

# THE DRUPAL ASSOCIATION

Financial Statements

For the Years Ended December 31, 2019 (Reviewed)  
and December 31, 2018 (Audit)



MCDONALD JACOBS

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Drupalcon, Inc. dba The Drupal Association

We have reviewed 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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *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.

### *Accountant's Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### *Accountant's Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Other Matter*

The financial statements for the year ended December 31, 2018 were audited by us and we expressed an unmodified opinion on them in our report dated March 19, 2019, but we have not performed any auditing procedures since that date.

*McDonald Jacobson, P.C.*

Portland, Oregon  
February 28, 2020

THE DRUPAL ASSOCIATION  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2019 and 2018

	2019 <u>(Reviewed)</u>	2018 <u>(Audited)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,088,910	\$ 1,227,295
Accounts receivable	191,595	205,326
Prepaid expenses and other assets	316,852	181,957
Property and equipment, net	<u>2,281</u>	<u>11,155</u>
 TOTAL ASSETS	 <u>\$ 1,599,638</u>	 <u>\$ 1,625,733</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 129,073	\$ 81,528
Fiscal sponsorships	36,295	114,707
Deferred revenue	<u>955,215</u>	<u>1,046,681</u>
Total liabilities	<u>1,120,583</u>	<u>1,242,916</u>
 Net assets without donor restrictions:		
Undesignated	476,774	371,662
Net property and equipment	<u>2,281</u>	<u>11,155</u>
Total net assets without donor restrictions	<u>479,055</u>	<u>382,817</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,599,638</u>	 <u>\$ 1,625,733</u>

See independent accountant's review report and notes to financial statements.

THE DRUPAL ASSOCIATION  
 STATEMENTS OF ACTIVITIES  
 For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
<b>Changes in net assets without donor restrictions:</b>		
<b>Support and revenue:</b>		
Contributions and sponsorships	\$ 1,249,133	\$ 1,254,701
Conference and training registrations	1,906,171	1,163,016
Donated materials and services	27,500	13,000
Dues and memberships	564,104	612,860
Advertising and other income	580,958	493,820
Net realized and unrealized gain (loss) from currency translation	<u>(4,648)</u>	<u>(6,823)</u>
Total support and revenue	<u>4,323,218</u>	<u>3,530,574</u>
<b>Expenses:</b>		
Program	3,326,080	2,546,597
Management and general	846,218	1,026,910
Fundraising	<u>54,682</u>	<u>82,492</u>
Total expenses	<u>4,226,980</u>	<u>3,655,999</u>
 Change in net assets	 96,238	 (125,425)
<b>Net assets without donor restrictions:</b>		
Beginning of year	<u>382,817</u>	<u>508,242</u>
 End of year	 <u>\$ 479,055</u>	 <u>\$ 382,817</u>

See independent accountant's review report and notes to financial statements.

THE DRUPAL ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2019

(Reviewed)

	Program			Total Program	Management and General	Fundraising	Total
	DrupalCons	Drupal.org Website	Other Programs				
Salaries and related expenses	\$ 318,828	\$ 461,369	\$ 286,612	\$ 1,066,809	\$ 324,587	\$ 46,505	\$ 1,437,901
Professional fees	62,097	134,532	25,200	221,829	129,412	-	351,241
Events and conferences	1,563,690	-	-	1,563,690	-	-	1,563,690
Scholarships and grants	46,114	-	7,902	54,016	-	-	54,016
Marketing	49,523	21	7,000	56,544	39,272	-	95,816
Information technology and website	-	178,127	-	178,127	-	-	178,127
Facilities	-	1,955	-	1,955	12,308	-	14,263
Travel and meals	27,205	16,006	9,764	52,975	17,085	91	70,151
Board expenses	6,449	-	-	6,449	75,518	-	81,967
Office expenses	13,516	19,406	2,533	35,455	38,870	-	74,325
Insurance	-	-	-	-	22,003	-	22,003
Bank fees	65,614	9,316	4,154	79,084	8,314	7,799	95,197
Income and sales taxes	-	-	-	-	176,811	-	176,811
Other operating expenses	2,559	-	-	2,559	40	-	2,599
Depreciation and amortization	1,969	2,849	1,770	6,588	1,998	287	8,873
Total expenses	<u>\$ 2,157,564</u>	<u>\$ 823,581</u>	<u>\$ 344,935</u>	<u>\$ 3,326,080</u>	<u>\$ 846,218</u>	<u>\$ 54,682</u>	<u>\$ 4,226,980</u>

See independent accountant's review 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 accountant's review report and notes to financial statements.

THE DRUPAL ASSOCIATION  
 STATEMENTS OF CASH FLOWS  
 For the years ended December 31, 2019 and 2018

	2019 <u>(Reviewed)</u>	2018 <u>(Audited)</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 96,238	\$ (125,425)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	8,873	15,865
(Increase) decrease in:		
Accounts receivable	13,731	(72,744)
Prepaid expenses and other assets	(134,894)	4,866
Increase (decrease) in:		
Accounts payable and accrued expenses	47,545	(19,664)
Fiscal sponsorships	(78,412)	(71,506)
Deferred revenue	<u>(91,466)</u>	<u>725,816</u>
Net cash flows from operating activities	<u>(138,385)</u>	<u>457,208</u>
Net change in cash and cash equivalents	(138,385)	457,208
Cash and cash equivalents - beginning of year	<u>1,227,295</u>	<u>770,087</u>
Cash and cash equivalents - end of year	<u>\$ 1,088,910</u>	<u>\$ 1,227,295</u>
<b>Supplemental cash flow information:</b>		
Cash paid during the year for income taxes	<u>\$ 78,778</u>	<u>\$ 95,346</u>

See independent accountant's review report and notes to financial statements.



THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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 worldwide 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, 2019 and 2018, 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 \$37,500 and \$45,300 at December 31, 2019 and 2018, respectively.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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 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, which include unconditional promises to give (pledges) are recognized as revenues in the period the Association is notified of the commitment. 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 substantially met.

Memberships, Registrations and Deferred Revenue

Membership dues are recognized as revenue when received. Program and conference registrations and conference sponsorships are recognized as revenue in the period the programs and conferences occur. Advertising revenue for website hosting is recognized and billed monthly. Conference and program registration fees and advertising payments received in advance are reflected as deferred revenue.

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 support without donor restrictions 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.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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

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, 2019 and 2018. 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 \$3,000 and \$9,200, for 2019 and 2018, respectively 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 \$1,700 for 2019 and a gain of \$2,400 in 2018 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 \$74,000 for 2019 and \$155,000 for 2018 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.

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 \$95,800 and \$102,700 during the years ended December 31, 2019 and 2018, respectively. Prepaid expenses included advertising cost of approximately \$12,700 and \$13,700 at December 31, 2019 and 2018, respectively.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements 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 related costs, depreciation and amortization, and other, which are allocated on the basis of estimates of time and effort.

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 February 28, 2020, the date the financial statements were available to be issued.

Change in Accounting Principles

The Association has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. There was no significant impact to the Association's revenue recognition in either year presented for this change in accounting principle.

The Association also implemented Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists organizations in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU 2018-08 were implemented applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. There was no significant impact to the Association's revenue recognition in either year presented for this change in accounting principle.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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.

Financial assets of the Association at December 31, 2019 and 2018 are as follows:

	Available for General <u>Expenditure</u>	Reserved for Fiscal <u>Sponsorships</u>	<u>Total</u>
<b>December 31, 2019</b>			
Cash and cash equivalents	\$ 1,052,615	\$ 36,295	\$ 1,088,910
Accounts receivable	<u>191,595</u>	<u>-</u>	<u>191,595</u>
Total financial assets	<u>\$ 1,244,210</u>	<u>\$ 36,295</u>	<u>\$ 1,280,505</u>
<b>December 31, 2018</b>			
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, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Computer and equipment	\$ 83,974	\$ 83,974
Website	267,242	267,242
Furniture and fixtures	<u>6,345</u>	<u>6,345</u>
Total property and equipment	357,561	357,561
Less accumulated depreciation and amortization	<u>355,280</u>	<u>346,406</u>
Net property and equipment	<u>\$ 2,281</u>	<u>\$ 11,155</u>

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable (contract asset) and customer advances and deposits (contract liabilities) on the statement of financial position.

- Revenue for DrupalCons, and any other events for which participants pay a registration fee, is recognized when the event occurs. Registration fees and event sponsorships, both of which are non-refundable, are often received in advance of events and result in contract liabilities (deferred revenue) until the event occurs and revenue is recognized. These deposits are liquidated when revenue is recognized.
- Generally, billing for advertising and other billed services occurs monthly subsequent to revenue recognition, resulting in contract assets (accounts receivable). However, if advances or deposits are received from customers, before revenue is recognized, these result in contract liabilities (deferred revenue). These deposits are liquidated when revenue is recognized.

The beginning and ending contract balances are as follows:

	December 31,		
	2019	2018	2017
Accounts receivable (contract asset)	\$ 191,595	\$ 205,326	\$ 132,582
Deferred revenue (contract liability):			
Ticket sales	\$ 364,015	\$ 478,200	\$ 65,452
Sponsorships	591,200	568,481	244,920
Advertising	-	-	8,600
	\$ 955,215	\$ 1,046,681	\$ 320,865

Revenue recognized for the years ended December 31, 2019 and 2018 that was included in the contract liability balance at the beginning of each year was \$1,046,681 and \$320,865, respectively.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

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 \$1,941,000 at December 31, 2019.

6. RETIREMENT PLAN

The Association has 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 2019 or 2018.

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 \$802,000 and \$984,000 at December 31, 2019 and 2018, respectively. Credit risk for accounts receivable is concentrated in that approximately 56% of the balance at December 31, 2019 was receivable from one related party company (26% from two, unrelated companies in 2018).

See independent accountant’s review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2019 and 2018

8. RELATED PARTY TRANSACTIONS

Certain board members are in senior management positions with entities that provide sponsorships and engage in business activities with the Association. Sponsorships and supporting partner revenue from these member companies totaled approximately \$474,000 and \$394,000 in 2019 and 2018, respectively, including approximately \$438,000 and \$281,100 from one member during 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Association had a receivable of approximately \$108,000 and \$18,500, respectively, from one of the member companies.

The Association paid the board chair approximately \$52,000 and \$50,000 in 2019 and 2018, respectively, for services in supporting management.

At times, the Association may incur standard program-related expenses to these companies; however, no expenses to these member companies were incurred during 2019 or 2018.

See independent accountant's review report.