



**WIKIMEDIA FOUNDATION, INC.**

Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012, 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 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 auditors consider 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, 2013 and 2012, 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 19, 2013

# WIKIMEDIA FOUNDATION, INC.

## Balance Sheets

June 30, 2013 and 2012

| <b>Assets</b>                                  | <b>2013</b>   | <b>2012</b> |
|------------------------------------------------|---------------|-------------|
| Current assets:                                |               |             |
| Cash and cash equivalents                      | \$ 22,171,889 | 21,796,626  |
| Current portion of contributions receivable    | 1,550,000     | 3,084,000   |
| Accounts receivable, net                       | 47,000        | 494,487     |
| Investments                                    | 17,579,068    | 3,600,401   |
| Prepaid expenses and other current assets      | 1,391,447     | 1,257,352   |
| Total current assets                           | 42,739,404    | 30,232,866  |
| Property, plant, and equipment, net            | 4,911,806     | 5,168,106   |
| Noncurrent portion of contributions receivable | 495,683       | 1,805,919   |
| Total assets                                   | \$ 48,146,893 | 37,206,891  |
| <b>Liabilities and Net Assets</b>              |               |             |
| Current liabilities:                           |               |             |
| Accounts payable                               | \$ 1,092,313  | 745,372     |
| Accrued expenses                               | 1,456,735     | 1,033,879   |
| Deferred revenue                               | 37,311        | 293,606     |
| Other liabilities                              | 371,410       | 204,976     |
| Total current liabilities                      | 2,957,769     | 2,277,833   |
| Total liabilities                              | 2,957,769     | 2,277,833   |
| Net assets:                                    |               |             |
| Unrestricted                                   | 42,921,751    | 29,991,139  |
| Temporarily restricted                         | 2,267,373     | 4,937,919   |
| Total net assets                               | 45,189,124    | 34,929,058  |
| Total liabilities and net assets               | \$ 48,146,893 | 37,206,891  |

See accompanying notes to financial statements.

**WIKIMEDIA FOUNDATION, INC.**

Statements of Activities

Years ended June 30, 2013 and 2012

|                                                              | <u>2013</u>          | <u>2012</u>        |
|--------------------------------------------------------------|----------------------|--------------------|
| Unrestricted net assets:                                     |                      |                    |
| Support and revenue:                                         |                      |                    |
| Donations and contributions                                  | \$ 44,666,470        | 35,066,855         |
| In-kind equipment donation                                   | —                    | 964,628            |
| In-kind service revenue                                      | 260,909              | 296,599            |
| Other income, net                                            | 414,297              | 666,029            |
| Investment income, net                                       | 17,422               | 44,436             |
| Release of restrictions on temporarily restricted net assets | <u>3,276,310</u>     | <u>1,441,118</u>   |
| Total support and revenue                                    | <u>48,635,408</u>    | <u>38,479,665</u>  |
| Expenses:                                                    |                      |                    |
| Salaries and wages                                           | 15,983,542           | 11,749,500         |
| Awards and grants                                            | 2,791,378            | 2,106,752          |
| Internet hosting                                             | 2,549,992            | 2,486,903          |
| In-kind service expenses                                     | 260,909              | 296,599            |
| Other operating expenses                                     | 10,017,121           | 9,198,892          |
| Travel and conferences                                       | 1,395,013            | 1,533,150          |
| Depreciation                                                 | <u>2,706,841</u>     | <u>1,888,856</u>   |
| Total expenses                                               | <u>35,704,796</u>    | <u>29,260,652</u>  |
| Increase in unrestricted net assets                          | <u>12,930,612</u>    | <u>9,219,013</u>   |
| Temporarily restricted net assets:                           |                      |                    |
| Contributions                                                | 605,764              | 2,959,019          |
| Release of restrictions on temporarily restricted net assets | <u>(3,276,310)</u>   | <u>(1,441,118)</u> |
| Increase (decrease) in temporarily restricted net assets     | <u>(2,670,546)</u>   | <u>1,517,901</u>   |
| Increase in net assets                                       | 10,260,066           | 10,736,914         |
| Net assets at beginning of year                              | <u>34,929,058</u>    | <u>24,192,144</u>  |
| Net assets at end of year                                    | <u>\$ 45,189,124</u> | <u>34,929,058</u>  |

See accompanying notes to financial statements.

**WIKIMEDIA FOUNDATION, INC.**

Statements of Cash Flows

Years ended June 30, 2013 and 2012

|                                                                                               | <u>2013</u>                 | <u>2012</u>                 |
|-----------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Cash flows from operating activities:                                                         |                             |                             |
| Increase in net assets                                                                        | \$ 10,260,066               | 10,736,914                  |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |                             |                             |
| Depreciation                                                                                  | 2,706,841                   | 1,888,856                   |
| Donation of common stock                                                                      | (27,440)                    | (29,671)                    |
| Proceeds from sale of donated common stock                                                    | 26,211                      | 29,693                      |
| Donation of equipment                                                                         | —                           | (964,628)                   |
| Loss on disposal of equipment                                                                 | 24,617                      | —                           |
| Unrealized and realized loss on investments                                                   | 53,690                      | 6,378                       |
| Changes in operating assets and liabilities:                                                  |                             |                             |
| Contributions receivable                                                                      | 2,844,236                   | (1,911,019)                 |
| Accounts receivable                                                                           | 447,487                     | 200,517                     |
| Prepaid expenses and other current assets                                                     | (134,095)                   | (42,468)                    |
| Accounts payable                                                                              | 346,941                     | (26,734)                    |
| Accrued expenses                                                                              | 422,856                     | 374,847                     |
| Deferred revenue                                                                              | (256,295)                   | (81,273)                    |
| Other liabilities                                                                             | 166,434                     | 37,570                      |
| Net cash provided by operating activities                                                     | <u>16,881,549</u>           | <u>10,218,982</u>           |
| Cash flows from investing activities:                                                         |                             |                             |
| Purchase of computer equipment and office furniture                                           | (2,475,158)                 | (2,690,659)                 |
| Purchase of investments                                                                       | (24,977,929)                | (3,603,000)                 |
| Proceeds from sales and maturities of investments                                             | 10,946,801                  | 5,845,000                   |
| Net cash used in investing activities                                                         | <u>(16,506,286)</u>         | <u>(448,659)</u>            |
| Net increase in cash and cash equivalents                                                     | 375,263                     | 9,770,323                   |
| Cash and cash equivalents at beginning of year                                                | <u>21,796,626</u>           | <u>12,026,303</u>           |
| Cash and cash equivalents at end of year                                                      | \$ <u><u>22,171,889</u></u> | \$ <u><u>21,796,626</u></u> |
| Noncash:                                                                                      |                             |                             |
| In-kind equipment donation                                                                    | \$ —                        | 964,628                     |

See accompanying notes to financial statements.

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

### (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. According to comScore Media Metrix, Wikipedia, and the other projects operated by the Foundation receive more than 500 million unique visitors per month, making them the 5th most popular Web property worldwide (June 2013). Available in more than 285 languages, Wikipedia contains more than 28 million articles contributed by a global volunteer community of more than 80,000 people. 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 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.

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.

#### (c) *Financial Statement Presentation*

Net assets, revenues, 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*

The Foundation accounts for contributions in accordance with ASC Topic 958. Accordingly, 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, 2013 and 2012

**(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. Cash equivalents of \$37,861 and \$4,013,137 as of June 30, 2013 and 2012, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurements*.

**(f) Contributions Receivable**

Contributions receivable represent 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 fair value rate of 0.58% under ASC Topic 820. Contribution receivables are subject to review and adjustment by management should amounts be deemed uncollectible.

**(g) Accounts Receivable**

Accounts receivable comprise primarily fees charged to Web sites for live-feed access to Wikipedia and licensing fees. All receivables are noninterest-bearing. Management periodically reviews receivables for past-due amounts based on payment history and adjusts for uncollectible amounts as necessary. As of June 30, 2013, the Foundation has a reserve balance of \$153,991 for a doubtful account. There were no reserves as of June 30, 2012.

**(h) Investments**

The Foundation's policy regarding investments is to invest surplus cash in short-term and intermediate-term fixed income instruments without assuming 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 included as a component of the change in net assets. Additionally, the Foundation holds no shares of stock as of June 30, 2013 and 2012, 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.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs from investments.

As a policy, the Foundation recognizes transfers between levels at the end of the reporting period. During the years ended June 30, 2013 and 2012, there were no transfers of Level 2 assets.

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

**(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 life of the lease. 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.

**(j) Deferred Revenue**

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

**(k) 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 is not met.

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 and other consulting services recognized as revenue and expenses are \$32,691 and \$95,101 for the years ended June 30, 2013 and 2012, respectively. The value of contributed Internet hosting services for the years ended June 30, 2013 and 2012 are \$228,218 and \$201,498, respectively.

Included in the 2013 amount are donated hosting services and bandwidth from four companies: (1) LeaseWeb, (2) Teliasonera, (3) Tele2, and (4) Datahop.

Included in the 2012 amount are donated hosting services and bandwidth from five companies: (1) Kennisnet, (2) EvoSwitch, (3) LeaseWeb, (4) Teliasonera, and (5) Tele2.

Noncash contributions also include investments and equipment, which are recorded as contributions on the statement of activities at fair value at the date of donation.

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

**(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, investment valuations, useful lives of fixed assets, and the valuation of in-kind gifts. Accordingly, actual results could differ from those estimates.

**(m) Reclassification**

Certain reclassification have been made in the financial statements to conform 2012 information to the 2013 presentation.

**(n) Recently Issued Accounting Standards**

During 2012, the FASB issued Accounting Standards Update (ASU) No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flow*. This guidance was retrospectively adopted by the Foundation in 2013, as permitted by the ASU, and did not have a significant effect on the financial statements.

**(2) Contributions Receivable**

Contributions receivable at June 30, 2013 and 2012 consist of the following:

|                                    | <u>2013</u>       | <u>2012</u>      |
|------------------------------------|-------------------|------------------|
| Amounts due in:                    |                   |                  |
| One year                           | \$ 1,550,000      | 3,084,000        |
| Two to three years                 | 500,000           | 1,816,000        |
| Less discount to net present value | <u>(4,317)</u>    | <u>(10,081)</u>  |
| Total                              | 2,045,683         | 4,889,919        |
| Less current portion               | <u>1,550,000</u>  | <u>3,084,000</u> |
| Noncurrent portion                 | <u>\$ 495,683</u> | <u>1,805,919</u> |

As of June 30, 2013, three contributions comprised 15%, 36%, and 49% of contribution receivable. As of June 30, 2012, three contributions comprised 20%, 37%, and 41% of contribution receivable.

**WIKIMEDIA FOUNDATION, INC.**

Notes to Financial Statements

June 30, 2013 and 2012

**(3) Fair Value of Investments**

The following tables present the fair value of the investments based on hierarchical level as of June 30, 2013 and 2012:

| <b>Description</b>                      | <b>June 30,<br/>2013</b> | <b>Fair value<br/>measurements<br/>at reporting<br/>date using<br/>significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</b> |
|-----------------------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Certificates of deposit                 | \$ 4,141,012             | 4,141,012                                                                                                                            |
| Municipal bonds                         | 2,873,081                | 2,873,081                                                                                                                            |
| Treasury inflation-protected securities | 2,010,093                | 2,010,093                                                                                                                            |
| U.S. Treasury securities                | 4,771,650                | 4,771,650                                                                                                                            |
| U.S. Corporate bonds                    | 3,658,422                | 3,658,422                                                                                                                            |
| Other                                   | 124,810                  | 124,810                                                                                                                              |
| Total                                   | \$ 17,579,068            | 17,579,068                                                                                                                           |

| <b>Description</b>      | <b>June 30,<br/>2012</b> | <b>Fair value<br/>measurements<br/>at reporting<br/>date using<br/>significant<br/>other<br/>observable<br/>inputs<br/>(Level 2)</b> |
|-------------------------|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| Certificates of deposit | \$ 3,600,401             | 3,600,401                                                                                                                            |
| Total                   | \$ 3,600,401             | 3,600,401                                                                                                                            |

The following table presents investment return for the years ended June 30, 2013 and 2012:

|                                             | <b>2013</b> | <b>2012</b> |
|---------------------------------------------|-------------|-------------|
| Interest and dividends                      | \$ 71,112   | 50,814      |
| Unrealized and realized loss on investments | (53,690)    | (6,378)     |
| Total investment income, net                | \$ 17,422   | 44,436      |

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

### ***Fair Value of Financial Instruments***

The fair values of the financial instruments as of June 30, 2013 and 2012 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, current contributions receivable, accounts receivable, prepaid expenses, other current assets, accounts payable, accrued expenses, deferred revenue, and other liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments: Certificates of deposit, municipal bonds, treasury inflation-protected securities, US aggregate securities, and US 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, 2013 and 2012 consist of the following:

|                                     | <u>2013</u>         | <u>2012</u>      |
|-------------------------------------|---------------------|------------------|
| Furniture                           | \$ 439,562          | 277,312          |
| Computer equipment                  | 9,504,243           | 8,338,207        |
| Total                               | 9,943,805           | 8,615,519        |
| Less accumulated depreciation       | (5,031,999)         | (3,447,413)      |
| Property, plant, and equipment, net | <u>\$ 4,911,806</u> | <u>5,168,106</u> |

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

### (5) Net Assets

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

|                                                                  | <u>2013</u>         | <u>2012</u>      |
|------------------------------------------------------------------|---------------------|------------------|
| Restricted to future periods                                     | \$ 811,683          | 1,093,804        |
| Restricted by purpose:                                           |                     |                  |
| Stanton Foundation - Making Wikipedia More User-Friendly         | 1,000,000           | 1,996,115        |
| Sloan Foundation - Developing and Sustaining Educational Mission | —                   | 1,800,000        |
| Knight Foundation - Wikipedia Zero and Mobile Technology         | 450,000             | —                |
| Stanton Foundation - Wikipedian-in-Residence @ Belfer Center     | 5,690               | 48,000           |
| Temporarily restricted net assets                                | <u>\$ 2,267,373</u> | <u>4,937,919</u> |

### (6) Functional Allocation of Expenses

Costs of providing the Foundation's activities have been summarized below on a functional basis. Projects are comprised of 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 editing community and (3) accelerating impact by investing in key geographic areas, mobile application development and bottom-up innovation, all of which, to support Wikipedia and eight other wiki-based projects. Accordingly, certain costs have been allocated among the projects benefited and supporting services for the years ended June 30, 2013 and 2012, as follows:

|                          | <u>2013</u>          |                                   |                     |
|--------------------------|----------------------|-----------------------------------|---------------------|
|                          | <u>Projects</u>      | <u>General and administrative</u> | <u>Fund-raising</u> |
| Salary and wages         | \$ 11,744,168        | 2,700,060                         | 1,539,314           |
| Awards and grants        | 2,791,378            | —                                 | —                   |
| Internet hosting         | 2,549,992            | —                                 | —                   |
| In-kind service expenses | 228,218              | 32,691                            | —                   |
| Other operating expenses | 2,859,197            | 5,012,142                         | 2,145,782           |
| Travel and conferences   | 1,125,114            | 147,835                           | 122,064             |
| Depreciation             | 2,441,148            | 265,693                           | —                   |
|                          | <u>\$ 23,739,215</u> | <u>8,158,421</u>                  | <u>3,807,160</u>    |
|                          |                      |                                   | <u>35,704,796</u>   |

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

|                          | 2012                 |                            |                  |                   |
|--------------------------|----------------------|----------------------------|------------------|-------------------|
|                          | Projects             | General and administrative | Fund-raising     | Total             |
| Salary and wages         | \$ 8,021,895         | 2,407,832                  | 1,319,773        | 11,749,500        |
| Awards and grants        | 2,106,752            | —                          | —                | 2,106,752         |
| Internet hosting         | 2,486,903            | —                          | —                | 2,486,903         |
| In-kind service expenses | 201,498              | 95,101                     | —                | 296,599           |
| Other operating expenses | 4,050,057            | 3,450,778                  | 1,698,057        | 9,198,892         |
| Travel and conferences   | 1,296,624            | 103,876                    | 132,650          | 1,533,150         |
| Depreciation             | 1,674,787            | 214,069                    | —                | 1,888,856         |
|                          | <u>\$ 19,838,516</u> | <u>6,271,656</u>           | <u>3,150,480</u> | <u>29,260,652</u> |

The Foundation has a program of awarding grants to support chapters 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):

- For the year ended June 30, 2013, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 5 million articles to more than 28 million articles total.
- For the year ended June 30, 2013, volunteers added approximately 4.5 million images, movies, and sound files to the Foundation's multimedia repository, making the total 17.8 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. By the year ended June 30, 2013, the source code hosted in the Foundation's version control repository contained approximately 7 million lines of code through the effort of approximately 1,150 contributors, in which approximately 550 are active contributors.

## (7) Operating Leases

The Foundation has a seven-year noncancelable 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, 2013 and 2012 was \$1,005,896 and \$683,640, respectively.

# WIKIMEDIA FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2013 and 2012

Future minimum lease payments under noncancelable operating leases as of June 30, 2013 are as follows:

|                                 | <u>Lease<br/>payments</u> |
|---------------------------------|---------------------------|
| Year ending June 30:            |                           |
| 2014                            | \$ 1,205,715              |
| 2015                            | 1,239,472                 |
| 2016                            | 1,273,229                 |
| 2017                            | 1,306,986                 |
| 2018                            | <u>329,565</u>            |
| Total minimum lease<br>payments | <u>\$ 5,354,967</u>       |

On November 20, 2012, the Foundation entered into a sublease agreement to rent out its unoccupied space. The lease term is for two years from January 2013 through December 2014 with a monthly rent income of \$46,285 in year 1 and \$47,229 in year 2.

### (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 \$360,586 and \$206,596 to the Plan for the years ended June 30, 2013 and 2012, respectively.

### (9) Contingencies

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.

### (10) Subsequent Events

The Foundation has evaluated its subsequent events through September 19, 2013, the date at which the financial statements were available to be issued, and determined there are no items to disclose.