



WIKIMEDIA FOUNDATION, INC.

Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

WIKIMEDIA FOUNDATION, INC.

Financial Statements

June 30, 2009 and 2008

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KPMG LLP
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Trustees
Wikimedia Foundation, Inc.:

We have audited the accompanying balance sheets of Wikimedia Foundation, Inc. (the Foundation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

November 13, 2009

WIKIMEDIA FOUNDATION, INC.

Balance Sheets

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,243,471	2,998,635
Current portion of contributions receivable	1,300,000	1,020,000
Accounts receivable	72,589	27,259
Investments	—	37,902
Prepaid expenses	186,489	85,424
Total current assets	<u>7,802,549</u>	<u>4,169,220</u>
Property, plant and equipment, net of accumulated depreciation and amortization of \$1,122,313 and \$734,282, respectively	799,586	521,107
Noncurrent portion of contributions receivable	—	974,279
Total assets	<u>\$ 8,602,135</u>	<u>5,664,606</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 264,368	305,147
Deferred revenue	106,000	181,291
Total current liabilities	<u>370,368</u>	<u>486,438</u>
Total liabilities	<u>370,368</u>	<u>486,438</u>
Net assets:		
Unrestricted	6,164,309	3,123,539
Temporarily restricted	2,067,458	2,054,629
Total net assets	<u>8,231,767</u>	<u>5,178,168</u>
Total liabilities and net assets	<u>\$ 8,602,135</u>	<u>5,664,606</u>

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Statements of Activities

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted net assets:		
Support and revenue:		
Contributions	\$ 6,297,433	4,402,910
In-kind service revenue	578,279	333,125
Other income, net	398,149	172,449
Investment income, net	17,954	21,497
Special event revenue, net	11,995	76,000
Release of restrictions on temporarily restricted net assets	1,354,196	27,000
Total support and revenue	<u>8,658,006</u>	<u>5,032,981</u>
Expenses:		
Salaries and wages	2,257,621	1,147,679
Internet hosting	822,405	537,204
In-kind service expenses	578,279	333,125
Operating	1,259,161	952,019
Travel	223,193	307,679
Depreciation and amortization	419,947	233,314
Other	56,630	29,704
Total expenses	<u>5,617,236</u>	<u>3,540,724</u>
Increase in unrestricted net assets	<u>3,040,770</u>	<u>1,492,257</u>
Temporarily restricted net assets:		
Contributions	1,367,025	2,054,629
Release of restrictions on temporarily restricted net assets	(1,354,196)	(27,000)
Increase in temporarily restricted net assets	<u>12,829</u>	<u>2,027,629</u>
Increase in net assets	3,053,599	3,519,886
Net assets at beginning of year	<u>5,178,168</u>	<u>1,658,282</u>
Net assets at end of year	<u>\$ 8,231,767</u>	<u>5,178,168</u>

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase in net assets	\$ 3,053,599	3,519,886
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	419,947	233,314
Donation of common stock	(257,495)	(49,787)
Donation of equipment	(128,600)	—
Loss on disposal of equipment and impairment of leasehold improvements	50,146	17,481
Loss on investments	13,085	11,885
Changes in operating assets and liabilities:		
Contributions receivable	694,279	(1,994,279)
Accounts receivable	(45,330)	18,110
Prepaid expenses	(101,065)	(50,397)
Accounts payable	(40,779)	266,860
Deferred revenue	(75,291)	181,291
Net cash provided by operating activities	<u>3,582,496</u>	<u>2,154,364</u>
Cash flows from investing activities:		
Purchase of computer equipment and software	(618,817)	(87,840)
Leasehold improvements	(1,155)	(71,687)
Sale of investments	282,312	—
Net cash used in investing activities	<u>(337,660)</u>	<u>(159,527)</u>
Net increase in cash and cash equivalents	3,244,836	1,994,837
Cash and cash equivalents at beginning of year	<u>2,998,635</u>	<u>1,003,798</u>
Cash and cash equivalents at end of year	<u><u>\$ 6,243,471</u></u>	<u><u>2,998,635</u></u>

See accompanying notes to financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Purpose

The Wikimedia Foundation is the non-profit organization which operates Wikipedia, the free encyclopedia. According to comScore Media Metrix, Wikipedia and the other projects operated by the Wikimedia Foundation receive more than 300 million unique visitors per month, making them the 5th most popular web property world-wide (June, 2009). Available in more than 265 languages, Wikipedia contains more than 12 million articles contributed by a global volunteer community of more than 100,000 people. Based in San Francisco, California, the Wikimedia Foundation is an audited 501(c)(3) charity that is funded primarily through donations and grants.

(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 23701(d) 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. There was no unrelated business income tax for the years ended June 30, 2009 and 2008.

(c) Financial Statement Presentation

The Foundation 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 Foundation 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.

(d) Restricted and Unrestricted Contributions

The Foundation 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.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(e) *Cash and Cash Equivalents*

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

(f) *Contributions Receivable*

Contributions receivable represents gift amounts due from various entities which are occasionally directed at specific activities. Contribution receivables due more than one year from the contribution date are discounted to present value using the U.S. Treasury rate through June 30, 2008. Beginning July 1, 2008 they are discounted at a fair value rate. Contribution receivables are subject to review and adjustment by management should amounts be deemed uncollectible.

(g) *Accounts Receivable*

Accounts receivable is comprised primarily of 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.

(h) *Investments*

The Foundation holds no shares of stock as of June 30, 2009, consistent with its policy to sell stock received through donations as soon as possible. As of June 30, 2008, investments consisted of 72 shares of Google stock that were held prior to the adoption of the policy stated above. The shares were 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 investment income in the statements of activities for the years ended June 30, 2009 and 2008 are a loss on investments of \$13,085 and \$11,885, respectively.

(i) *Property, Plant and Equipment*

All expenditures for property, plant and equipment with useful lives of one year or more are capitalized and recorded at cost. Depreciation is calculated over the estimated useful lives of the assets. The estimated useful life of furniture is 5 years, while the estimated useful lives of computer equipment and software are 3 – 5 years. Leasehold improvements are amortized over the life of the lease. 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. 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.

At the beginning of fiscal 2008 the Foundation changed its method of depreciation from the double-declining balance method to the straight-line method, to better reflect the pattern of consumption of the expected benefits of the Foundation's property, plant and equipment. This change in accounting estimate, effected by a change in accounting principle, was accounted for prospectively in the accompanying financial statements in accordance with SFAS No. 154, *Accounting Changes and Error Corrections*. The impact of the change was a reduction to depreciation expense and increase to net assets in fiscal year 2008 of \$134,126.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(j) *Deferred Revenue*

Deferred revenue represents payments related to live-feed agreements that have been paid in advance.

(k) *Noncash Contributions*

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. 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 nonfinancial 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 service revenue and expenses recorded on the statements of activities consist of contributed legal services and Internet hosting. The amounts of specialized contributed legal services recognized as revenue and expenses are \$114,684 and \$20,000 for the years ended June 30, 2009 and 2008, respectively. The value of contributed Internet hosting services for the years ended June 30, 2009 and 2008 is \$463,595 and \$313,125, respectively.

Included in the 2009 amount are donated hosting services and bandwidth from six companies, Yahoo!, Kennisnet, EvoSwitch, LeaseWeb, Teliasonera and AMS-IX.

Included in the 2008 amount are donated hosting services and bandwidth from two companies, Yahoo! and Kennisnet.

Noncash contributions also consist of investments and equipment, which are recorded as contributions on the Statement of Activities at fair value at the date of donation.

(l) *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 allowance for doubtful accounts, useful lives of fixed assets and the valuation of in-kind gifts. Accordingly, actual results could differ from those estimates.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(2) Contributions Receivable

Contributions receivable at June 30, 2009 and 2008 consist of amounts primarily due from one contributor which is due as follows:

	2009	2008
Amounts due in:		
One year	\$ 1,300,000	1,020,000
Two years	—	1,000,000
Less discount to present value	—	(25,721)
Total	1,300,000	1,994,279
Less current portion	1,300,000	1,020,000
Noncurrent portion	\$ —	974,279

Additionally, contribution revenues for the year ended June 30, 2008, includes \$2,974,279 from one contributor.

(3) Property, Plant and Equipment

Property, plant and equipment at June 30, 2009 and 2008 consist of the following:

	2009	2008
Furniture	\$ 51,462	35,016
Leasehold improvements	—	71,687
Computer equipment and software	1,870,437	1,148,686
Total	1,921,899	1,255,389
Less accumulated depreciation and amortization	(1,122,313)	(734,282)
Net	\$ 799,586	521,107

The Foundation recognized an impairment of assets of \$48,818 related to its leasehold improvements representing the remaining net book value of the leasehold improvements as of June 30, 2009. The assets, which had a four-year life coinciding with the Foundation's office lease, were deemed impaired based on the Foundation's signing of a lease for new office space effective October 1, 2009. The loss was recorded in Other Expenses in the Statement of Activities for the year ended June 30, 2009. See also footnote 9, Subsequent Events.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

(4) Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Restricted to future periods	\$ 1,000,000	1,974,279
Restricted by purpose:		
Restricted to improving Wiki print and technology	—	40,000
Restricted to payment for illustrations	19,729	20,350
Restricted to improving user-friendliness of Wikimedia Commons	300,000	—
Restricted to improving user-friendliness of Wikipedia	636,846	—
Restricted to improving software used for contributing video content	50,646	—
Restricted to scholarships for Wikimania	60,237	20,000
Temporarily restricted net assets	<u>\$ 2,067,458</u>	<u>2,054,629</u>

(5) Functional Allocation of Expenses

Costs of providing the Foundation's various projects are summarized below on a functional basis. Accordingly, certain costs have been allocated among the projects benefited and supporting services for the year ended June 30, 2009 and 2008, as follows:

	<u>2009</u>			
	<u>Projects</u>	<u>General and administrative</u>	<u>Fund raising</u>	<u>Total</u>
Salary and wages	\$ 1,189,115	481,643	586,863	2,257,621
Internet hosting	822,405	—	—	822,405
In-kind service expenses	475,063	—	103,216	578,279
Operating	618,600	264,338	376,223	1,259,161
Travel	98,254	69,229	55,710	223,193
Depreciation and amortization	377,953	20,997	20,997	419,947
Other	32,959	10,652	13,019	56,630
	<u>\$ 3,614,349</u>	<u>846,859</u>	<u>1,156,028</u>	<u>5,617,236</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

	2008			
	<u>Projects</u>	<u>General and administrative</u>	<u>Fund raising</u>	<u>Total</u>
Salary and wages	\$ 575,956	479,078	92,645	1,147,679
Internet hosting	537,204	—	—	537,204
In-kind service expenses	333,125	—	—	333,125
Operating	395,241	437,648	119,130	952,019
Travel	153,840	141,533	12,306	307,679
Depreciation and amortization	226,605	5,961	748	233,314
Other	17,553	12,151	—	29,704
	<u>\$ 2,239,524</u>	<u>1,076,371</u>	<u>224,829</u>	<u>3,540,724</u>

The 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):

- In the year ended June 30, 2009, the educational content of the Foundation's projects grew by approximately 1.6 billion words. (By comparison, according to its publisher, the 32-volume print edition of Encyclopedia Britannica contains 44 million words.) This material was entirely contributed by volunteer writer/editors.
- In the year ended June 30, 2009, volunteers added approximately 1.8 million images, movies and sound files to the Foundation's multimedia repository.
- 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. In the year ended June 30, 2009, the source code hosted in the Foundation's version control repository grew by approximately 682,000 lines of code.

(6) Operating Leases

The Foundation has a four-year noncancelable operating lease for its San Francisco office space. 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, 2009 and 2008 was \$119,153 and \$103,121, respectively.

WIKIMEDIA FOUNDATION, INC.

Notes to Financial Statements

June 30, 2009 and 2008

Future minimum lease payments under noncancelable operating leases as of June 30, 2009 are:

Year ended June 30:	
2010	\$ 79,250
2011	82,250
2012	<u>49,000</u>
Total minimum lease payments	\$ <u>210,500</u>

(7) Related Party Transactions

Beginning in January 2009 (and ending in October 2009), the Foundation rented between 400 and 600 square feet of office space from Wikia, Inc., a for-profit company founded by the same founder as Wikimedia Foundation, Inc., in order to accommodate staff hired for the usability initiative. Rent paid to Wikia for the year ended June 30, 2009 totaled \$13,470. After October, 2009, the office rental with Wikia came to an end. While Wikia and the Foundation share the same founder, after October 2009, there is no financial relationship between the two organizations.

During fiscal year 2008, Wikia, Inc. reimbursed the Foundation \$5,000 for shared hosting and bandwidth costs through December 31, 2007. This was recorded as an offset to the Foundation's Internet hosting expense.

(8) Contingencies

In the normal course of business, the Foundation 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 position of the Foundation.

(9) Subsequent Events

The Foundation signed a 5-year lease for office space on September 16, 2009, effective October 1, 2009. The new office space will allow the Foundation to recapture staff who were located in satellite office space due to the space limitations of the current office. The existing lease for the Foundation's previous location expires January 31, 2012. The Foundation is in the process of identifying a sublessee for the current space.

The Foundation has evaluated its subsequent events through November 13, 2009, which is the date the financial statements were available to be issued.