
Marketing	88,979	36	-	89,015	13,674	-	102,689
Information technology and website	-	167,028	-	167,028	14,524	-	181,552
Facilities	1,255	-	-	1,255	13,705	-	14,960
Travel and meals	13,955	4,606	178	18,739	43,954	1,371	64,064
Board expenses	-	-	-	-	81,192	-	81,192
Office expenses	4,456	13,878	-	18,334	71,751	-	90,085
Insurance	-	-	-	-	18,830	-	18,830
Bank fees	59,103	5,342	4,044	68,489	10,415	8,106	87,010
Income and sales taxes	-	-	-	-	163,399	-	163,399
Other operating expenses	-	-	1,358	1,358	-	-	1,358
Depreciation and amortization	3,999	4,512	1,605	10,116	5,007	742	15,865
Total expenses	<u>\$ 1,747,315</u>	<u>\$ 635,127</u>	<u>\$ 164,155</u>	<u>\$ 2,546,597</u>	<u>\$ 1,026,910</u>	<u>\$ 82,492</u>	<u>\$ 3,655,999</u>

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

THE DRUPAL ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2017

(Reviewed)

	Program			Total Program	Management and General	Fundraising	Total
	DrupalCons	Drupal.org Website	Other Programs				
Salaries and related expenses	\$ 380,340	\$ 433,145	\$ 155,648	\$ 969,133	\$ 457,823	\$ 49,061	\$ 1,476,017
Professional fees	-	880	-	880	196,750	-	197,630
Events and conferences	1,794,672	-	360	1,795,032	50	-	1,795,082
Scholarships and grants	38,441	-	4,750	43,191	-	-	43,191
Marketing	76,211	4,479	1,542	82,232	4,798	506	87,536
Information technology and website	-	120,988	-	120,988	9,992	-	130,980
Facilities	3,066	1,865	-	4,931	25,908	400	31,239
Travel and meals	2,508	8,915	-	11,423	27,092	-	38,515
Board expenses	-	-	-	-	96,902	-	96,902
Office expenses	10,307	2,359	-	12,666	41,202	-	53,868
Insurance	6,605	-	-	6,605	18,152	-	24,757
Bank fees	73,321	6,707	6,135	86,163	9,572	7,386	103,121
Income and sales taxes	72,411	-	-	72,411	116,869	-	189,280
Other operating expenses	4,500	7,500	-	12,000	-	-	12,000
Depreciation and amortization	5,275	6,007	2,159	13,441	6,349	680	20,470
Total expenses	<u>\$ 2,467,657</u>	<u>\$ 592,845</u>	<u>\$ 170,594</u>	<u>\$ 3,231,096</u>	<u>\$ 1,011,459</u>	<u>\$ 58,033</u>	<u>\$ 4,300,588</u>

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

THE DRUPAL ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2018 and 2017

	2018 <u>(Audited)</u>	2017 <u>(Reviewed)</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (125,425)	\$ 600,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	15,865	20,470
(Increase) decrease in:		
Accounts receivable	(72,744)	13,507
Prepaid expenses and other assets	4,866	(24,404)
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,664)	(96,648)
Fiscal sponsorships	(71,506)	(27,449)
Deferred revenue	<u>725,816</u>	<u>(112,906)</u>
Net cash provided by operating activities	<u>457,208</u>	<u>372,966</u>
Net increase in cash and cash equivalents	457,208	372,966
Cash and cash equivalents - beginning of year	<u>770,087</u>	<u>397,121</u>
Cash and cash equivalents - end of year	<u>\$ 1,227,295</u>	<u>\$ 770,087</u>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes	<u>\$ 95,346</u>	<u>\$ 163,800</u>

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



THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

The Drupal Association (the Association) is a nonprofit organization dedicated to helping the open-source Drupal CMS project flourish. The Association supports the Drupal community with funding, infrastructure, education, promotion, distribution and online collaboration (Drupal.org website). The Association also hosts two or three world-wide conferences (DrupalCons) annually. Revenue and support is provided by memberships, supporting partners, sponsorships, donations, and volunteers.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *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-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

At December 31, 2018 and 2017, the Association had only net assets without donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on an assessment of the credit history with those having outstanding balances and current relationships with them, management has concluded that realization losses on balances outstanding at year-end will be immaterial. Accounts receivable are unsecured and represent event sponsorships which are expected to be received within one year. Accounts receivable over 90 days past due total approximately \$45,300 at December 31, 2018.

See independent auditor's report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Prepaid Expenses

Prepaid expenses primarily represent costs incurred in advance related to conferences scheduled in subsequent years. These costs are recognized as expenses in the year the conference occur.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 (\$900 in 2017) are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received. Depreciation of property and equipment and amortization of website costs are calculated using the straight-line method over the estimated useful lives of the assets.

Fiscal Sponsorships

The Association receives and expends funds on behalf of Drupal Camps, established as fiscal sponsorships. Funds held are reflected as a liability on the statement of financial position. The revenue and expenses of these activities are not reflected in the financial statements of the Association.

Contributions and Sponsorships

Contributions and non-cancelable sponsorships are recognized as revenues in the period the Association is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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 statement of activities as net assets released from restrictions.

Memberships, Registrations and Deferred Revenue

Membership dues are recognized as revenue when received. Program and conference registrations are recognized as revenue in the period the programs and conferences occur. Conference and program registration fees received in advance are reflected as deferred revenue.

See independent auditor's report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Association recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Foreign Currency Translation

The Association maintains bank accounts in Belgium and the United Kingdom and hosts conferences in various foreign cities and receives support from members worldwide. Foreign bank balances in the statement of financial position have been translated using the exchange rates in effect as of December 31, 2018 and 2017. Amounts reported in the statement of activities have been translated using the exchange rate in effect at the time of the transaction.

Foreign currency translation adjustments on foreign bank accounts resulted in an unrealized loss of approximately \$9,200 for 2018 (gain of \$27,800 for 2017) and have been reported in the statement of activities. Realized foreign currency transaction loss resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency totaled approximately \$2,400 for 2018 (loss of \$6,200 for 2017) and have been reported in the accompanying statement of activities.

Income Tax Status

The Drupal Association is a nonprofit corporation exempt from federal and state income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. The Association is subject to income tax on income from activities unrelated to its exempt purpose. Income taxes relating to net advertising income of approximately \$155,000 for 2018 and \$124,000 for 2017 are included in management and general expenses. The Association is not a private foundation.

The Association follows the provisions of FASB ASC Topic *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Association's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

See independent auditor's report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

1. THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Advertising

The Association expenses advertising and marketing costs in the year the advertising takes place, except for direct-response advertising and marketing relating to future conferences, which is capitalized and expensed in the year the conference takes place. Advertising expense totaled approximately \$102,700 and \$87,500 during the years ended December 31, 2018 and 2017, respectively. Prepaid expenses included advertising cost of approximately \$13,700 and \$16,100 at December 31, 2018 and 2017, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, payroll taxes, and other, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

The Association has implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 modified net asset classification and enhances disclosures regarding liquidity and availability of resources and functional expense reporting. The ASU has been applied retrospectively to all periods presented.

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 of assets and liabilities and 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.

Subsequent Events

The Association has evaluated all subsequent events through March 19, 2019, the date the financial statements were available to be issued.

See independent auditor's report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

2. AVAILABLE RESOURCES AND LIQUIDITY

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the impact of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use. The Association primarily has cash and cash equivalents and accounts receivable available to manage its liquidity.

Financial assets of the Association consist of the following at December 31, 2018:

	Available for General Expenditure	Reserved for Fiscal Sponsorships	Total
Financial assets at December 31, 2018:			
Cash and cash equivalents	\$ 1,112,588	\$ 114,707	\$ 1,227,295
Accounts receivable	<u>205,326</u>	<u>-</u>	<u>205,326</u>
Total financial assets	<u>\$ 1,317,914</u>	<u>\$ 114,707</u>	<u>\$ 1,432,621</u>

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Computer and equipment	\$ 83,974	\$ 120,037
Website	267,242	267,242
Furniture and fixtures	<u>6,345</u>	<u>6,345</u>
Total property and equipment	357,561	393,624
Less accumulated depreciation and amortization	<u>346,406</u>	<u>366,604</u>
Net property and equipment	<u>\$ 11,155</u>	<u>\$ 27,020</u>

See independent auditor's report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

4. DEFERRED REVENUE

Deferred revenue at December 31, 2018 and 2017 consists of funds received in advance for advertising, sponsorships and conference registrations to be held in the subsequent year as follows:

	<u>2018</u>	<u>2017</u>
DrupalCon North America	\$ 1,033,598	\$ 310,372
Digital Sponsorships	13,083	1,893
Advertising	-	8,600
Total deferred revenue	<u>\$ 1,046,681</u>	<u>\$ 320,865</u>

5. CONTINGENT LIABILITY

The Association is contingently liable for committed future charges with various hotels in the event the Association cancels the reservations. The contingent liability represents the “worst case” scenario, as if all of the hotel contracts required full payment of anticipated profit. In actuality, a majority of the contracts have graduated cancellation clauses, where the percentage of payment required increases as the event date approaches. The total potential obligation approximates \$1,984,000 at December 31, 2018.

6. RETIREMENT PLAN

In February 2017, the Association established a 401(k) retirement plan covering substantially all employees. Under the plan, employees may elect to defer salary up to the amounts allowed by law. The plan provides for discretionary employer contributions. No matching contributions were made to the plan in 2018 or 2017.

7. CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash balances in several financial institutions including foreign banks. Balances in each U.S. institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in other financial institutions, including foreign banks, are uninsured. Uninsured balances totaled approximately \$984,000 and \$520,000 at December 31, 2018 and 2017, respectively. Credit risk for accounts receivable is concentrated in that approximately 26% of the balance at December 31, 2018 was receivable from two companies (60% from two companies in 2017).

See independent auditor’s report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018 and 2017

8. RELATED PARTY TRANSACTIONS

In 2018, seven member companies have executives that also serve on the board of directors of the Association (six member companies in 2017). Sponsorships and supporting partner revenue from these member companies totaled \$394,100 during 2018 and \$426,500 during 2017.

In 2018, the Association paid the board chair approximately \$50,000 for services in supporting management.

The Association may incur standard program-related expenses to these companies; however, no expenses to these member companies were incurred during 2018 or 2017.

See independent auditor's report.