



**THE DRUPAL ASSOCIATION**

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**Reviewed Financial  
Statements**

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**For the Year Ended  
December 31, 2014**



**MCDONALD JACOBS**  
ACCOUNTANTS & CONSULTANTS

Mark A. Clift, CPA  
Shareholder

Karin S. Wandtke, CPA  
Shareholder

Sang Ahn, CPA  
Shareholder

Gerard DeBlois Jr., CPA  
Shareholder

Mary Strasdin, CPA  
Shareholder

Jill Oswald  
Shareholder

Anthony Almer, CPA  
Principal

Tyee Carr, CPA  
Principal

Jake Jacobs, CPA  
Principal

Susan J. Marks, CPA  
Principal

Dennis C. Johnson, CPA  
Principal

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Drupalcon, Inc. dba The Drupal Association

We have reviewed the accompanying statement of financial position of Drupalcon, Inc. dba The Drupal Association (a nonprofit organization) as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended.

A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 conformity with accounting principles generally accepted in the United States of America.

We have previously audited Drupalcon, Inc. dba The Drupal Association's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report April 11, 2014. The summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived, but we have not performed any auditing procedures since that date.

*McDonald Jacobs, P.C.*

June 23, 2015

**THE DRUPAL ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**  
**(With comparative totals for 2013)**

	2014 <u>(Reviewed)</u>	2013 <u>(Audited)</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,073,829	\$ 1,572,757
Accounts receivable	56,682	70,473
Prepaid expenses and other assets	160,608	84,951
Property and equipment, net	<u>269,765</u>	<u>260,745</u>
 TOTAL ASSETS	 <u>\$ 1,560,884</u>	 <u>\$ 1,988,926</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 115,772	\$ 108,262
Fiscal sponsorships	123,367	92,139
Deferred revenue	<u>115,034</u>	<u>152,556</u>
Total liabilities	<u>354,173</u>	<u>352,957</u>
Unrestricted net assets:		
Undesignated	936,946	1,375,224
Net property and equipment	<u>269,765</u>	<u>260,745</u>
Total unrestricted net assets	<u>1,206,711</u>	<u>1,635,969</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,560,884</u>	 <u>\$ 1,988,926</u>

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

**THE DRUPAL ASSOCIATION**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2014**  
**(With comparative totals for 2013)**

	2014 <u>(Reviewed)</u>	2013 <u>(Audited)</u>
<b>Changes in unrestricted net assets:</b>		
<b>Support and revenue:</b>		
Contributions and sponsorships	\$ 1,343,125	\$ 1,169,828
Conference and training registrations	2,237,166	2,456,566
Dues and memberships	449,719	398,421
Net realized and unrealized gain (loss) from currency translation	(115,326)	2,799
Advertising and other income	570,192	321,784
Sales, net of cost of goods sold of \$40,541 for 2014 and \$26,424 for 2013	<u>(1,210)</u>	<u>19</u>
Total support and revenue	<u>4,483,666</u>	<u>4,349,417</u>
<b>Expenses:</b>		
Program	3,656,401	2,692,726
Management and general	1,061,723	857,907
Fundraising	<u>194,800</u>	<u>156,323</u>
Total expenses	<u>4,912,924</u>	<u>3,706,956</u>
 Change in unrestricted net assets	 (429,258)	 642,461
<b>Unrestricted net assets:</b>		
Beginning of year	<u>1,635,969</u>	<u>993,508</u>
 End of year	 <u>\$ 1,206,711</u>	 <u>\$ 1,635,969</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, 2014  
(With comparative totals for 2013)

	2014 (Reviewed)						2013	
	Drupalcons	Drupal.org Website	Other Programs	Total Program	Management and General	Fundraising	Total (Audited)	
Salaries and related expenses	\$ 399,669	\$ 589,636	\$ 189,738	\$ 1,179,043	\$ 447,146	\$ 175,373	\$ 1,801,562	\$ 862,265
Professional fees	4,876	36,022	16,986	57,884	86,045	-	143,929	202,599
Events and conferences	1,746,048	-	13,980	1,760,028	28,942	-	1,788,970	1,524,594
Scholarships and grants	42,184	23,388	-	65,572	-	-	65,572	58,296
Marketing	11,998	-	7,097	19,095	3,000	-	22,095	17,610
Information technology and website	264,470	174,162	-	438,632	62,442	-	501,074	501,896
Postage and shipping	125	-	35	160	3,058	76	3,294	5,848
Facilities	95	-	-	95	74,290	-	74,385	28,965
Equipment and maintenance	724	144	-	868	10,720	-	11,588	5,403
Printing	37,250	-	-	37,250	1,320	1,070	39,640	56,936
Travel and meals	1,936	5,587	7,274	14,797	75,091	874	90,762	23,864
Board expenses	-	-	-	-	24,872	-	24,872	46,787
Office expense	15	7,582	1,428	9,025	68,278	194	77,497	50,004
Insurance	-	-	-	-	19,916	-	19,916	9,569
Bank fees	110	2,668	606	3,384	24,492	7,571	35,447	19,734
Income and sales taxes	1,397	-	3,325	4,722	105,456	-	110,178	254,367
Miscellaneous	1,841	-	6	1,847	1,434	100	3,381	4,417
Depreciation and amortization	45,101	14,689	4,209	63,999	25,221	9,542	98,762	33,802
<b>Total expenses</b>	<b>\$ 2,557,839</b>	<b>\$ 853,878</b>	<b>\$ 244,684</b>	<b>\$ 3,656,401</b>	<b>\$ 1,061,723</b>	<b>\$ 194,800</b>	<b>\$ 4,912,924</b>	<b>\$ 3,706,956</b>

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

**THE DRUPAL ASSOCIATION**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2014**  
**(With comparative totals for 2013)**

	<u>2014</u>	<u>2013</u>
	<u>(Reviewed)</u>	<u>(Audited)</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (429,258)	\$ 642,461
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	98,762	33,802
(Increase) decrease in:		
Accounts receivable	13,791	89,474
Prepaid expenses and other assets	(75,657)	(52,102)
Increase (decrease) in:		
Accounts payable and accrued expenses	7,510	5,559
Fiscal sponsorships	31,228	9,062
Deferred revenue	<u>(37,522)</u>	<u>(496,272)</u>
Net cash provided by (used in) operating activities	<u>(391,146)</u>	<u>231,984</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(107,782)</u>	<u>(84,521)</u>
Net cash used in investing activities	<u>(107,782)</u>	<u>(84,521)</u>
Net increase (decrease) in cash and cash equivalents	(498,928)	147,463
Cash and cash equivalents - beginning of year	<u>1,572,757</u>	<u>1,425,294</u>
Cash and cash equivalents - end of year	<u>\$ 1,073,829</u>	<u>\$ 1,572,757</u>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes	\$ 110,081	\$ 143,265

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

**THE DRUPAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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 and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Association and changes therein are classified and reported as unrestricted or restricted net assets. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met, either by actions of the Association and/or the passage of time. At December 31, 2014 and 2013, the Association had only unrestricted net assets.

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.

Property and Equipment

Acquisitions of property and equipment in excess of \$900 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.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014

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

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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Memberships and Registrations

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.

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.

See independent accountant's review report.

THE DRUPAL ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
December 31, 2014

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

Foreign Currency Translation

The Association maintains a bank account in Belgium and hosts conferences in various foreign cities and receives support from members world-wide. Foreign bank balances in the statement of financial position have been translated using the exchange rates in effect as of December 31, 2014 and 2013. Amounts reported in the statement of activities amounts 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 \$111,700 for 2014 (gain of \$5,100 for 2013) and have been reported in the statement of activities. Realized foreign currency transaction losses resulting from exchange rate fluctuations on transactions denominated in a currency other than the functional currency totaled approximately \$3,600 for 2014 (\$2,300 for 2013) 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 \$95,000 for 2014 and \$87,000 for 2013 are included in 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.

The Association's information returns for years ended December 31, 2010 and prior are generally no longer subject to examination by taxing authorities in its major tax jurisdictions.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

See independent accountant's review report.

**THE DRUPAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**December 31, 2014**

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

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 June 23, 2015, the date the financial statements were available to be issued.

Summarized Financial Information for 2013

The financial information as of December 31, 2013 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

**2. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2014 and 2013 are as follows:

	2014	2013
Computer and equipment	\$ 144,910	\$ 59,764
Website	267,243	267,242
Furniture and fixtures	22,635	-
Total property and equipment	434,788	327,006
Less accumulated depreciation and amortization	165,023	66,261
Net property and equipment	\$ 269,765	\$ 260,745

See independent accountant's review report.

**THE DRUPAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**December 31, 2014**

**3. DEFERRED REVENUE**

Deferred revenue at December 31, 2014 and 2013 consists of funds received in advance for advertising and conferences to be held as follows:

	<u>2014</u>	<u>2013</u>
Advertising	\$ 6,320	\$ 10,300
Austin - June 2014	-	118,061
Amsterdam - September 2014	-	24,195
Bogota - February 2015	48,245	-
Los Angeles - May 2015	47,100	-
Barcelona - September 2015	<u>13,369</u>	<u>-</u>
Total deferred revenue	<u>\$ 115,034</u>	<u>\$ 152,556</u>

**4. LEASE COMMITMENTS**

The Association leased its administrative office under an operating lease which expired December 31, 2013. The Association continued to lease on a month-to-month basis through February 2014.

The Association entered into a new lease for administrative office space beginning March 2014. The lease has a base monthly rent of \$6,350 with escalating lease payments for subsequent years until expiration of the lease on March 31, 2021.

Rent expense totaled approximately \$65,000 and \$27,000 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease commitments are as follows:

Years ending December 31, 2015	\$ 79,600
2016	82,300
2017	84,800
2018	87,300
2019	90,000
Thereafter	<u>116,000</u>
	<u>\$ 540,000</u>

See independent accountant's review report.

**THE DRUPAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**December 31, 2014**

**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 \$668,600 at December 31, 2014.

**6. 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 were approximately \$664,000 and \$1,167,000 as of December 31, 2014 and 2013, respectively.

**7. RELATED PARTY TRANSACTIONS**

Five member companies have executives that also serve on the board of directors of the Association. The Association made payments to these companies for standard program-related purposes during 2014 and 2013 as follows:

	<u>2014</u>	<u>2013</u>
Acquia	\$ 3,942	\$ 6,910
Palantir.net	4,400	4,305
Phase2	-	34,421
Wunderkraut	<u>8,294</u>	<u>-</u>
Total	<u>\$ 16,636</u>	<u>\$ 45,636</u>

See independent accountant’s review report.