



**WIKIMEDIA FOUNDATION, INC.**

Consolidated Financial Statements

June 30, 2021 and 2020

(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 consolidated financial statements of Wikimedia Foundation, Inc. and subsidiary, which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wikimedia Foundation, Inc. and subsidiary as of June 30, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

San Francisco, California  
October 7, 2021

**WIKIMEDIA FOUNDATION, INC.**

Consolidated Balance Sheets

June 30, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Current assets:		
Cash and cash equivalents	\$ 86,811,585	71,223,962
Contributions receivable	700,000	300,000
Short-term investments	117,288,017	95,302,300
Prepaid expenses and other current assets	3,878,743	3,821,590
Total current assets	208,678,345	170,647,852
Restricted cash	872,229	870,575
Long-term investments	20,196,126	12,293,520
Noncurrent portion of contributions receivable	690,399	—
Property and equipment, net	9,798,002	7,451,015
Total assets	\$ 240,235,101	191,262,962
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 2,913,957	1,570,288
Accrued expenses	4,719,375	7,690,014
Other liabilities	1,424,233	1,686,935
Total current liabilities	9,057,565	10,947,237
Net assets:		
Net assets without donor restrictions	229,294,335	178,247,468
Net assets with donor restrictions	1,883,201	2,068,257
Total net assets	231,177,536	180,315,725
Total liabilities and net assets	\$ 240,235,101	191,262,962

See accompanying notes to consolidated financial statements.

**WIKIMEDIA FOUNDATION, INC.**

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Support and revenue:		
Donations and contributions	\$ 153,096,642	120,446,591
In-kind service revenue	473,709	407,711
Foreign currency gains (losses)	1,576,737	(480,531)
Other income, net	986,854	804,779
Investment income, net	4,352,289	5,512,480
Release of net assets with donor restrictions	2,400,455	2,543,297
Total support and revenue	<u>162,886,686</u>	<u>129,234,327</u>
Expenses:		
Salaries and wages	67,857,676	55,634,912
Awards and grants	9,810,844	22,893,806
Internet hosting	2,384,439	2,400,286
In-kind service expenses	473,709	407,711
Donation processing expenses	6,386,483	4,857,199
Professional service expenses	12,084,019	11,670,125
Other operating expenses	10,383,125	10,047,127
Travel and conferences	29,214	2,309,068
Depreciation and amortization	2,430,310	1,951,405
Special event expense, net	—	317,758
Total expenses	<u>111,839,819</u>	<u>112,489,397</u>
Increase in net assets without donor restrictions	<u>51,046,867</u>	<u>16,744,930</u>
Net assets with donor restrictions:		
Contributions	2,215,399	472,667
Net assets released from restrictions	<u>(2,400,455)</u>	<u>(2,543,297)</u>
Decrease in net assets with donor restrictions	<u>(185,056)</u>	<u>(2,070,630)</u>
Increase in net assets	50,861,811	14,674,300
Net assets at beginning of year	<u>180,315,725</u>	<u>165,641,425</u>
Net assets at end of year	<u>\$ 231,177,536</u>	<u>180,315,725</u>

See accompanying notes to consolidated financial statements.

**WIKIMEDIA FOUNDATION, INC.**

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Increase in net assets	\$ 50,861,811	14,674,300
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,430,310	1,951,405
Loss on disposal of equipment	12,075	2,413
Unrealized and realized gain on investments, net	(1,671,560)	(2,361,336)
Changes in operating assets and liabilities:		
Contributions receivable	(1,090,399)	—
Prepaid expenses and other current assets	(57,153)	(1,170,802)
Accounts payable	1,343,669	(1,417,220)
Accrued expenses	(2,970,639)	2,467,136
Other liabilities	(262,702)	(289,237)
Net cash provided by operating activities	<u>48,595,412</u>	<u>13,856,659</u>
Cash flows from investing activities:		
Purchase of computer equipment	(3,193,905)	(3,709,426)
Purchase of office furniture	—	(7,304)
Development of internal use software	(1,595,469)	—
Purchase of investments	(78,898,520)	(69,463,308)
Proceeds from sales and maturities of investments	50,681,759	28,816,657
Net cash used in investing activities	<u>(33,006,135)</u>	<u>(44,363,381)</u>
Cash flows from financing activity:		
Payment on capital lease obligations	—	(191,726)
Net cash used in financing activity	<u>—</u>	<u>(191,726)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	15,589,277	(30,698,448)
Cash, cash equivalents, and restricted cash at beginning of year	<u>72,094,537</u>	<u>102,792,985</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 87,683,814</u>	<u>72,094,537</u>
Supplemental cash flow disclosure:		
Noncash changes in exchange rate	\$ 1,584,962	(480,067)

See accompanying notes to consolidated financial statements.

## WIKIMEDIA FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

#### **(1) Organization and Summary of Significant Accounting Policies**

##### **(a) Organization and Purpose**

The accompanying consolidated financial statements present the financial position, change in net assets and cash flows of the Wikimedia Foundation, Inc. (the Foundation) and Wikimedia, LLC.

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

On March 1, 2021, a Limited Liability Company Agreement was executed by Wikimedia, LLC, a Delaware Limited Liability Company, with the effective date of July 1, 2020, naming the Foundation as its Sole Member. The Wikimedia, LLC is organized and operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code and is a disregarded entity for tax purposes.

##### **(b) Risks and Uncertainties**

The global COVID-19 pandemic still exists and continues to evolve, and the number of cases is rising again across the world, which creates risks and uncertainties.

The Foundation has measures to monitor and mitigate the effects of COVID-19, such as the health and safety of its staff, volunteer communities, and the general public, by continuing to institute a work from home directive, provide reduced or flexible work hours, and postpone all in-person events or convening and travel. As of the date of this report and during the fiscal year July 1, 2020 through June 30, 2021, the Foundation has experienced tremendous success in its fundraising campaigns and no adverse impact to its business operations or disruptions to the access of Wikipedia and other Wikimedia projects.

The Foundation's operations are funded primarily by public donations from individuals as well as grants from foundations and corporations. Additionally, the Foundation has a significant amount of investments primarily in fixed income and equity holdings.

The extent of the impact of COVID-19 on the Foundation's business operations, fundraising ability, and investment holdings beyond the date of this report will continue and cannot be predicted. Given the uncertainties, the Foundation cannot reasonably estimate the full impact of COVID-19 on the Foundation's operations and financial statements.

##### **(c) 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 contributions.

**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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 consolidated financial statements taken as a whole.

**(d) 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.

**(e) Cash and Cash Equivalents**

The Foundation manages its cash through major financial institutions. At June 30, 2021 and 2020, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions was approximately \$78.9 million and \$57.7 million, respectively. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable limits. Cash balances held in these financial institutions at June 30, 2021 and 2020 exceed the applicable FDIC insurance limits. The Foundation's current practice is to maintain at least six months of cash and cash equivalents to support a 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 when purchased to be cash equivalents. Cash equivalents of \$7.9 million and \$13.5 million as of June 30, 2021 and 2020, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurement*.

**(f) Restricted Cash**

Restricted cash is required to maintain a standby letter of credit in relation to the Foundation's headquarters office lease. As of June 30, 2021, the letter of credit has not been used.



**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(g) 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.

**(h) 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, 2021 or 2020, 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 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.

**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(i) 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 and data center equipment is five years, computer equipment such as laptops and desktops is four years, while the estimated useful lives of 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 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 or purchased by the Foundation.

**(j) 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.

**(k) 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.

**(l) Noncash Contributions**

Contributed services are reported at fair value in the consolidated 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 consolidated financial statements, as the criteria above are not met.

In-kind service revenue and expenses recorded in the consolidated 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 \$427,685 and \$375,561 for the years ended June 30, 2021 and 2020, respectively. The value of contributed internet hosting and subscription services for the years ended June 30, 2021 and 2020 is \$46,024 and \$32,150, respectively.

## WIKIMEDIA FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

Included in the 2021 and 2020 amounts are donated hosting services and bandwidth from six companies: (1) FiberRing, (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 consolidated statements of activities at fair value at the date of donation.

#### **(m) 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 consolidated financial statements and accompanying notes. 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.

#### **(n) Recently Issued Accounting Standards**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 and when a contribution should be recognized. The amendments apply to both resources received by a recipient and given by a resource provider. The Foundation adopted this standard on a modified prospective basis on July 1, 2019 as a resource recipient and on July 1, 2020 as a resource provider. The adoption of this standard did not have a significant impact on the Foundation's financial reporting.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update remove or modify certain disclosure requirements. The Foundation adopted this standard on July 1, 2020 and, as a result, has removed certain disclosures on transfers between levels of the fair value hierarchy that are no longer required.

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. As the result of ASU Nos. 2019-10 and 2020-05, which include Topic 842, the standard is effective for the Foundation on July 1, 2022. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to address stakeholders' concerns regarding the lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit's programs and other activities. The standard introduces enhanced presentation and disclosure requirements. The standard is effective for the Foundation on July 1, 2021. Early adoption is permitted. Management is in the process of determining the effect of the standard on its ongoing financial reporting.

**(2) Contributions Receivable**

As of June 30, 2021 and 2020, contributions receivable was \$1,390,399 and \$300,000, respectively, and represent contributions receivable from one grant.

**(3) Fair Value of Investments**

The following tables present the fair value of investments based on hierarchical level as of June 30, 2021 and 2020:

	<b>Fair value measurements at reporting date using</b>		<b>June 30, 2021</b>
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	
Short-term investments:			
Corporate bonds	\$ —	80,806,770	80,806,770
Mortgage-backed securities	—	21,304,329	21,304,329
U.S. Treasury securities	—	15,176,918	15,176,918
Total	<u>\$ —</u>	<u>117,288,017</u>	<u>117,288,017</u>
Long-term investments:			
Corporate bonds	\$ —	4,590,464	4,590,464
Stocks	12,456,208	—	12,456,208
Mortgage-backed securities	—	1,341,887	1,341,887
U.S. Treasury securities	—	1,807,567	1,807,567
Total	<u>\$ 12,456,208</u>	<u>7,739,918</u>	<u>20,196,126</u>

**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

	<b>Fair value measurements at reporting date using</b>		
	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>June 30, 2020</b>
<b>Short-term investments:</b>			
Corporate bonds	\$ —	58,017,468	58,017,468
Mortgage-backed securities	—	12,068,366	12,068,366
U.S. Treasury securities	—	25,216,466	25,216,466
Total	<u>\$ —</u>	<u>95,302,300</u>	<u>95,302,300</u>
<b>Long-term investments:</b>			
Corporate bonds	\$ —	3,099,318	3,099,318
Stocks	6,731,929	—	6,731,929
Mortgage-backed securities	—	893,976	893,976
U.S. Treasury securities	—	1,568,297	1,568,297
Total	<u>\$ 6,731,929</u>	<u>5,561,591</u>	<u>12,293,520</u>

*Fair Value of Financial Instruments*

The fair values of the financial instruments as of June 30, 2021 and 2020 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. 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 Consolidated Financial Statements  
June 30, 2021 and 2020

**(4) Property and Equipment, Net**

Property and equipment at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Furniture	\$ 800,143	800,143
Leasehold improvements	2,074,581	2,074,581
Computer equipment	16,874,533	16,701,916
Internal use software	1,595,469	—
Total	21,344,726	19,576,640
Less accumulated depreciation and amortization	(11,546,724)	(12,125,625)
Property and equipment, net	<u>\$ 9,798,002</u>	<u>7,451,015</u>

During the period July 1, 2020 through June 30, 2021, the Foundation incurred costs, primarily personnel expenses to build out software features that are eligible for capitalization under the ASC Topic 350-40, *Intangibles – Goodwill and Other – Internal Use Software*. The amount capitalized at June 30, 2021 was \$1,595,469, including \$697,343 for Wikimedia Enterprise API.

**(5) Net Assets**

Net assets with donor restrictions at June 30, 2021 and 2020 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Restricted to future periods:		
Sloan Foundation – structured data	\$ 700,000	—
Charina Endowment Fund	25,000	75,000
Restricted by purpose:		
Sloan Foundation – structured data	690,399	—
Craig Newmark Foundation – security governance and engineering	—	1,104,774
Google Inc. – content creation	467,802	572,014
Siegel Family Endowment – research outreach and advocacy	—	300,000
Sloan Foundation – Wikicite	—	16,469
Net assets with donor restrictions	<u>\$ 1,883,201</u>	<u>2,068,257</u>

**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

**(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 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, 2021 and 2020, as follows:

<b>2021</b>				
	<b>Programs</b>	<b>General and administrative</b>	<b>Fund-raising</b>	<b>Total</b>
Salaries and wages	\$ 52,020,082	9,732,820	6,104,774	67,857,676
Awards and grants	9,810,844	—	—	9,810,844
Internet hosting	2,384,439	—	—	2,384,439
In-kind service expenses	412,121	61,588	—	473,709
Donation processing expenses	—	—	6,386,483	6,386,483
Professional service expenses	8,251,425	2,213,830	1,618,764	12,084,019
Other operating expenses	6,664,899	2,994,106	724,120	10,383,125
Travel and conferences	20,502	6,315	2,397	29,214
Depreciation and amortization	1,722,726	707,584	—	2,430,310
	<u>\$ 81,287,038</u>	<u>15,716,243</u>	<u>14,836,538</u>	<u>111,839,819</u>

<b>2020</b>				
	<b>Programs</b>	<b>General and administrative</b>	<b>Fund-raising</b>	<b>Total</b>
Salaries and wages	\$ 42,155,739	8,722,777	4,756,396	55,634,912
Awards and grants	22,893,806	—	—	22,893,806
Internet hosting	2,400,286	—	—	2,400,286
In-kind service expenses	407,711	—	—	407,711
Donation processing expenses	—	—	4,857,199	4,857,199
Professional service expenses	6,767,435	3,188,801	1,713,889	11,670,125
Other operating expenses	6,169,574	3,400,295	477,258	10,047,127
Travel and conferences	2,022,451	171,621	114,996	2,309,068
Depreciation and amortization	1,261,787	689,618	—	1,951,405
Special event expense, net	317,758	—	—	317,758
	<u>\$ 84,396,547</u>	<u>16,173,112</u>	<u>11,919,738</u>	<u>112,489,397</u>

## WIKIMEDIA FOUNDATION, INC.

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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.

For example (unaudited):

- Wikipedia and the other projects operated by the Foundation receive more than 17 billion pageviews per month, making them one of the most popular Web properties worldwide. Wikipedia is available in more than 312 languages and contains more than 56 million articles contributed by a global volunteer community.
- For the year ended June 30, 2021, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 3.7 million articles to approximately 56.9 million articles.
- For the year ended June 30, 2021, volunteers added approximately 12.2 million images, movies, and sound files to the Foundation's multimedia repository, making the total 74.8 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, 2021, there were 49,841 commits merged, through the efforts of approximately 509 authors/contributors, of which 11,714 commits were through the efforts of approximately 281 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 six fiscal years, the Foundation provided irrevocable grants in the total amount of \$30 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.

During the year ended June 30, 2020, the Foundation provided an unconditional grant to Tides Advocacy in the amount of \$8.723 million for the Wikimedia Knowledge Equity Fund. This fund will be used to invest in grant-making opportunities to increase the availability of free knowledge and counteract structural inequalities to foster a just and equitable representation of knowledge and people in the Wikimedia movement, and to fund the annual operating expenses of other Wikimedia chapter organizations in service of our mission of free knowledge. The Wikimedia Knowledge Equity Fund is managed and controlled by Tides Advocacy. For the year ended June 30, 2020, the amount funded is recorded in awards and grants expense. For the year ended June 30, 2021, the Foundation did not provide any grants to the Wikimedia Knowledge Equity Fund.

#### **(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.



**WIKIMEDIA FOUNDATION, INC.**

Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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, 2021 and 2020 was \$1,506,346 and \$1,489,991, respectively.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2021 are as follows:

	<b>Lease payments</b>	
	<u>                    </u>	
Year ending June 30:		
2022	\$	1,571,247
2023		1,618,384
2024		1,666,935
2025		<u>419,791</u>
Total minimum lease payments	\$	<u><u>5,276,357</u></u>

**(8) 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 \$1,445,512 and \$1,217,814 to the Plan for the years ended June 30, 2021 and 2020, respectively.

**(9) Liquidity and Availability of Financial Assets**

The Foundation's financial assets available for general expenditure within one year of the balance sheet date, June 30, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 86,811,585	71,223,962
Current contributions receivable	700,000	300,000
Short-term investments	<u>117,288,017</u>	<u>95,302,300</u>
Total financial assets	204,799,602	166,826,262
Less:		
Restricted by donors for programs	1,858,201	1,993,257
Unrestricted contributions for future use greater than one year	<u>—</u>	<u>25,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>202,941,401</u></u>	<u><u>164,808,005</u></u>

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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 consolidated balance sheet at June 30, 2021 and 2020, 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.

**(10) 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.

**(11) Subsequent Events**

The Foundation has evaluated its subsequent events through October 7, 2021, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.