



WIKIMEDIA FOUNDATION, INC.

Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

WIKIMEDIA FOUNDATION, INC.

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KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Directors
Wikimedia Foundation, Inc.:

We have audited the accompanying financial statements of Wikimedia Foundation, Inc., which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 entity'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 entity'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 Wikimedia Foundation, Inc. as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1 to the financial statements, during the year ended June 30, 2019, the Foundation adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. Our opinion is not modified with respect to this matter.

KPMG LLP

San Francisco, California
September 24, 2019

WIKIMEDIA FOUNDATION, INC.

Balance Sheets

June 30, 2019 and 2018

| Assets | 2019 | 2018 |
|---|-----------------------|--------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 101,932,698 | 73,900,242 |
| Restricted cash | 860,287 | 852,369 |
| Contributions receivable | 300,000 | 250,000 |
| Short-term investments | 52,989,896 | 50,555,375 |
| Prepaid expenses and other current assets | <u>2,650,788</u> | <u>3,268,111</u> |
| Total current assets | 158,733,669 | 128,826,097 |
| Property and equipment, net | 5,688,104 | 6,326,918 |
| Long-term investments | <u>11,597,936</u> | <u>10,697,763</u> |
| Total assets | <u>\$ 176,019,709</u> | <u>145,850,778</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable | \$ 2,987,508 | 3,400,188 |
| Accrued expenses | 5,222,878 | 4,912,160 |
| Other liabilities | <u>2,167,898</u> | <u>2,588,860</u> |
| Total current liabilities | <u>10,378,284</u> | <u>10,901,208</u> |
| Total liabilities | <u>10,378,284</u> | <u>10,901,208</u> |
| Net assets: | | |
| Net assets without donor restrictions | 161,502,538 | 132,849,282 |
| Net assets with donor restrictions | <u>4,138,887</u> | <u>2,100,288</u> |
| Total net assets | <u>165,641,425</u> | <u>134,949,570</u> |
| Total liabilities and net assets | <u>\$ 176,019,709</u> | <u>145,850,778</u> |

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Statements of Activities

Years ended June 30, 2019 and 2018

| | 2019 | 2018 |
|---|----------------|-------------|
| Net assets without donor restrictions: | | |
| Support and revenue: | | |
| Donations and contributions | \$ 110,972,163 | 97,748,964 |
| In-kind service revenue | 1,361,958 | 2,781,234 |
| Foreign currency gains | 30,311 | 251,596 |
| Other income, net | 233,232 | 140,870 |
| Investment income, net | 4,640,534 | 835,304 |
| Release of net assets with donor restrictions | 2,829,068 | 2,747,815 |
| Total support and revenue | 120,067,266 | 104,505,783 |
| Expenses: | | |
| Salaries and wages | 46,146,897 | 38,597,407 |
| Awards and grants | 12,653,284 | 13,555,339 |
| Internet hosting | 2,335,918 | 2,342,130 |
| In-kind service expenses | 1,361,958 | 2,781,234 |
| Donation processing expenses | 4,977,583 | 4,512,139 |
| Professional service expenses | 8,998,261 | 7,059,832 |
| Other operating expenses | 9,005,744 | 7,033,513 |
| Travel and conferences | 2,867,774 | 2,389,279 |
| Depreciation and amortization | 2,856,901 | 2,903,910 |
| Special event expense, net | 209,690 | 267,482 |
| Total expenses | 91,414,010 | 81,442,265 |
| Increase in net assets without donor restrictions | 28,653,256 | 23,063,518 |
| Net assets with donor restrictions: | | |
| Contributions | 4,867,667 | 1,303,670 |
| Net assets released from restrictions | (2,829,068) | (2,747,815) |
| Increase (decrease) in net assets with donor restrictions | 2,038,599 | (1,444,145) |
| Increase in net assets | 30,691,855 | 21,619,373 |
| Net assets at beginning of year | 134,949,570 | 113,330,197 |
| Net assets at end of year | \$ 165,641,425 | 134,949,570 |

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.
Statements of Cash Flows
Years ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|--------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 30,691,855 | 21,619,373 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,856,901 | 2,903,910 |
| Donation of common stock | (87,679) | (75,412) |
| Proceeds from sales of donated common stock | 88,173 | 75,336 |
| Loss on disposal of equipment | 3,846 | 86,925 |
| Unrealized and realized (gain) loss on investments, net | (1,689,954) | 938,832 |
| Changes in operating assets and liabilities: | | |
| Contributions receivable | (50,000) | 246,330 |
| Prepaid expenses and other current assets | 617,323 | (50,725) |
| Accounts payable | (412,680) | 701,210 |
| Accrued expenses | 310,718 | 1,344,053 |
| Other liabilities | (155,865) | 192,793 |
| Net cash provided by operating activities | <u>32,172,638</u> | <u>27,982,625</u> |
| Cash flows from investing activities: | | |
| Purchase of computer equipment | (2,200,647) | (2,468,880) |
| Purchase of office furniture | (21,285) | (214,498) |
| Leasehold improvements | — | (251,992) |
| Purchase of investments | (18,175,533) | (26,727,496) |
| Proceeds from sales and maturities of investments | 16,530,300 | 26,314,552 |
| Net cash used in investing activities | <u>(3,867,165)</u> | <u>(3,348,314)</u> |
| Cash flows from financing activity: | | |
| Payment on capital lease obligations | (265,099) | (294,003) |
| Net cash used in financing activity | <u>(265,099)</u> | <u>(294,003)</u> |
| Net increase in cash, cash equivalents, and restricted cash | 28,040,374 | 24,340,308 |
| Cash, cash equivalents, and restricted cash at beginning of year | <u>74,752,611</u> | <u>50,412,303</u> |
| Cash, cash equivalents, and restricted cash at end of year | <u>\$ 102,792,985</u> | <u>74,752,611</u> |
| Supplemental cash flow disclosures: | | |
| Noncash changes in exchange rate | \$ 30,368 | 223,227 |
| Noncash leasehold improvements allowance | — | 1,762,656 |

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Purpose

The Wikimedia Foundation, Inc. (the Foundation) is the nonprofit organization that operates Wikipedia, the free encyclopedia. Based in San Francisco, California, the Foundation is a 501(c)(3) charity that is funded primarily through donations and contributions.

(b) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Chapter 220.13 of the Florida Statutes and Sections 23701d of Revenue and Taxation Code of the State of California. The Internal Revenue Service has determined that the Foundation is not a private foundation and contributions to it qualify as charitable contribution deductions.

The Foundation has evaluated the financial statement impact of positions taken or expected to be taken in its tax returns. Management has determined that no tax liabilities need to be recorded under applicable accounting guidance. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

(c) Financial Statement Presentation

Net assets, support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Net assets without donor restrictions represent unrestricted resources available to support operations and also include previously temporarily restricted resources, which have become available for use by the Foundation in accordance with the intentions of donors.

Net assets with donor restrictions represent contributions that are limited in use by the Foundation in accordance with donor imposed stipulations. The stipulations may expire with time or may be satisfied and removed by the actions of the Foundation according to the terms of the contribution by the donor. Once such stipulations are satisfied, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Contributions received are recorded as net assets without donor restriction or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

(d) Cash and Cash Equivalents

The Foundation manages its cash through major financial institutions. At June 30, 2019 and 2018, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions was approximately \$85.2 million and \$72.0 million, respectively. Cash balances are insured by the Federal Deposit Insurance Corporation up to the applicable limits. The Foundation's current practice is to maintain at least six months of cash and cash equivalents to support a

WIKIMEDIA FOUNDATION, INC.

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combination of operating cash and a current reserve fund. The Foundation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents of \$16.7 million and \$1.9 million as of June 30, 2019 and 2018, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurement*.

(e) Restricted Cash

Restricted cash is required to maintain a standby letter of credit in relation to the Foundation's office lease. At June 30, 2019 and 2018, the Foundation has restricted cash of \$860,287 and \$852,369, respectively. As of June 30, 2019, the letter of credit has not been used.

(f) Contributions Receivable

Contributions receivable represent gift amounts due from various entities, which are occasionally directed at specific activities. Contributions receivable due more than one year from the contribution date are discounted to present value using a fair value rate based on the U.S. Treasury bond rate and reflect the risks inherent in these cash flows. Contributions receivable are subject to review and adjustment by management should amounts be deemed uncollectible.

(g) Investments

The Foundation's policy regarding investments is to invest surplus cash in short-term, intermediate-term, and long-term fixed income, and equity instruments without assuming material undue risk to principal. Preservation of principal and maintenance of liquidity are priorities over yield. Investments are reported at fair value with realized and unrealized gains and losses, and accrued interest included as a component of the change in net assets. Additionally, the Foundation holds no shares of donated stock as of June 30, 2019 or 2018, consistent with its policy to sell stock received through donations as soon as possible.

The Foundation presents its investment portfolios as short-term and long-term based on the investment guidelines stipulated in the investment policy.

ASC Topic 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date. The Foundation's Level 1 assets are investments in marketable securities, including stocks and mutual funds.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly. The Foundation's Level 2 assets are investments in certificate of deposits, corporate bonds, mortgage-backed securities, and U.S. Treasury securities.
- Level 3 inputs are unobservable inputs from investments. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

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As a policy, the Foundation recognizes transfers between levels at the end of the reporting period.

(h) Property and Equipment, Net

Expenditures for property and equipment with useful lives of one year or more are capitalized and recorded at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful life of furniture is five years, while the estimated useful lives of computer equipment and software are three years. Leasehold improvements are amortized over the shorter of the life of the lease or the leasehold improvement. Donated computer equipment and software are recorded at the fair value of the items at the time of the donation and are deemed as contributions without donor restriction in the year in which they are received. Repairs and maintenance of equipment are charged to operations. Upon retirement, sale, or other disposition of property and equipment, costs, and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Leased capital equipment is recorded at the lower of the present value of the future minimum lease payments or fair market value of the equipment at the inception date of each installation. Depreciation is recorded on a straight-line basis from inception date through the end of each lease term. Upon the end of the lease term, the equipment is returned to the lessor.

(i) Other Operating Expenses

Other operating expenses primarily include facility expenses, funding of the Wikidata project, staff related expenses, insurance and personal property tax expenses, and other general administrative expenses.

(j) Special Event Expense, Net

Special event expense, net includes costs for the annual Wikimania Conference, such as venue rental and catering services, net of sponsorship income and registration fees.

(k) Noncash Contributions

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by the donation, and (3) are professional in nature, and have been explicitly agreed to in advance.

A substantial number of volunteers make significant contributions of their time in the furtherance of the Foundation's projects. The value of this contributed time is not reflected in the accompanying financial statements, as the criteria above are not met.

In-kind service revenue and expenses recorded in the statements of activities consist of contributed legal services, internet hosting services and subscription services. The amounts of specialized contributed legal services as revenue and expenses are \$1,335,851 and \$2,748,512 for the years ended June 30, 2019 and 2018, respectively. The value of contributed internet hosting and subscription services for the years ended June 30, 2019 and 2018 is \$26,107 and \$32,722, respectively.

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Included in the 2019 and 2018 amounts are donated hosting services and bandwidth from six companies: (1) FiberRing (formerly LeaseWeb), (2) Telia Carrier, (3) Tele2, (4) Datahop, (5) Liberty Global/Ziggo, and (6) Init7.

Noncash contributions also include donated investments, which are recorded as contributions in the statements of activities at fair value at the date of donation.

(l) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include the investment valuations, useful lives of fixed assets, and the valuation of in-kind gifts. Accordingly, actual results could differ from those estimates.

(m) Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Foundation adopted this standard retrospectively on July 1, 2018. The primary impacts included the consolidation of temporarily and permanently restricted net assets into a single "with donor restrictions" category for each year presented, presentation of investment income net of related expenses, and enhanced disclosures on the liquidity and availability of financial resources.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Lessees are required to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. The standard is effective for the Foundation on July 1, 2021. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to reduce diversity in practice and enhance comparability among entities. The standard provides clarifications to help an entity evaluate whether it should account for a grant (or similar transaction) as a contribution or as an exchange transaction. The standard also clarifies and expands the criteria for determining whether a contribution is conditional. The standard is effective for the Foundation on July 1, 2020. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

(2) Contributions Receivable

As of June 30, 2019 and 2018, contributions receivable was \$300,000 and \$250,000, respectively, and represent contributions receivable from one grant.

Additionally, during the period ended June 30, 2017, the Foundation received a conditional promise in the amount of \$3.015 million for the Structured Data project. A conditional promise requires a future event to

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take place before the promise becomes binding on the donor. Typically, the Foundation has no control over the required event. Contribution revenue recognized during each of the years ended June 30, 2019 and 2018 related to this conditional promise was \$1 million. Through June 30, 2019, the entire \$3.015 million has been received.

(3) Fair Value of Investments

The following tables present the fair value of investments based on hierarchical level as of June 30, 2019 and 2018:

| | Fair value measurements at reporting date using | | June 30, 2019 |
|----------------------------|---|--|----------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | |
| Short-term investments: | | | |
| Corporate bonds | \$ — | 27,246,378 | 27,246,378 |
| Mortgage-backed securities | — | 4,854,847 | 4,854,847 |
| U.S. Treasury securities | — | 20,888,671 | 20,888,671 |
| Total | \$ — | 52,989,896 | 52,989,896 |

| | Fair value measurements at reporting date using | | June 30, 2019 |
|----------------------------|---|--|----------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | |
| Long-term investments: | | | |
| Corporate bonds | \$ — | 1,986,129 | 1,986,129 |
| Stocks | 6,146,604 | — | 6,146,604 |
| Mortgage-backed securities | — | 1,301,434 | 1,301,434 |
| U.S. Treasury securities | — | 2,163,769 | 2,163,769 |
| Total | \$ 6,146,604 | 5,451,332 | 11,597,936 |

WIKIMEDIA FOUNDATION, INC.

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| | Fair value measurements at reporting date using | | |
|--------------------------------|---|--|----------------------|
| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | June 30, 2018 |
| Short-term investments: | | | |
| Certificates of deposit | \$ — | 1,002,723 | 1,002,723 |
| Corporate bonds | — | 25,185,670 | 25,185,670 |
| Mortgage-backed securities | — | 8,994,680 | 8,994,680 |
| U.S. Treasury securities | — | 15,372,302 | 15,372,302 |
| Total | \$ — | 50,555,375 | 50,555,375 |
| Long-term investments: | | | |
| Corporate bonds | \$ — | 1,638,254 | 1,638,254 |
| Stocks | 5,577,009 | — | 5,577,009 |
| Mortgage-backed securities | — | 1,776,964 | 1,776,964 |
| U.S. Treasury securities | — | 1,705,536 | 1,705,536 |
| Total | \$ 5,577,009 | 5,120,754 | 10,697,763 |

Fair Value of Financial Instruments

The fair values of the financial instruments as of June 30, 2019 and 2018 represent management's best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, restricted cash, current contributions receivable, prepaid expenses, other current assets, accounts payable, accrued expenses, and other liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments: Marketable securities, such as stocks, are measured using quoted market prices at the reporting date multiplied by the quantity held. Certificates of deposit, mortgage-backed securities, U.S. Treasury securities, and U.S. corporate bonds are measured using significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

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(4) Property and Equipment, Net

Property and equipment at June 30, 2019 and 2018 consist of the following:

| | 2019 | 2018 |
|--|--------------|--------------|
| Furniture | \$ 795,217 | 779,982 |
| Leasehold improvements | 2,074,581 | 2,074,581 |
| Capital lease computer equipment | 946,217 | 946,217 |
| Computer equipment | 15,601,145 | 14,340,484 |
| Total | 19,417,160 | 18,141,264 |
| Less accumulated depreciation and amortization | (13,729,056) | (11,814,346) |
| Property and equipment, net | \$ 5,688,104 | 6,326,918 |

(5) Net Assets

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes:

| | 2019 | 2018 |
|---|--------------|-------------|
| Restricted to future periods | \$ 125,000 | 1,000,000 |
| Restricted by purpose: | | |
| Craig Newmark Foundation – Security Governance and Engineering | 2,500,000 | — |
| Google Inc. – Content Creation | 387,403 | — |
| Seigel Family Endowment – Research Outreach and Advocacy | 550,000 | — |
| Sloan Foundation – Bolster Wikipedia’s Readership & Editors | — | 250,000 |
| Sloan Foundation – Structured Data | 576,484 | 850,288 |
| Net assets with donor restrictions | \$ 4,138,887 | 2,100,288 |

(6) Functional Allocation of Expenses

Costs of providing the Foundation’s activities have been summarized below on a functional basis. Programs comprise various initiatives that focus on (1) building the technological and operating platform that enables the Foundation to function sustainably as a top global internet organization, (2) strengthening, growing, and increasing diversity of the Wikimedia communities, and (3) accelerating impact by investing in key geographic areas, mobile application development, and bottom-up innovation, all of which support Wikipedia and other wiki-based projects. The allocation between programs, general and administrative, and fundraising expenses is based on personnel and related costs and other operating expenses such as rent and office expenses using estimates of time spent or percentage of utilization by headcounts, as well as

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direct costs incurred for the relevant activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services for the years ended June 30, 2019 and 2018, as follows:

| 2019 | | | | |
|-------------------------------|----------------------|---------------------------------------|---------------------|-------------------|
| | Programs | General and administrative | Fund-raising | Total |
| Salaries and wages | \$ 36,125,042 | 6,278,186 | 3,743,669 | 46,146,897 |
| Awards and grants | 12,653,284 | — | — | 12,653,284 |
| Internet hosting | 2,335,918 | — | — | 2,335,918 |
| In-kind service expenses | 1,361,958 | — | — | 1,361,958 |
| Donation processing expenses | — | — | 4,977,583 | 4,977,583 |
| Professional service expenses | 5,695,006 | 1,712,914 | 1,590,341 | 8,998,261 |
| Other operating expenses | 5,409,892 | 3,209,584 | 386,268 | 9,005,744 |
| Travel and conferences | 2,396,032 | 252,675 | 219,067 | 2,867,774 |
| Depreciation and amortization | 2,058,270 | 798,631 | — | 2,856,901 |
| Special event expense, net | 209,690 | — | — | 209,690 |
| | <u>\$ 68,245,092</u> | <u>12,251,990</u> | <u>10,916,928</u> | <u>91,414,010</u> |

| 2018 | | | | |
|-------------------------------|----------------------|---------------------------------------|---------------------|-------------------|
| | Programs | General and administrative | Fund-raising | Total |
| Salaries and wages | \$ 29,415,088 | 5,785,743 | 3,396,576 | 38,597,407 |
| Awards and grants | 13,555,339 | — | — | 13,555,339 |
| Internet hosting | 2,342,130 | — | — | 2,342,130 |
| In-kind service expenses | 2,710,192 | 71,042 | — | 2,781,234 |
| Donation processing expenses | — | — | 4,512,139 | 4,512,139 |
| Professional service expenses | 4,366,244 | 1,418,094 | 1,275,494 | 7,059,832 |
| Other operating expenses | 4,319,464 | 2,387,835 | 326,214 | 7,033,513 |
| Travel and conferences | 1,886,941 | 264,503 | 237,835 | 2,389,279 |
| Depreciation and amortization | 2,156,149 | 747,761 | — | 2,903,910 |
| Special event expense, net | 267,482 | — | — | 267,482 |
| | <u>\$ 61,019,029</u> | <u>10,674,978</u> | <u>9,748,258</u> | <u>81,442,265</u> |

The Foundation has a program of awarding grants to support chapters, affiliates, user groups, and individuals in projects that further the mission of the Foundation. Chapters are independent organizations that share the goals of the Foundation and support them within a specified geographical region. In addition to this work, which is reflected above in the awards and grants line, an overwhelming majority of the Foundation's project activities are carried out by an international network of volunteers, whose activity is not reflected in the tables above.

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For example (unaudited):

- Wikipedia and the other projects operated by the Foundation receive more than 15.4 billion page views per month, making them one of the most popular Web properties worldwide. Wikipedia is available in more than 294 languages and contains more than 51.1 million articles contributed by a global volunteer community.
- For the year ended June 30, 2019, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 2.7 million articles to approximately 50.9 million articles.
- For the year ended June 30, 2019, volunteers added approximately 5.9 million images, movies, and sound files to the Foundation's multimedia repository, making the total 54.7 million files.
- Volunteers also contribute in several ways to the Foundation's wiki software: volunteer software developers add new functionality to the code base, and volunteer language specialists add to the code base by translating the wiki interface into different languages. During the year ended June 30, 2019, there were 48,361 commits merged, through the efforts of approximately 447 authors/contributors, of which 9,158 commits were through the efforts of approximately 258 volunteers.

During the year ended June 30, 2016, the Foundation entered into an agreement with the Tides Foundation to establish the Wikimedia Endowment as a Collective Action Fund to act as a permanent safekeeping fund to generate income to ensure a base level of support for the Wikimedia projects in perpetuity. The Endowment is independent from the Foundation. Over the past four fiscal years, the Foundation provided irrevocable grants in the total amount of \$20 million (\$5 million per fiscal year) to the Tides Foundation for the purpose of the Wikimedia Endowment. The amounts are recorded in awards and grants expense.

(7) Operating Leases

In 2017, the Foundation entered into a seven-year non-cancelable operating lease for its headquarters in San Francisco with a commencement date of October 1, 2017. The lease provides the Foundation the option to extend the lease term for one additional period of five years.

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including any periods of free rent. Rental expense for operating leases for the years ended June 30, 2019 and 2018 was \$1,489,134 and \$1,440,110, respectively.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019 and 2018

Future minimum lease payments under non-cancelable operating leases as of June 30, 2019 are as follows:

| | <u>Lease payments</u> |
|------------------------------|----------------------------|
| Year ending June 30: | |
| 2020 | \$ 1,481,050 |
| 2021 | 1,525,482 |
| 2022 | 1,571,247 |
| 2023 | 1,618,384 |
| 2024 | 1,666,935 |
| 2025 and thereafter | <u>419,791</u> |
| Total minimum lease payments | \$ <u><u>8,282,889</u></u> |

(8) Capital Leases

For the years ended June 30, 2019 and 2018, the total amortization of assets held under capital leases, primarily related to assorted data center equipment, was \$255,942 and \$295,751, respectively, and is included in depreciation and amortization expense. The implicit interest rate on the lease was estimated at 5 percent. Capital leases are recorded in other liabilities on the balance sheet.

The future minimum lease obligation and the present value of the minimum lease payments as of June 30, 2019 are as follows:

| | |
|---|--------------------------|
| Year ending June 30: | |
| 2020 | \$ <u>196,265</u> |
| Total minimum lease payments | 196,265 |
| Less interest | <u>4,506</u> |
| Present value of minimum lease payments | \$ <u><u>191,759</u></u> |

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2019 and 2018

(9) Retirement Plan

The Foundation offers a 401(k) plan (the Plan) to all of its employees residing in the United States. Employees are eligible to participate in the Plan upon employment. Effective January 1, 2011, the Foundation matches employee contributions on a dollar-for-dollar basis up to 4% of the employee's compensation. The Foundation contributed \$1,078,938 and \$937,816 to the Plan for the years ended June 30, 2019 and 2018, respectively.

(10) Liquidity and Availability of Financial Assets

The Foundation's financial assets available for general expenditure within one year of the balance sheet date are as follows:

| | <u>June 30, 2019</u> |
|--|-----------------------|
| Cash and cash equivalents | \$ 101,932,698 |
| Contributions | 300,000 |
| Short-term investments | <u>52,989,896</u> |
| Total financial assets | 155,222,594 |
| Less: | |
| Restricted by donors for programs | 4,013,887 |
| Unrestricted contributions for future use greater than one year | <u>75,000</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 151,133,707</u> |

The Foundation's liquidity management includes a policy of structuring its financial assets to be available to meet its general expenditures, liabilities, grant-making and other obligations as they come due. Cash and cash equivalents as reported on the balance sheet at June 30, 2019 and 2018, are the primary liquid resources used by the Foundation to meet these obligations. Financial assets invested in the short-term and long-term investments can be liquidated at any time as needed.

(11) Contingencies and Commitments

In the normal course of business, the Foundation receives various threats of litigation. In the opinion of management, the outcome of the pending lawsuits will not materially affect operations or the financial position of the Foundation.

As of June 30, 2019 and 2018, the Foundation has committed to give grants in the amounts totaling \$2,695,610 and \$2,855,879, respectively, which are scheduled to be paid over the next 12 months and included as accrued expenses on the balance sheets.

(12) Subsequent Events

The Foundation has evaluated its subsequent events through September 24, 2019, the date at which the financial statements were available to be issued, and determined there are no items to disclose.