



WIKIMEDIA FOUNDATION, INC.

Financial Statements

June 30, 2017 and 2016

(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, 2017 and 2016, 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 the 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, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

San Francisco, California
September 27, 2017

WIKIMEDIA FOUNDATION, INC.

Balance Sheets

June 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 49,572,722	46,735,297
Restricted cash	839,581	—
Current portion of contributions receivable	250,000	500,000
Short-term investments	55,882,312	31,851,807
Prepaid expenses and other current assets	<u>3,217,386</u>	<u>1,982,960</u>
Total current assets	109,762,001	81,070,064
Property, plant, and equipment, net	4,619,727	5,012,496
Long-term investments	5,896,639	11,066,552
Noncurrent portion of contributions receivable	<u>246,330</u>	<u>493,623</u>
Total assets	<u>\$ 120,524,697</u>	<u>97,642,735</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,698,978	1,246,302
Accrued expenses	3,568,107	4,024,542
Other liabilities	<u>927,415</u>	<u>589,096</u>
Total current liabilities	<u>7,194,500</u>	<u>5,859,940</u>
Total liabilities	<u>7,194,500</u>	<u>5,859,940</u>
Net assets:		
Unrestricted	109,785,764	87,680,104
Temporarily restricted	<u>3,544,433</u>	<u>4,102,691</u>
Total net assets	<u>113,330,197</u>	<u>91,782,795</u>
Total liabilities and net assets	<u>\$ 120,524,697</u>	<u>97,642,735</u>

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Statements of Activities

Years ended June 30, 2017 and 2016

	2017	2016
Unrestricted net assets:		
Support and revenue:		
Donations and contributions	\$ 87,473,947	77,748,287
In-kind service revenue	214,581	1,065,523
Foreign currency gains (losses)	339,950	(110,751)
Other income, net	170,687	70,356
Investment income, net	1,157,288	813,377
Release of restrictions on temporarily restricted net assets	1,885,965	2,275,932
Total support and revenue	91,242,418	81,862,724
Expenses:		
Salaries and wages	33,731,089	31,713,961
Awards and grants	11,214,959	11,354,612
Internet hosting	2,169,861	2,069,572
In-kind service expenses	214,581	1,065,523
Donation processing expenses	3,809,286	3,604,682
Professional service expenses	6,972,048	6,033,172
Other operating expenses	6,307,987	4,777,203
Travel and conferences	1,954,772	2,296,592
Depreciation and amortization	2,762,175	2,720,835
Special event expense, net	—	311,313
Total expenses	69,136,758	65,947,465
Increase in unrestricted net assets	22,105,660	15,915,259
Temporarily restricted net assets:		
Contributions	1,327,707	323,170
Release of restrictions on temporarily restricted net assets	(1,885,965)	(2,275,932)
Decrease in temporarily restricted net assets	(558,258)	(1,952,762)
Increase in net assets	21,547,402	13,962,497
Net assets at beginning of year	91,782,795	77,820,298
Net assets at end of year	\$ 113,330,197	91,782,795

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 21,547,402	13,962,497
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,762,175	2,720,835
Donation of common stock	(68,417)	(173,134)
Proceeds from sales of donated common stock	67,687	172,012
Loss on disposal of equipment	33,346	1,989
Unrealized and realized loss on investments, net	129,722	275,744
Changes in operating assets and liabilities:		
Contributions receivable	497,293	1,210,102
Prepaid expenses and other current assets	(1,234,425)	14,639
Accounts payable	1,452,676	204,400
Accrued expenses	(456,435)	375,425
Other liabilities	(181,445)	115,360
Net cash provided by operating activities	<u>24,549,579</u>	<u>18,879,869</u>
Cash flows from investing activities:		
Purchase of computer equipment	(1,572,855)	(2,299,517)
Purchase of office furniture	(112,417)	(58,060)
Leasehold improvements	(59,932)	—
Purchase of investments	(61,034,771)	(25,670,296)
Proceeds from sales and maturities of investments	42,045,188	20,745,425
Net cash used in investing activities	<u>(20,734,787)</u>	<u>(7,282,448)</u>
Cash flows from financing activity:		
Payment on capital lease obligations	(137,786)	(57,602)
Net cash used in financing activity	<u>(137,786)</u>	<u>(57,602)</u>
Net increase in cash, cash equivalents, and restricted cash	3,677,006	11,539,819
Cash, cash equivalents, and restricted cash at beginning of year	<u>46,735,297</u>	<u>35,195,478</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 50,412,303</u>	<u>46,735,297</u>
Supplemental cash flow disclosures:		
Noncash capital equipment lease	\$ 657,549	288,668
Noncash changes in exchange rate	339,950	(110,751)

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(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 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 combined 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*.

Unrestricted net assets represent unrestricted resources available to support operations and also include temporarily restricted resources, which have become available for use by the Foundation in accordance with the intentions of donors.

Temporarily restricted net assets represent contributions that are limited in use by the Foundation in accordance with temporary 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 temporarily restricted net assets and recognized as unrestricted net assets.

Permanently restricted net assets represent contributions to be held in perpetuity as stipulated by the donor. The Foundation does not have any permanently restricted net assets.

(d) Restricted and Unrestricted Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(e) Cash and Cash Equivalents

The Foundation manages its cash through major financial institutions. At June 30, 2017 and 2016, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions was approximately \$48.9 million and \$44.9 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 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 \$0.7 million and \$1.8 million as of June 30, 2017 and 2016, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurements*.

(f) Restricted Cash

Restricted cash is required to secure a standby letter of credit as a result of the execution of the Foundation's office lease that commences on October 1, 2017. At June 30, 2017 and 2016, the Foundation has restricted cash of \$839,581 and \$0, respectively. As of June 30, 2017, the letter of credit has not 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 of 1.49 percent. The discount rate is based on the U.S. Treasury bond rate and reflects 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, equity instruments and mutual funds 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, 2017 and 2016, consistent with its policy to sell stock received through donations as soon as possible.

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, mutual funds, and public real estate investment trusts (REITs).

WIKIMEDIA FOUNDATION, INC.

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- 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 and municipal bonds, mortgage-backed securities, treasury inflation-protected 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.

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

(i) Property, Plant, and Equipment

Expenditures for property, plant, 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 unrestricted contributions 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, plant, and equipment, costs, and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Capital equipment lease 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.

(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 financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets or (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) the services 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.

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In-kind service revenue and expenses recorded on the statements of activities consist of contributed legal services, engineering services, and internet hosting. The amounts of specialized contributed legal services, engineering services, and other consulting services recognized as revenue and expenses are \$156,191 and \$987,235 for the years ended June 30, 2017 and 2016, respectively. The value of contributed internet hosting services for the years ended June 30, 2017 and 2016 are \$58,390 and \$78,288, respectively.

Included in the 2017 and 2016 amounts are donated hosting services and bandwidth from six companies: (1) FireRing (formerly LeaseWeb), (2) Telia Carrier, (3) Tele2, (4) Datahop, (5) Liberty Global/Ziggo, and (6) Init7.

Noncash contributions also include investments, which are recorded as contributions on the statement 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 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.

(n) Recently Issued Accounting Standard

In February, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, 2020. Early adoption is permitted. Management is evaluating the effect that this ASU will have on its financial statements and related disclosures. Management has not determined the effect of the standard on its ongoing financial reporting.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Non-for-Profit Entities (NFPs)*. The ASU changes how NFPs report net assets, expenses, and liquidity in their financials. The standard is effective for the Foundation on July 1, 2019. Early adoption is permitted. Management is evaluating the effect that this ASU will have on its financial statements and related disclosures. Management has not determined the effect of the standard on its ongoing financial reporting.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230)*. The ASU requires that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation early adopted this guidance retrospectively in 2017.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(2) Contributions Receivable

Contributions receivable at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Amounts due in:		
One year	\$ 250,000	500,000
Two to three years	250,000	500,000
Less discount to net present value	<u>(3,670)</u>	<u>(6,377)</u>
Total	496,330	993,623
Less current portion	<u>250,000</u>	<u>500,000</u>
Noncurrent portion	<u>\$ 246,330</u>	<u>493,623</u>

As of June 30, 2017 and 2016, the amounts represent contributions receivable from one grant.

Additionally, during the period ending June 30, 2017, the Foundation is a recipient of a conditional promise in the amount of \$3.015 million for the Structured Data project. A conditional promise requires a future event to take place before the promise becomes binding on the donor. Typically, the Foundation has no control over the required event. As of June 30, 2017, \$1.015 million has been received, with the remaining \$2 million scheduled to be received over the next two years. The remaining amount is not recorded as contributions receivable at June 30, 2017 because conditions have not been met to recognize the promise to give.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(3) Fair Value of Investments

The following tables present the fair value of the investments based on hierarchical level as of June 30, 2017 and 2016:

	Fair value measurements at reporting date using		June 30, 2017
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Certificates of deposit	\$ —	750,461	750,461
Corporate bonds	—	29,250,341	29,250,341
Stocks	159,302	—	159,302
Mortgage-backed securities	—	10,275,922	10,275,922
U.S. Treasury securities	—	15,446,286	15,446,286
Total	<u>\$ 159,302</u>	<u>55,723,010</u>	<u>55,882,312</u>
Long-term investments:			
Certificates of deposit	\$ —	1,006,591	1,006,591
Stocks	4,286,817	—	4,286,817
Mutual funds	603,231	—	603,231
Total	<u>\$ 4,890,048</u>	<u>1,006,591</u>	<u>5,896,639</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

	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, 2016
Short-term investments:			
Certificates of deposit	\$ —	1,002,208	1,002,208
Corporate bonds	—	16,176,046	16,176,046
Municipal bonds	—	664,891	664,891
Mortgage-backed securities	—	7,574,123	7,574,123
U.S. Treasury securities	—	6,434,539	6,434,539
Total	\$ —	31,851,807	31,851,807
Long-term investments:			
Certificates of deposit	\$ —	1,769,814	1,769,814
Stocks	4,534,341	—	4,534,341
Public REITS	771,659	—	771,659
Mutual funds	3,122,676	—	3,122,676
Commodities mutual fund	868,062	—	868,062
Total	\$ 9,296,738	1,769,814	11,066,552

The following table presents investment return for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividends	\$ 1,287,010	1,089,121
Unrealized and realized loss on investments, net	(129,722)	(275,744)
Total investment income, net	\$ 1,157,288	813,377

Fair Value of Financial Instruments

The fair values of the financial instruments as of June 30, 2017 and 2016 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.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

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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, including stocks, mutual funds, and REITs, are measured using quoted market prices at the reporting date multiplied by the quantity held. Certificates of deposit, municipal bonds, mortgage-backed securities, treasury inflation-protected 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.

Noncurrent contributions receivable: The carrying amounts are discounted to present value using the fair value rate at the report date.

(4) Property, Plant, and Equipment, Net

Property, plant, and equipment at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Furniture	\$ 1,186,756	1,156,238
Leasehold improvements	681,573	621,640
Capital lease computer equipment	946,217	288,668
Computer equipment	<u>13,273,005</u>	<u>15,211,523</u>
Total	16,087,551	17,278,069
Less accumulated depreciation and amortization	<u>(11,467,824)</u>	<u>(12,265,573)</u>
Property, plant, and equipment, net	<u>\$ 4,619,727</u>	<u>5,012,496</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

(5) Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Restricted to future periods	\$ 2,050,000	3,100,000
Restricted by purpose:		
Sloan Foundation – Bolster Wikipedia’s Readership & Editors	496,330	993,623
Sloan Foundation - Structured Data	878,126	—
Craig Newmark Foundation - Community Health	119,456	—
Various – Wikicite Events	521	9,068
Temporarily restricted net assets	<u>\$ 3,544,433</u>	<u>4,102,691</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. Accordingly, certain costs have been allocated among the programs benefited and supporting services for the years ended June 30, 2017 and 2016, as follows:

	<u>2017</u>			
	<u>Programs</u>	<u>General and administrative</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries and wages	\$ 25,873,873	5,058,508	2,798,708	33,731,089
Awards and grants	11,114,959	100,000	—	11,214,959
Internet hosting	2,169,861	—	—	2,169,861
In-kind service expenses	214,581	—	—	214,581
Donation processing expenses	—	—	3,809,286	3,809,286
Professional service expenses	4,624,338	1,241,905	1,105,805	6,972,048
Other operating expenses	3,615,447	2,423,798	268,742	6,307,987
Travel and conferences	1,665,350	172,985	116,437	1,954,772
Depreciation and amortization	2,108,341	653,834	—	2,762,175
	<u>\$ 51,386,750</u>	<u>9,651,030</u>	<u>8,098,978</u>	<u>69,136,758</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

	2016			
	Programs	General and administrative	Fund-raising	Total
Salaries and wages	\$ 24,189,343	4,917,307	2,607,311	31,713,961
Awards and grants	11,354,612	—	—	11,354,612
Internet hosting	2,069,572	—	—	2,069,572
In-kind service expenses	1,065,523	—	—	1,065,523
Donation processing expenses	—	—	3,604,682	3,604,682
Professional service expenses	2,802,355	2,184,942	1,045,875	6,033,172
Other operating expenses	2,066,977	2,464,818	245,408	4,777,203
Travel and conferences	1,972,719	207,518	116,355	2,296,592
Depreciation and amortization	2,031,182	689,653	—	2,720,835
Special event expense, net	311,313	—	—	311,313
	<u>\$ 47,863,596</u>	<u>10,464,238</u>	<u>7,619,631</u>	<u>65,947,465</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 table above.

For example (unaudited):

- Wikipedia and the other projects operated by the Foundation receive more than 15 billion page views per month, making them one of the most popular Web properties worldwide. Available in more than 290 languages, Wikipedia contains more than 51 million articles contributed by a global volunteer community.
- For the year ended June 30, 2017, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 4.8 million articles to approximately 45.4 million articles.
- For the year ended June 30, 2017, volunteers added approximately 7.5 million images, movies, and sound files to the Foundation's multimedia repository, making the total 40.6 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, 2017, there were 41,742 commits merged, through the efforts of approximately 403 authors/contributors.

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. The Foundation provided irrevocable grants in the

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Notes to Financial Statements

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amounts of \$5 million on June 29, 2016 and \$5 million on June 27, 2017 to the Tides Foundation for the purpose of the Wikimedia Endowment. The amounts are recorded in awards and grants expense.

(7) Operating Leases

The Foundation has a seven-year non-cancelable operating lease for its San Francisco location. The lease expires on September 30, 2017.

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, 2017 and 2016 was \$1,292,625 and \$1,341,844, respectively.

On April 4, 2017, the Foundation entered into a seven-year non-cancelable operating lease for its new office headquarter in San Francisco with a commencement date of October 1, 2017, upon the expiration of the current lease. The lease provides the Foundation an option to extend the lease term for one additional period of five years.

Future minimum lease payments under non-cancelable operating leases as of June 30, 2017 are as follows:

	<u>Lease payments</u>
Year ending June 30:	
2018	\$ 1,032,701
2019	1,437,913
2020	1,481,050
2021	1,525,482
2022	1,571,247
2023 and thereafter	<u>3,705,110</u>
Total minimum lease payments	<u>\$ 10,753,503</u>

(8) Capital Leases

The Foundation entered into a lease agreement with a commitment to install a total cost of \$1,000,000 of assorted data center equipment. For the years ended June 30, 2017 and 2016, the total amortization of assets held under capital leases were \$153,269 and \$62,707, respectively, and are included with 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.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2017 and 2016

The future minimum lease obligation and the present value of the minimum lease payments as of June 30, 2017 are as follows:

	<u>Amount</u>
Year ending June 30:	
2018	\$ 324,870
2019	281,379
2020	<u>196,265</u>
Total minimum lease payments	802,514
Less interest	<u>51,685</u>
Present value of minimum lease payments	<u>\$ 750,829</u>

(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 percent of the employee's compensation. The Foundation contributed \$783,208 and \$757,162 to the Plan for the years ended June 30, 2017 and 2016, respectively.

(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.

As of June 30, 2017 and 2016, the Foundation has committed to give grants in the amounts totaling \$1,867,076 and \$2,494,462, respectively, which are scheduled to be paid over the next 12 months.

(11) Subsequent Events

The Foundation has evaluated its subsequent events through September 27, 2017, the date at which the financial statements were available to be issued, and determined there are no items to disclose.