



WIKIMEDIA FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2022 and 2021

(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:

Opinion

We have audited the consolidated financial statements of Wikimedia Foundation, Inc and its subsidiary (the Foundation), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
October 12, 2022

WIKIMEDIA FOUNDATION, INC.

Consolidated Balance Sheets

June 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 50,939,835	86,811,585
Contributions receivable	700,000	700,000
Short-term investments	141,953,790	117,288,017
Prepaid expenses and other current assets	4,436,684	3,878,743
Total current assets	198,030,309	208,678,345
Restricted cash	1,372,480	872,229
Long-term investments	39,933,596	20,196,126
Noncurrent portion of contributions receivable	—	690,399
Property and equipment, net	11,629,057	9,798,002
Total assets	\$ 250,965,442	240,235,101
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,267,306	2,913,957
Accrued expenses	5,697,569	4,719,375
Other liabilities	2,649,035	1,424,233
Total current liabilities	11,613,910	9,057,565
Net assets:		
Net assets without donor restrictions	238,009,941	229,294,335
Net assets with donor restrictions	1,341,591	1,883,201
Total net assets	239,351,532	231,177,536
Total liabilities and net assets	\$ 250,965,442	240,235,101

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions:		
Support and revenue:		
Contributions of cash and other financial assets	\$ 160,468,313	152,966,544
Contributions of nonfinancial assets and services	420,351	603,807
Foreign currency gains (losses)	(944,163)	1,576,737
Other income, net	2,106,050	986,854
Investment income (loss), net	(11,665,241)	4,352,289
Release of net assets with donor restrictions	4,301,211	2,400,455
Total support and revenue	<u>154,686,521</u>	<u>162,886,686</u>
Expenses:		
Salaries and wages	88,111,412	67,857,676
Awards and grants	14,923,242	9,810,844
Internet hosting	2,704,842	2,384,439
In-kind service expenses	405,885	473,709
Donation processing expenses	6,215,434	6,386,483
Professional service expenses	16,881,184	12,084,019
Other operating expenses	11,853,366	10,383,125
Travel and conferences	1,191,164	29,214
Depreciation and amortization	3,213,466	2,430,310
Special event expense, net	470,920	—
Total expenses	<u>145,970,915</u>	<u>111,839,819</u>
Increase in net assets without donor restrictions	<u>8,715,606</u>	<u>51,046,867</u>
Net assets with donor restrictions:		
Contributions	3,759,601	2,215,399
Net assets released from restrictions	(4,301,211)	(2,400,455)
Decrease in net assets with donor restrictions	<u>(541,610)</u>	<u>(185,056)</u>
Increase in net assets	8,173,996	50,861,811
Net assets at beginning of year	<u>231,177,536</u>	<u>180,315,725</u>
Net assets at end of year	\$ <u>239,351,532</u>	<u>231,177,536</u>

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 8,173,996	50,861,811
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,213,466	2,430,310
Loss on disposal of equipment	50,766	12,075
Unrealized and realized loss (gain) on investments, net	14,822,614	(1,671,560)
Changes in operating assets and liabilities:		
Contributions receivable	690,399	(1,090,399)
Prepaid expenses and other current assets	(557,941)	(57,153)
Accounts payable	353,349	1,343,669
Accrued expenses	978,194	(2,970,639)
Other liabilities	1,224,802	(262,702)
Net cash provided by operating activities	<u>28,949,645</u>	<u>48,595,412</u>
Cash flows from investing activities:		
Purchase of computer equipment	(3,663,091)	(3,193,905)
Development of internal use software	(1,432,196)	(1,595,469)
Purchase of investments	(178,814,554)	(78,898,520)
Proceeds from sales and maturities of investments	119,588,697	50,681,759
Net cash used in investing activities	<u>(64,321,144)</u>	<u>(33,006,135)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	(35,371,499)	15,589,277
Cash, cash equivalents, and restricted cash at beginning of year	<u>87,683,814</u>	<u>72,094,537</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u>52,312,315</u>	<u>87,683,814</u>
Supplemental cash flow disclosure:		
Noncash changes in exchange rate	\$ (944,172)	1,584,962

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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, which creates risks and uncertainties. In addition, inflationary, economic, and geopolitical conditions globally continue to evolve. The Foundation has measures to monitor and mitigate the effects of COVID-19 and inflationary conditions, and as of the date of this report, the Foundation has not experienced an 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 gifts from foundations and corporations. Additionally, the Foundation has a significant amount of investments primarily in liquid fixed income holdings.

The extent of the impact of COVID-19 and inflationary conditions 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 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.

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.

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Notes to Consolidated Financial Statements

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(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, 2022 and 2021, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions is approximately \$47.8 million and \$78.9 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, 2022 and 2021 exceed the applicable FDIC insurance limits. The Foundation's current practice is to maintain at least four 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 \$3.1 million and \$7.9 million as of June 30, 2022 and 2021, 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 well as the Foundation's Employer of Record for non-US personnel. As of June 30, 2022, neither letter of credit has been used.

(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.

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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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, 2022 or 2021, 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 observable 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.

(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 and computer equipment such as laptops and desktops is four 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.

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The Foundation incurs software development costs related to internal use software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and third-party development costs and are amortized using the straight-line method over the estimated useful life of the software, which is generally three years. These assets are reviewed for impairment whenever events or changes in circumstances occur that could impact their recoverability.

(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 virtual platform services, venue rental and catering services, net of sponsorship income and registration fees.

(l) Contributions of Nonfinancial Assets and Services

Contributions of nonfinancial assets and services include (1) donated cryptocurrency, and (2) contributed services, as described below.

Donated cryptocurrency is valued according to the actual cash proceeds on its disposition, as it is the Foundation's policy to sell all donated cryptocurrency as soon as possible. The amounts of donated cryptocurrency included within contributions of nonfinancial assets and services is \$14,466 and \$130,098 for the years ended June 30, 2022 and 2021, respectively.

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. Contributed services are reported as contributions of nonfinancial assets and services revenue and in-kind service expenses in the consolidated statements of activities. Fair value is estimated based on current local rates for similar services.

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.

Contributed service revenue and expenses recorded in the consolidated statements of activities consist of contributed legal services, engineering services, internet hosting services and subscription services. The amounts of specialized contributed legal services as revenue and expenses are \$182,501 and \$427,685 for the years ended June 30, 2022 and 2021, respectively. The amounts of specialized engineering services as revenue and expenses are \$180,946 and \$0 for the years ended June 30, 2022 and 2021, respectively.

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The amounts of contributed internet hosting and subscription services for the years ended June 30, 2022 and 2021 is \$42,437 and \$46,024, respectively. Included in the 2022 and 2021 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.

(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 contributed services. Accordingly, actual results could differ from those estimates.

(n) Recently Issued Accounting Standards

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 Foundation adopted this standard on July 1, 2021 on a retrospective basis. The adoption of this standard resulted in a change in the presentation to separately present contributed nonfinancial assets as a category within support and revenue on the consolidated statements of activities, as well as enhanced disclosures.

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 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 but expect it will result in recognizing a lease liability and corresponding right-of-use asset on our balance sheet to reflect the future commitment for lease payments and right to use the underlying lease asset.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The Foundation adopted this standard on July 1, 2021 on a prospective basis. The adoption of this standard did not have a significant impact on the Foundation's financial reporting.

(2) Contributions Receivable

As of June 30, 2022 and 2021, contributions receivable is \$700,000 and \$1,390,399, respectively, and represents contributions receivable from one grant.

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Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(3) Fair Value of Investments

The following tables present the fair value of investments based on hierarchical level as of June 30, 2022 and 2021:

	Fair value measurements at reporting date using		June 30, 2022
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Corporate bonds	\$ —	46,983,918	46,983,918
Mortgage-backed securities	—	21,592,310	21,592,310
U.S. Treasury securities	—	73,377,562	73,377,562
Total	\$ —	141,953,790	141,953,790
Long-term investments:			
Corporate bonds	\$ —	3,956,816	3,956,816
Stocks	25,240,725	—	25,240,725
Mortgage-backed securities	—	5,923,250	5,923,250
U.S. Treasury securities	—	4,812,805	4,812,805
Total	\$ 25,240,725	14,692,871	39,933,596
	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, 2021
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	\$ —	117,288,017	117,288,017

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

	Fair value measurements at reporting date using		June 30, 2021
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
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>

Fair Value of Financial Instruments

The fair values of the financial instruments as of June 30, 2022 and 2021 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.

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Notes to Consolidated Financial Statements

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(4) Property and Equipment, Net

Property and equipment at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Furniture	\$ 717,559	800,143
Leasehold improvements	2,074,581	2,074,581
Computer equipment	19,567,364	16,874,533
Internal use software	3,027,663	1,595,469
Total	25,387,167	21,344,726
Less accumulated depreciation and amortization	(13,758,110)	(11,546,724)
Property and equipment, net	<u>\$ 11,629,057</u>	<u>9,798,002</u>

(5) Net Assets

Net assets with donor restrictions at June 30, 2022 and 2021 are available for the following purposes:

	<u>2022</u>	<u>2021</u>
Restricted to future periods:		
Sloan Foundation – structured data	\$ 700,000	700,000
Charina Endowment Fund	—	25,000
Restricted by purpose:		
Sloan Foundation – structured data	—	690,399
Craig Newmark Foundation – security governance and engineering	494,297	—
Google Inc. – content creation	147,294	467,802
Net assets with donor restrictions	<u>\$ 1,341,591</u>	<u>1,883,201</u>

(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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June 30, 2022 and 2021

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, 2022 and 2021, as follows:

2022				
	Programs	General and administrative	Fund-raising	Total
Salaries and wages	\$ 69,371,450	11,531,675	7,208,287	88,111,412
Awards and grants	14,923,242	—	—	14,923,242
Internet hosting	2,700,319	4,523	—	2,704,842
In-kind service expenses	363,443	42,442	—	405,885
Donation processing expenses	—	—	6,215,434	6,215,434
Professional service expenses	12,850,498	2,200,918	1,829,768	16,881,184
Other operating expenses	7,809,034	3,579,311	465,021	11,853,366
Travel and conferences	837,329	346,281	7,554	1,191,164
Depreciation and amortization	2,466,518	746,948	—	3,213,466
Special event expense, net	470,920	—	—	470,920
	<u>\$ 111,792,753</u>	<u>18,452,098</u>	<u>15,726,064</u>	<u>145,970,915</u>

2021				
	Programs	General and administrative	Fund-raising	Total
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>

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 the goals 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 16.5 billion pageviews per month, making them one of the most popular Web properties worldwide. Wikipedia is available in more than 328 languages and contains more than 59 million articles contributed by a global volunteer community.
- For the year ended June 30, 2022, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 2.3 million articles to approximately 59.2 million articles.
- For the year ended June 30, 2022, volunteers added approximately 9.6 million images, movies, and sound files to the Foundation's multimedia repository, making the total 84.4 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, 2022, there were 45,565 commits merged, through the efforts of approximately 515 authors/contributors, of which 9,514 commits were through the efforts of approximately 250 volunteers.

The Foundation has an agreement with the Tides Foundation that established 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. From fiscal years ended June 30, 2016 through June 30, 2021, 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.

(7) Operating Leases

In 2017, the Foundation entered into a seven-year non-cancelable operating lease for its headquarters in San Francisco. 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, 2022 and 2021 is \$1,471,065 and \$1,506,346, respectively.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2022 are as follows:

	Lease payments
Year ending June 30:	
2023	\$ 1,618,384
2024	1,666,935
2025	419,791
Total minimum lease payments	<u>\$ 3,705,110</u>

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(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 \$1,656,673 and \$1,445,512 to the Plan for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 50,939,835	86,811,585
Current contributions receivable	700,000	700,000
Short-term investments	<u>141,953,790</u>	<u>117,288,017</u>
Total financial assets	193,593,625	204,799,602
Less:		
Restricted by donors for programs	<u>1,341,591</u>	<u>1,858,201</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 192,252,034</u>	<u>202,941,401</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 consolidated balance sheet at June 30, 2022 and 2021, 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 12, 2022, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.