

THE DRUPAL ASSOCIATION

Audited Financial Statements

For the Year Ended December 31, 2022



McDONALD JACOBS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Drupalcon, Inc. dba The Drupal Association

Opinion

We have audited the accompanying financial statements of The Drupal Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements 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 The Drupal Association as of December 31, 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 The Drupal Association 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 The Drupal Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Responsibilities 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.

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 The Drupal Association's 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 The Drupal Association's 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.

McDonald Jacobz, P.C.

Portland, Oregon
March 23, 2023

THE DRUPAL ASSOCIATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 2,840,472
Accounts receivable	55,193
Prepaid expenses and other assets	151,034
Property and equipment, net	<u>36,712</u>
 TOTAL ASSETS	 <u>\$ 3,083,411</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 73,675
Deferred revenue	<u>600,300</u>
Total liabilities	<u>673,975</u>
 Net assets:	
Without donor restrictions:	
Undesignated	2,122,033
Board designated	247,825
Net property and equipment	<u>36,712</u>
Total without donor restrictions	2,406,570
With donor restrictions	<u>2,866</u>
Total net assets	<u>2,409,436</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,083,411</u>

See notes to financial statements.

THE DRUPAL ASSOCIATION
STATEMENT OF ACTIVITIES
For the year ended December 31, 2022

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 518,382	\$ 1,646	\$ 520,028
Event sponsorships	1,132,043	-	1,132,043
Conference and training registrations	901,861	-	901,861
Donated materials and services	249,249	-	249,249
Dues and memberships	761,663	-	761,663
Advertising and other income	234,620	-	234,620
Net realized and unrealized loss from currency translation	<u>(1,122)</u>	<u>-</u>	<u>(1,122)</u>
Total support and revenue	<u>3,796,696</u>	<u>1,646</u>	<u>3,798,342</u>
Expenses:			
Program	2,731,885	-	2,731,885
Management and general	514,845	-	514,845
Fundraising	<u>119,657</u>	<u>-</u>	<u>119,657</u>
Total expenses	<u>3,366,387</u>	<u>-</u>	<u>3,366,387</u>
Change in net assets	430,309	1,646	431,955
Net assets:			
Beginning of year	<u>1,976,261</u>	<u>1,220</u>	<u>1,977,481</u>
End of year	<u>\$ 2,406,570</u>	<u>\$ 2,866</u>	<u>\$ 2,409,436</u>

See notes to financial statements.

THE DRUPAL ASSOCIATION
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2022

	Program			Total Program	Management and General	Fundraising	Total
	DrupalCons	Drupal.org Website	Other Programs				
Salaries and related expenses	\$ 217,743	\$ 524,913	\$ 279,389	\$ 1,022,045	\$ 428,973	\$ 53,704	\$ 1,504,722
Professional fees	9,184	557,831	22,400	589,415	22,544	27,581	639,540
Events and conferences	608,132	-	2,191	610,323	-	-	610,323
Scholarships and grants	9,624	-	23,300	32,924	-	-	32,924
Marketing	7,120	324	13,788	21,232	-	-	21,232
Information technology and website	108	149,444	-	149,552	-	-	149,552
Facilities	104,951	4,568	2,017	111,536	1,538	4,398	117,472
Travel and meals	21,731	7,545	13,147	42,423	5,726	6,258	54,407
Office and other operating expenses	27,964	23,213	24,055	75,232	7,484	13,529	96,245
Insurance	4,935	9,815	5,217	19,967	2,679	6,137	28,783
Bank fees	27,858	21,243	5,761	54,862	1,557	7,296	63,715
Income and sales taxes	-	-	-	-	42,892	-	42,892
Other operating expenses	455	1,043	555	2,053	1,407	652	4,112
Depreciation and amortization	71	163	87	321	45	102	468
Total expenses	<u>\$ 1,039,876</u>	<u>\$ 1,300,102</u>	<u>\$ 391,907</u>	<u>\$ 2,731,885</u>	<u>\$ 514,845</u>	<u>\$ 119,657</u>	<u>\$ 3,366,387</u>

See notes to financial statements.

THE DRUPAL ASSOCIATION
STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

Cash flows from operating activities:	
Change in net assets	\$ 431,955
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation and amortization	468
(Increase) decrease in:	
Accounts receivable	135,356
Prepaid expenses and other assets	9,304
Increase (decrease) in:	
Accounts payable and accrued expenses	(64,511)
Deferred revenue	103,099
Refundable advance - Paycheck Protection Program	<u>(278,287)</u>
Net cash flows from operating activities	<u>337,384</u>
 Cash flows from investing activities:	
Purchase of property and equipment	<u>(36,712)</u>
Net cash flows from investing activities	<u>(36,712)</u>
 Net change in cash and cash equivalents	300,672
 Cash and cash equivalents - beginning of year	<u>2,539,800</u>
 Cash and cash equivalents - end of year	<u>\$ 2,840,472</u>
 Supplemental cash flow information:	
Cash paid during the year for income taxes	<u>\$ 98,154</u>

See notes to financial statements.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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. Contributions restricted by donors are reported as increases in net assets without donor restrictions 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 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.

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 cancelable event sponsorships. At December 31, 2022, accounts receivable 90 days past due total approximately \$1,000.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions: Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Association is notified of the commitment. Contributions also include digital sponsorships in which the sponsors receive nothing in exchange other than name recognition on the Association's website. 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. At December 31, 2022, the Association has received \$50,000 in contributions that are conditioned upon meeting specific requirements. Accordingly, the conditional contribution is included in deferred revenue and will be recognized as revenue we the conditions have been satisfied.

Memberships, Event Sponsorships, Registrations and Deferred Revenue: Membership dues are recognized as revenue when received. Conference and training registrations and cancelable event 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 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.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

Revenue Recognition, Continued

Refundable Advance – Paycheck Protection Program: The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. The Association received a PPP loan in 2020 and satisfied the conditions during 2022 and \$281,276, including interest of \$2,989, was recognized as contribution revenue.

Employee Retention Credit: The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Association recognizes revenue when the claim is received and is based on incurring qualified expenses, in the form of eligible wages. Approximately \$90,000 was recognized for the year ended December 31, 2022 and is included in contributions in the statement of activities.

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 \$21,000 during the year ended December 31, 2022. There were no prepaid advertising costs at December 31, 2022.

Foreign Currency Translation

The Association receives a portion of contributions and members dues in foreign currency through PayPal. Foreign currency translation adjustments on funds received resulted in an unrealized loss of approximately \$1,000 for 2022 and has 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 \$100 for 2022 and has been reported in the accompanying statement of activities.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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

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 \$42,900 for 2022 are included in management and general expenses. The Association is not a private foundation.

The Association follows the provisions of FASB ASC Topic 740 *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.

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, insurance 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.

Change in Accounting Standards

The Association has implemented Accounting Standards Update 2020-07, *Presentation and Disclosures by Non-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07) for the year ended December 31, 2022 on a retrospective basis. The standard provides new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. There was no impact on the Association's financial position and change in net assets upon adoption.

Subsequent Events

The Association has evaluated all subsequent events through March 23, 2023, the date the financial statements were available to be issued.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

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 available for general expenditure at December 31, 2022 are as follows:

Cash and cash equivalents	\$ 2,840,472
Accounts receivable	55,193
	<u>2,895,665</u>
Less amounts unavailable for general expenditure:	
Board designated net assets	(247,825)
Net assets with donor restrictions	<u>(2,866)</u>
Financial assets available for general expenditure	<u>\$ 2,644,974</u>

Board designated funds are available for use when approved by the board of directors (See Note 5).

3. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 are as follows:

Computer and equipment	\$ 83,974
Website	267,243
Furniture and fixtures	6,345
Website- in progress	<u>36,712</u>
Total property and equipment	394,274
Less accumulated depreciation and amortization	<u>357,562</u>
Net property and equipment	<u>\$ 36,712</u>

Website in progress relates to Drupal.org infrastructure improvements that are expected to be placed into service during 2023.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

4. 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 \$1,853,600 at December 31, 2022.

5. BOARD DESIGNATED NET ASSETS

The board of directors has designated a reserve to support strategic initiatives outside of the approved budget. The balance at December 31, 2022 totals \$247,825.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds for a volunteer security program.

7. 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 DrupalCon conferences, 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 DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

7. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

Revenue from customers is recognized at the time services are performed.

Revenue earned at a point in time:

Event sponsorships	\$ 1,132,043
Conference and event registrations	901,861
Advertising	<u>192,816</u>
Total revenue from contracts with customers	<u>\$ 2,033,904</u>

The beginning and ending contract balances are as follows:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Accounts receivable	<u>\$ 55,193</u>	<u>\$ 190,549</u>
Deferred revenue (contract liability):		
Sponsorships	<u>\$ 550,300</u>	<u>\$ 497,201</u>

Revenue recognized for the years ended December 31, 2022 that was included in the contract liability balance at the beginning of the year was \$497,201.

8. CONTRIBUTED NONFINANCIAL ASSETS

The Association received the following contributions of nonfinancial assets for the years ended December 31, 2022.

Program services:

Marketing	\$ 13,000
Information technology services	191,749
Website	<u>44,500</u>
Total contributed nonfinancial assets	<u>\$ 249,249</u>

The Association received contributed professional services related to program services. Contributed professional services are recorded at their estimated fair value using current market rates from similar vendors and comparable professionals.

THE DRUPAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

8. CONTRIBUTED NONFINANCIAL ASSETS, Continued

In addition, the Association received contributed services from a large number of volunteers. The value of such services, which do not meet the criteria for recording, has not been recognized in the accompanying financial statements.

9. 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 2022.

10. 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 \$2,340,000 at December 31, 2022.

The Association's revenues are concentrated with 21% of total revenue coming from two organizations that support the Association through membership and event sponsorship for the year ended December 31, 2022.

II. RELATED PARTY TRANSACTIONS

Certain board members are in senior management positions with entities that provide sponsorships, donations, and engage in business activities with the Association. Sponsorships, donations, and supporting partner revenue from these member companies totaled approximately \$682,000 for the year ended December 31, 2022, including approximately \$410,000 from one member during 2022.