

2013-14 WMF Audited Financial Statements

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Overview

What's the purpose of this FAQ?

This FAQ is intended to provide a general overview of the WMF's FY 2013-14 audited financial statements and to provide more detail about areas that have generated many inquiries in the past. Detailed information available in the footnotes to the financial statements is generally not repeated in the FAQ. The financial statement footnotes are an integral part of the financial statements and should be read in their entirety; particularly the first footnote, which contains descriptive information such as an explanation of what is contained in particular lines of the Balance Sheets and Statements of Activities.

What are financial statements for?

Financial statements provide an overview of basic information about an organization's financial position, or its overall financial health. Financial statements are normally read by a number of different audiences, including the management of the organization, board members, donors, and others.

What do these statements represent?

These are the audited financial statements of the Wikimedia Foundation, covering the time period from July 1, 2013 to June 30, 2014. They were prepared by the accounting staff of the Wikimedia Foundation, and a certified public accountant representing our audit firm certified that they meet the requirements of the U.S. GAAP (Generally Accepted Accounting Principles). These audited statements were given to the Wikimedia Foundation Audit Committee -- a board subcommittee -- which has approved them, and to the Wikimedia Foundation Board of Trustees for their review.

What time period do these statements cover?

The statements are for the fiscal year ending June 30, 2014. Information about the previous year's period -- ending June 30, 2013 -- is available on the *Balance Sheets*, *Statement of Activities*, and *Statement of Cash Flows*, to provide comparison to the fiscal year ending June 30, 2014. This June 30, 2013 financial data is also available in the *Notes to Financial Statements*.

When will next year's audited financial statements be published?

Next year's audited financial statements will be released in October 2015.

Will the Wikimedia Foundation release interim financial statements?

We release interim statements for the mid-year period between annual audits. Our next statements will be basic, unaudited, mid-year financial statements covering the period from July 1, 2014 – December, 31, 2014. These will be released by the end of February 2015.

When will the 2013-14 Form 990 be published?

We will be working on the Form 990 for 2013-14 soon. It should be completed, approved by the Board, and published in May 2015.

What firm audits the Wikimedia Foundation's financial statements?

KPMG is the Wikimedia Foundation's audit firm.

Key Results

What's the overall takeaway?

The Wikimedia Foundation's financial health is strong. We were successful in raising more money to fund a larger budget, investing in key needs, such as hardware, personnel, and increasing our operating cash funds.

How do the finances for 2013-14 compare with the finances for 2012-13?

It was an excellent year for the Wikimedia Foundation from a financial perspective. The Foundation's cash and investment portfolio increased by \$11.4 million. The Wikimedia Foundation increased its investment in technology infrastructure (such as servers and other physical assets) by \$1.1 million and net assets increased by \$8.3 million. For the fiscal year, revenue increased from \$46 million to \$54.2 million and expenses increased from \$35.7 million to \$45.9 million.

Wikipedia and the other Wikimedia projects are written by volunteers. How do they fit in?

Under U.S. GAAP, general volunteer activity is not reflected in a non-profit's financial statements. As a result, we do not attempt to quantify the value of volunteer contributions or include it as an in-kind donation of services.

This is in no way intended to diminish the significance of the volunteers' contributions. The Wikimedia Foundation projects wouldn't exist without the volunteers around the globe and we value their contribution enormously.

How did the Wikimedia Foundation spend money during this audit period?

Product & Engineering	\$ 19,813,181
Grantmaking & Programs	\$ 8,929,652
Community Advocacy & Communications	\$ 1,554,174
Management & Governance*	\$ 1,175,917
General & Administration**	\$ 10,410,400
Fundraising	\$ 4,017,421

* Management & Governance includes the Office of the Executive Director and the volunteer Board of Trustees.

** General & Administration includes Human Resources, Finance, Office IT Support, Legal and Office Administration.

Why did General & Administration increase over the prior fiscal year?

General & Administration increased over the prior fiscal year because the Foundation incurred significant additional rent expense (due to office space expansion), staff development costs, and insurance cost for both health and risk management.

How much did the Foundation distribute in the form of grants and awards during this fiscal year?

The Wikimedia Foundation increased its spending on Awards and Grants from \$2.8 million as of June 30, 2013 to \$5.7 million as of June 30, 2014. The increase in Awards and Grants is primarily due to an increase of \$1.6 million for annual operating grants through the FDC, \$0.6 million for project and event grants, and \$0.5 million for partnership grants.

The Awards and Grants expense amounts don't include FDC grants provided to chapters that participated in the Foundation's annual fundraiser (totalling \$2.15 million for the fiscal year ended June 30, 2014 and \$2.77 million for the fiscal year ended June 30, 2013). Due to the structure of the fundraising agreement with those chapters, the Foundation is not required under U.S. GAAP to reflect those amounts retained by the fundraising chapters as grant expenses.

How does revenue from donations in 2013-14 compare with 2012-13?

Donation revenue increased from \$45.3 million to \$52.6 million during the fiscal year ending June 30, 2014.

What are the Wikimedia Foundation's other sources of revenue?

The vast majority of the Foundation's revenue comes from individual donations. Every year, more than one million people from around the world support the Wikimedia projects, mostly in the form of small, individual contributions. We also receive gifts from corporations and foundations, and some sources of have some "other income," including what the IRS calls "earned income" and a small amount of revenue from sources such as investment income, speaker fees, and rental income.

Why is the Wikimedia Foundation increasing its cash and investment balance?

The Wikimedia Foundation's goal is to ensure we have an appropriate amount of available operating cash. As a non-profit it is prudent to ensure that we have a sufficient amount of cash funds in the event that unforeseen opportunities arise, or an external or internal event limits our ability to raise funds. This is important for stability and the overall financial health of the organization.

There is no general guideline on what amount of cash availability is appropriate for a non-profit: different non-profits maintain different levels of available operating cash depending on their age, maturity, and mission. The cash and investment balance of the Wikimedia Foundation on June 30, 2014 represents less than one year of operating funds, based on our Fiscal Year 2014-15 Annual Plan; we believe the amount is appropriate for a growing non-profit of our size and age. Our goal is to have one year of operating funds so that we're able to sufficiently support our operations if we are unable to raise our budget through our usual fundraising activity.

What is the Wikimedia Foundation's approach to investment?

Our investment philosophy favors preservation of capital and liquidity over higher yields, which come with more risk.

Terms and Definitions

What is "other income, net"?

"Other income, net" for the Foundation consists primarily of "earned income," the revenue we earn through mission-friendly business activities such as the sale of live-feed data services and trademark license agreements. It also includes speaker fees, revenue from merchandise sales, and rental income from the sublease of office space not currently used by the Foundation.

What is "in-kind service revenue"?

"In-kind service revenue" includes goods and services that the Wikimedia Foundation would normally pay for, but have been donated to us at no charge, such as bandwidth and hosting services and pro-bono legal services. Further detail is available in the *Footnotes to the Financial Statements* under Non-cash Contributions (Note 1.(m)).

What is "investment income, net"?

"Investment income, net" is primarily interest earned on the Wikimedia Foundation's cash and investment portfolio. During this audit period, some of the Foundation's cash was invested in certificates of deposit, mortgage backed securities, U.S. government and agency securities, municipal bonds, and corporate bonds.

What are "other operating expenses"?

"Other operating expenses" include expenses for contract services, and facilities such as rent, utilities, phones, etc. During this audit period the Foundation spent \$4.6 million on contract services for information technology, fundraising, and other projects to support implementation of the strategic plan. In addition, the Foundation spent \$1.2 million on rent and utilities, \$1.6 million on bank and payment processing fees related to fundraising, \$2.5 million on legal and accounting fees, and \$0.4 million in recruitment expenses.

What are "travel and conferences" expenses?

"Travel and conferences" expenses are for travel and convening related to the implementation of the strategic plan. This includes Product & Engineering related activities associated with the hackathons, Grantmaking travel for FDC meetings as well as chapter visits, Fundraising travel and donor cultivation events, Wikipedia Zero travel and research into mobile usage, all staff and volunteer Wikimania travel expenses, and Board and staff travel expenses for Wikimedia convenes, conferences and meet-ups.

Examples of travel and conferences expenses for this fiscal year include:

Wikimania*** - \$446,267; Board - \$122,813; Fundraising - \$141,598; Grantmaking & Programs - \$404,343; and Product & Engineering - \$722,358.

*** Total costs incurred for approximately 102 staff, 7 Board members, 5 Advisory Board members, 8 AffCom Members, and 8 FDC Members.

What is the "functional allocation of expenses"?

The functional expense statement is to break out the purpose of spending -- how much an organization spends on program activities that further the mission, versus administrative support and fundraising activities. Expenses are reviewed and allocated among three categories: Projects, General and Administrative Support, and Fundraising.

What are "Projects" expenses?

The "Projects" category includes all the work done by the Wikimedia Foundation that directly supports the Wikimedia mission. For example, it includes all technology spending with the exception of spending supporting the office (e.g., office equipment). It includes, for example, servers, bandwidth and the salaries of the technical staff.

What are “General and Administrative” expenses?

The "General and Administrative" category includes all costs for business insurance, staff recruitment expenses, and the salaries and expenses of the Human Resources, Legal, Administrative, and Finance staff, as well as an allocation for general office expenses such as rent.

What are “Fundraising” expenses?

The "Fundraising" category includes all spending associated with fundraising activities. For example, it includes the salaries of the Fundraising staff, expenses related to the online fundraiser (e.g., PayPal and Global Collect fees), and all fundraising-related travel and conference costs.