

Wikimedia Foundation, Inc.

Financial Statements

June 30, 2007 And 2006

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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, 2007 and 2006, 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, 2007 and 2006, 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.

A handwritten signature in black ink that reads 'Gregory, Sharer & Stuart, P.A.' The signature is written in a cursive, flowing style.

St. Petersburg, Florida
January 22, 2008

Wikimedia Foundation, Inc.
Statements Of Financial Position

	June 30,	
	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,003,798	\$ 512,313
Accounts receivable, net	45,369	49,448
Investments	-	78,415
Prepaid expenses	35,027	-
Total Current Assets	<u>1,084,194</u>	<u>640,176</u>
Computer Equipment And Software, net of accumulated depreciation of \$541,148 and \$192,063 for 2007 and 2006, respectively	<u>612,375</u>	<u>426,609</u>
Total Assets	<u><u>\$ 1,696,569</u></u>	<u><u>\$ 1,066,785</u></u>
Liabilities And Net Assets		
Current Liabilities		
Accounts payable	\$ 38,287	\$ 62,569
Net Assets		
Unrestricted	1,631,282	974,216
Temporarily restricted	27,000	30,000
Total Net Assets	<u>1,658,282</u>	<u>1,004,216</u>
Total Liabilities And Net Assets	<u><u>\$ 1,696,569</u></u>	<u><u>\$ 1,066,785</u></u>

Wikimedia Foundation, Inc.
Statements Of Activities

	Year Ended June 30,	
	<u>2007</u>	<u>2006</u>
Unrestricted Net Assets		
Support and revenue		
Contributions	\$ 2,222,787	\$ 1,285,292
In-kind revenue	316,723	114,589
Grants	-	22,322
Other income	126,413	59,547
Investment income	38,986	16,289
Release of restrictions on temporarily restricted net assets	30,000	10,000
Total Support And Revenue	<u>2,734,909</u>	<u>1,508,039</u>
Expenses		
Salaries and wages	415,006	107,122
Internet hosting	389,417	189,631
In-kind expenses	316,723	114,589
Operating	310,334	90,980
Travel	264,361	140,605
Depreciation	349,390	143,394
Other	32,612	5,586
Total Expenses	<u>2,077,843</u>	<u>791,907</u>
Increase In Unrestricted Net Assets	657,066	716,132
Temporarily Restricted Net Assets		
Contributions	27,000	30,000
Release of restrictions on temporarily restricted net assets	(30,000)	(10,000)
(Decrease) Increase In Temporarily Restricted Net Assets	<u>(3,000)</u>	<u>20,000</u>
Increase In Net Assets	654,066	736,132
Net Assets At Beginning Of Year	<u>1,004,216</u>	<u>268,084</u>
Net Assets At End Of Year	<u>\$ 1,658,282</u>	<u>\$ 1,004,216</u>

Wikimedia Foundation, Inc.
Statements Of Cash Flows

	Year Ended June 30,	
	2007	2006
Cash Flows From Operating Activities		
Increase in net assets	\$ 654,066	\$ 736,132
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	349,390	143,394
Donation of common stock	(314,522)	(70,350)
Donation of computer equipment	(20,990)	-
Allowance for uncollectible accounts receivable	3,817	-
Unrealized gain on investments	-	(8,065)
Gain on sale of investments	(11,405)	-
Decrease (increase) in operating assets		
Accounts receivable	262	(44,892)
Prepaid expenses	(35,027)	-
(Decrease) increase in operating liabilities		
Accounts payable	(24,282)	47,166
Net Cash Provided By Operating Activities	601,309	803,385
Cash Flows From Investing Activities		
Investment proceeds	404,342	-
Purchase of computer equipment and software	(514,166)	(428,309)
Net Cash Used By Investing Activities	(109,824)	(428,309)
Net Increase In Cash And Cash Equivalents	491,485	375,076
Cash And Cash Equivalents At Beginning Of Year	512,313	137,237
Cash And Cash Equivalents At End Of Year	<u>\$ 1,003,798</u>	<u>\$ 512,313</u>
Supplemental Disclosure		
Donation of common stock	<u>\$ 314,522</u>	<u>\$ 70,350</u>

Note A - Organization and Summary Of Significant Accounting Policies

Organization And Purpose

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, 2007 and 2006.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is comprised of contributions, commissions, related party receivables (see Note E) 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. The allowance for uncollectible accounts is \$3,817 and \$0 at June 30, 2007 and 2006, respectively.

Investments

At June 30, 2006, 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*. During the year ended June 30, 2007, the Organization received a donation of additional 681 shares of Google common stock. The Organization sold all of its shares of donated Google common stock during the year ended June 30, 2007. Included in investment income in the statement of activities for the year ended June 30, 2007 are realized gains of \$11,405 and interest income of \$27,581. Included in investment 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. Donated computer equipment and software is recorded at the fair value of the items at the time of the donation and is deemed an unrestricted contribution in the year in which it was received. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the double-declining balance method to a maximum of three years. 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 value when determinable, or otherwise at values indicated by the donor.

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which 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.

In-kind revenue and expenses recorded on the statements of activities consist of contributed legal and public relations services, Internet hosting, and office space. The amount of specialized contributed legal and public relations services recognized as revenue and expenses was approximately \$80,000 and \$83,000 for the years ended June 30, 2007 and 2006, respectively. The value of contributed Internet hosting services for the years ended June 30, 2007 and 2006 was approximately \$236,000 and \$25,000, respectively.

Included in the 2007 amount are donated hosting services and bandwidth from two companies, Yahoo! and Kennisnet. In 2006, the value of donated services and bandwidth from these two entities could not be reasonably estimated. Therefore no related amounts are 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.

Reclassification

Certain amounts in the 2006 financial statements were reclassified to conform to the 2007 presentation. These reclassifications have no effect on previously reported net assets or the increase in net assets for 2006.

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:

	2007	2006
Wikimania conference	<u>\$ 27,000</u>	<u>\$ 30,000</u>

There were no amounts classified as permanently restricted at June 30, 2007 and 2006.

Note C - Contingencies

In the normal course of business, the Organization receives various threats of litigation on a regular basis. In the opinion of management, the outcome of the pending lawsuits will not materially affect present operations or the financial stability of the Organization.

Wikimedia Foundation, Inc.**Notes To Financial Statements****June 30, 2007 And 2006****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
<i>Year Ended June 30, 2007</i>				
Salary and wages	\$ 242,635	\$ 117,659	\$ 54,712	\$ 415,006
Internet hosting	389,417	-	-	389,417
In-kind expenses	258,000	4,723	54,000	316,723
Operating	94,822	189,054	26,458	310,334
Travel	260,101	4,260	-	264,361
Depreciation	349,390	-	-	349,390
Other	5,000	27,612	-	32,612
	<u>\$ 1,599,365</u>	<u>\$ 343,308</u>	<u>\$ 135,170</u>	<u>\$ 2,077,843</u>
<i>Year Ended June 30, 2006</i>				
Salary and wages	\$ 67,974	\$ 25,895	\$ 13,253	\$ 107,122
Internet hosting	189,631	-	-	189,631
In-kind expenses	25,200	89,389	-	114,589
Operating	2,033	52,464	36,483	90,980
Travel	140,605	-	-	140,605
Depreciation	143,394	-	-	143,394
Other	520	890	4,176	5,586
	<u>\$ 569,357</u>	<u>\$ 168,638</u>	<u>\$ 53,912</u>	<u>\$ 791,907</u>

Note E - Related Party Transactions

The Organization shares hosting and bandwidth costs with Wikia, Inc., a for-profit company founded by the same founder as Wikimedia Foundation, Inc. Included in accounts receivable at June 30, 2007 is \$6,000 due from Wikia, Inc. for these costs. The Organization received some donated office space from Wikia Inc. during the year ended June 30, 2006 valued at \$6,000. No donation of the office space occurred in 2007.

Through June 30, 2007, two members 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.