Wikimedia Foundation, Inc.

Financial Statements

June 30, 2006, 2005, and 2004

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Gregory, Sharer & Stuart, P.A.
Certified Public Accountants and Business Consultants

Report Of Independent Certified Public Accountants

Board of Trustees
Wikimedia Foundation, Inc.

We have audited the accompanying statements of financial position of Wikimedia Foundation, Inc. (a non profit organization) as of June 30, 2006, 2005, and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006, 2005, and 2004, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Gregory, Sharer & Stuart, P.A.

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St. Petersburg, Florida
November 21, 2006

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Wikimedia Foundation, Inc.
Statements Of Financial Position

	June 30, **2006**	June 30, 2005	June 30, 2004
Assets			
Current Assets			
Cash	**$ 512,313**	$ 137,237	$ 9,718
Accounts receivable	**49,448**	4,556	311
Investments	**78,415**	-	-
Total Current Assets	**640,176**	141,793	10,029
Computer Equipment And Software, net of accumulated depreciation of $192,063, $48,669, and $10,641 for 2006, 2005, and 2004, respectively	**426,609**	141,694	42,565
Other Assets	**-**	-	4,072
Total Assets	**$ 1,066,785**	$ 283,487	$ 56,666
Liabilities And Net Assets			
Current Liabilities			
Accounts payable	**$ 62,569**	$ 15,403	$ -
Net Assets			
Unrestricted	**974,216**	258,084	56,666
Temporarily restricted	**30,000**	10,000	-
Total Net Assets	**1,004,216**	268,084	56,666
Total Liabilities And Net Assets	**$ 1,066,785**	$ 283,487	$ 56,666

See the accompanying notes.

Wikimedia Foundation, Inc.
Statements Of Activities

	Year Ended June 30,		
	2006	2005	2004
Unrestricted Net Assets			
Support And Revenue			
Contributions	**$ 1,305,292**	$ 292,571	$ 70,491
In-kind revenue	**114,589**	22,493	8,958
Grants	**22,322**	50,000	-
Other income	**55,836**	14,024	680
Release of restrictions on temporarily restricted net assets	**10,000**	-	-
Total Support And Revenue	**1,508,039**	379,088	80,129
Expenses			
Salaries and wages	**107,122**	16,930	-
Internet hosting	**189,631**	40,273	-
PayPal fees	**45,617**	11,091	3,076
In-kind expenses	**114,589**	22,493	8,958
Operating	**47,777**	18,067	495
Travel	**76,545**	27,798	293
Depreciation	**143,394**	41,018	10,641
Other	**67,232**	-	-
Total Expenses	**791,907**	177,670	23,463
Increase In Unrestricted Net Assets	**716,132**	201,418	56,666
Temporarily Restricted Net Assets			
Grants	**30,000**	10,000	-
Release of restrictions on temporarily restricted net assets	**(10,000)**	-	-
Increase In Temporarily Restricted Net Assets	**20,000**	10,000	**-**
Increase In Net Assets	**736,132**	211,418	56,666
Net Assets At Beginning Of Year	**268,084**	56,666	-
Net Assets At End Of Year	**$ 1,004,216**	$ 268,084	$ 56,666

Wikimedia Foundation, Inc.
Statements Of Cash Flows

	Year Ended June 30,		
	2006	2005	2004
Cash Flows From Operating Activities			
Increase in net assets	**$ 736,132**	$ 211,418	$ 56,666
Adjustments to reconcile increase in net assets to net cash provided by operating activities			
Depreciation	**143,394**	41,018	10,641
Donation of common stock	**(70,350)**	-	-
Unrealized gain on investments	**(8,065)**	-	-
(Increase) decrease in operating assets			
Accounts receivable	**(44,892)**	(4,245)	(311)
Other assets	**-**	4,072	(4,072)
Increase in operating liabilities			
Accounts payable	**47,166**	15,403	-
Net Cash Provided By Operating Activities	**803,385**	267,666	62,924
Cash Flows From Investing Activities			
Purchase of computer equipment and software	**(428,309)**	(140,147)	(53,206)
Net Increase In Cash	**375,076**	127,519	9,718
Cash At Beginning Of Year	**137,237**	9,718	-
Cash At End Of Year	**$ 512,313**	$ 137,237	$ 9,718
Supplemental Disclosure			
Donation of common stock	**$ 70,350**	$ -	$ -

Note A - Organization And Summary Of Significant Accounting Policies

Organization And Purpose

The Wikimedia Foundation, Inc., (the Organization) is a Florida not-for-profit organization which hosts several free-content projects on the Internet such as Wikipedia, the award-winning multilingual encyclopedia. Other online projects include: Wikibooks, free, open-content textbooks; Wikinews, a free news source; Wikiquote, a free compendium of quotations; Wikisource, a free library; Wikispecies, an open, free directory of species; Wiktionary, a free multilingual dictionary; and Wikiversity, a free curriculum development. The Organization was chartered to develop and maintain the necessary infrastructure for the growing online projects. Independent local chapters have been set up in several countries to support and promote the projects on an international level. The Organization operates with predominantly volunteer staff and relies on public contributions and grants to fund its mission of providing free knowledge to every person in the world.

Income Taxes

The Organization 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. The Internal Revenue Service has determined that the Organization is not a private foundation and contributions to it qualify as charitable contribution deductions. There was no unrelated business income tax for the years ended June 30, 2006, 2005, and 2004.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the Organization has classified its net assets and changes therein as unrestricted (net assets that are not subject to donor-imposed stipulations) and permanently or temporarily restricted net assets, as required.

Restricted And Unrestricted Contributions

The Organization accounts for contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contributions are received.

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

Accounts Receivable

Accounts receivable is comprised of contributions, commissions, and fees charged for online services performed. Contributions represent amounts from various entities which are occasionally directed at specific activities. Commissions represent payment from a third party which sells merchandise with the Organization’s logo. Service provider fees represent fees charged to websites for live feed access to Wikipedia. All receivables are non interest bearing. Management periodically reviews receivables for past due amounts based on payment history and adjusts for uncollectible amounts as necessary.

Management considers accounts receivable to be fully collectible and, accordingly, no allowance for uncollectible amounts has been recorded in the accompanying financial statements.

Investments

The Organization’s investments are comprised of 187 shares of Google common stock which are carried at fair value using quoted market prices in accordance with SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Included in other income in the statement of activities for the year ended June 30, 2006 are unrealized gains of $8,065 and interest income of $8,224.

Computer Equipment And Software

All expenditures for computer equipment and software with useful lives of one year or more are capitalized and recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Repairs and maintenance of equipment are charged to operations. Upon retirement, sale, or other disposition of computer equipment and software, costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included in operations.

Non Cash Contributions

A substantial number of volunteers make significant contributions of their time in the furtherance of the Organization's projects. The value of this contributed time is not reflected in the accompanying financial statements, since it is not susceptible to objective measurement. Certain contributed services requiring specialized skills are recorded as support and expenses at fair market value when determinable, or otherwise at values indicated by the donor.

In-kind revenue and expenses recorded on the statements of activities consist of contributed legal services, Internet hosting, and office space. The amount of specialized contributed legal services recognized as revenue and expenses was approximately $83,000 for the year ended June 30, 2006. The value of contributed Internet hosting services for the years ended June 30, 2006, 2005, and 2004 was approximately $25,000; $22,000; and $9,000, respectively. In addition, a related party provided space for the administrative office during 2006 (see Note E). The value of donated rent for the year ended June 30, 2006 was $6,000.

During fiscal year 2006, the Organization also received donated hosting services and bandwidth from two companies, Yahoo! and Kennisnet. However, since the value of the donated services and bandwidth cannot be reasonably estimated, there are no related amounts recorded in the accompanying statement of activities for 2006.

Contributions of investments are recorded as support at fair value at the date of donation.

Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - Net Assets

Temporarily restricted net assets are comprised of cash and cash equivalents and are available for the following purposes at June 30:

	2006	2005
Wikimania conference	**$ 30,000**	$ -
WikiReader project	-	10,000
	$ 30,000	$ 10,000

There were no temporarily restricted net assets at June 30, 2004. There were no amounts classified as permanently restricted at June 30, 2006, 2005, and 2004.

Note C - Contingencies

In the normal course of business, the Organization receives various threats of litigation on a regular basis. However, through the date of the accompanying audit report, the Organization has never been sued in the United States. One suit brought in Germany was resolved in favor of the Organization; another suit is presently pending in Germany. In the opinion of management, the outcome of the pending lawsuit will not materially affect present operations or the financial stability of the Organization.

Note D - Functional Allocation Of Expenses

Costs of providing the Organization's various projects are summarized below on a functional basis. Accordingly, certain costs have been allocated among the projects benefited and supporting services.

		Supporting Services		
	Projects	**General and Administrative**	**Fundraising**	**Total**
Year ended June 30, 2006				
Salary and wages	$ 67,974	$ 25,895	$ 13,253	$ 107,122
Internet hosting	189,631	-	-	189,631
PayPal fees	-	9,134	36,483	45,617
In-kind expenses	25,200	89,389	-	114,589
Operating	2,033	45,744	-	47,777
Travel	76,545	-	-	76,545
Depreciation	143,394	-	-	143,394
Other	64,581	-	2,651	67,232
	$ 569,358	**$ 170,162**	**$ 52,387**	**$ 791,907**
Year ended June 30, 2005				
Salary and wages	$ 16,043	$ -	$ 887	$ 16,930
Internet hosting	40,273	-	-	40,273
PayPal fees	-	-	11,091	11,091
In-kind expenses	22,493	-	-	22,493
Operating	4,232	13,835	-	18,067
Travel	27,798	-	-	27,798
Depreciation	41,018	-	-	41,018
	$ 151,857	$ 13,835	$ 11,978	$ 177,670
Year ended June 30, 2004				
PayPal fees	$ -	$ -	$ 3,076	$ 3,076
In kind expenses	8,958	-	-	8,958
Operating	-	495	-	495
Travel	293	-	-	293
Depreciation	10,641	-	-	10,641
	$ 19,892	$ 495	$ 3,076	$ 23,463

Note E - Related Party Transactions

The Organization receives donated office space from a related entity, Wikia, Inc., a for-profit company founded by the same founder as Wikimedia Foundation, Inc.

Two current members and one former member of the Organization's board of directors also serve as employees, officers, or directors of Wikia, Inc.

Note F - Significant Concentrations of Credit Risk

The Organization maintains cash balances at several financial institutions. Cash accounts are insured by the Federal Depository Insurance Corporation up to $100,000. From time to time, cash balances exceed federally insured limits.

Note G - Lease Commitment

The Organization leases hosting space and bandwidth under a noncancelable operating lease expiring in 2007. Future minimum obligation under the lease for the year ending June 30, 2007 is $367,947. Total rent expense for the lease is shown as Internet hosting expense in the accompanying statements of activities.