



WIKIMEDIA FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2023 and 2022

(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.:

Opinion

We have audited the consolidated financial statements of Wikimedia Foundation, Inc. and its subsidiary (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
October 5, 2023

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash and cash equivalents	\$ 75,808,401	50,939,835
Contributions receivable	—	700,000
Short-term investments	132,216,667	141,361,796
Prepaid expenses and other current assets	<u>5,569,485</u>	<u>5,100,284</u>
Total current assets	213,594,553	198,101,915
Restricted cash	1,396,717	1,372,480
Long-term investments	43,265,786	39,861,990
Right of use asset – operating lease, net	1,821,174	—
Property and equipment, net	<u>14,045,139</u>	<u>11,629,057</u>
Total assets	\$ <u><u>274,123,369</u></u>	<u><u>250,965,442</u></u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 2,783,904	3,267,306
Accrued expenses	6,922,259	5,697,569
Lease liability	1,640,735	—
Donations payable to Wikimedia Endowment	5,274,448	19,718
Other liabilities	<u>2,124,939</u>	<u>2,629,317</u>
Total current liabilities	18,746,285	11,613,910
Lease liability	<u>405,748</u>	—
Total liabilities	<u>19,152,033</u>	<u>11,613,910</u>
Net assets:		
Net assets without donor restrictions	249,088,663	238,009,941
Net assets with donor restrictions	<u>5,882,673</u>	<u>1,341,591</u>
Total net assets	<u>254,971,336</u>	<u>239,351,532</u>
Total liabilities and net assets	\$ <u><u>274,123,369</u></u>	<u><u>250,965,442</u></u>

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Support and revenue:		
Contributions of cash and other financial assets	\$ 164,121,185	160,468,313
Contributions of nonfinancial assets and services	1,040,453	420,351
Foreign currency gains (losses)	(94,868)	(944,163)
Other income, net	3,824,240	2,106,050
Investment income (loss), net	6,550,439	(11,665,241)
Release of net assets with donor restrictions	4,732,654	4,301,211
Total support and revenue	<u>180,174,103</u>	<u>154,686,521</u>
Expenses:		
Salaries and benefits	101,305,706	88,111,412
Awards and grants	24,433,682	18,960,813
Internet hosting	3,120,819	2,704,842
In-kind service expenses	1,040,453	405,885
Donation processing expenses	6,855,680	6,215,434
Professional service expenses	15,464,635	16,881,184
Other operating expenses	7,393,982	7,815,795
Travel and conferences	4,180,219	1,191,164
Depreciation and amortization	4,602,064	3,213,466
Special event expense, net	698,141	470,920
Total expenses	<u>169,095,381</u>	<u>145,970,915</u>
Increase in net assets without donor restrictions	<u>11,078,722</u>	<u>8,715,606</u>
Net assets with donor restrictions:		
Contributions with donor restrictions	9,273,736	3,759,601
Net assets released from restrictions	(4,732,654)	(4,301,211)
Increase (decrease) in net assets with donor restrictions	<u>4,541,082</u>	<u>(541,610)</u>
Increase in net assets	<u>15,619,804</u>	<u>8,173,996</u>
Net assets at beginning of year	<u>239,351,532</u>	<u>231,177,536</u>
Net assets at end of year	<u>\$ 254,971,336</u>	<u>239,351,532</u>

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Increase in net assets	\$ 15,619,804	8,173,996
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,602,064	3,213,466
Loss on disposal of equipment	64,518	50,766
Unrealized and realized (gain) loss on investments, net	(2,276,210)	14,822,614
Right of use asset – operating lease	1,404,875	—
Changes in operating assets and liabilities:		
Contributions receivable	700,000	690,399
Prepaid expenses and other current assets	(469,201)	(439,853)
Accounts payable	(483,402)	353,349
Accrued expenses	1,224,690	978,194
Lease liability	(1,618,384)	—
Donations payable to Wikimedia Endowment	5,254,730	9,856
Other liabilities	(65,560)	1,214,947
Net cash provided by operating activities	<u>23,957,924</u>	<u>29,067,734</u>
Cash flows from investing activities:		
Purchase of computer equipment and office furniture	(4,006,566)	(3,663,092)
Development of internal use software	(3,076,098)	(1,432,196)
Purchase of investments	(49,998,612)	(178,932,642)
Proceeds from sales and maturities of investments	58,016,155	119,588,697
Net cash provided by (used in) investing activities	<u>934,879</u>	<u>(64,439,233)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	24,892,803	(35,371,499)
Cash, cash equivalents, and restricted cash at beginning of year	<u>52,312,315</u>	<u>87,683,814</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 77,205,118</u>	<u>52,312,315</u>
Supplemental cash flow disclosure:		
Noncash changes in exchange rate	\$ (96,027)	(944,172)
Initial recognition of right of use asset – operating lease	(3,226,048)	—
Initial recognition of lease liability	3,580,607	—

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Purpose

The accompanying consolidated financial statements present the financial position, change in net assets and cash flows of the Wikimedia Foundation, Inc. (the Foundation) and Wikimedia, LLC.

The Foundation is the nonprofit organization that operates Wikipedia, a free online encyclopedia and other Wikimedia projects. The Foundation is incorporated in Florida based in San Francisco, California, and is a 501(c)(3) charity that is funded primarily through donations and contributions.

On March 1, 2021, a Limited Liability Company Agreement was executed by Wikimedia, LLC, a Delaware Limited Liability Company, with the effective date of July 1, 2020, naming the Foundation as its Sole Member. The Wikimedia, LLC is organized and operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code and is a disregarded entity for tax purposes.

(b) Risks and Uncertainties

The Foundation's operations are funded primarily by public donations from individuals as well as gifts from foundations and corporations. External factors such as global geopolitics, recession, and currency markets may impact our ability to raise funds. As of the date of this report, the Foundation has not experienced an adverse impact on its business operations.

(c) 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 23701d 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 contributions.

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 to be recorded under applicable accounting guidance. However, the Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

(d) Financial Statement Presentation

Net assets, support and revenue, 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*.

Net assets without donor restrictions represent unrestricted resources available to support operations and also include previously temporarily restricted resources, which have become available for use by the Foundation in accordance with the intentions of donors.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

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Net assets with donor restrictions represent contributions that are limited in use by the Foundation in accordance with 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 net assets with donor restrictions and recognized as net assets without donor restrictions.

Contributions received are recorded as net assets without donor restriction or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

(e) Cash and Cash Equivalents

The Foundation manages its cash through major financial institutions. At June 30, 2023 and 2022, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions is approximately \$63.9 million and \$47.8 million, respectively. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable limits. Cash balances held in these financial institutions at June 30, 2023 and 2022 exceed the applicable FDIC insurance limits. The Foundation's current practice is to maintain at least four months of cash and cash equivalents to support a combination of operating cash and a current reserve fund. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents of \$12.0 million and \$3.1 million as of June 30, 2023 and 2022, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurement*.

(f) Restricted Cash

Restricted cash includes standby letters of credit for (1) the Foundation's headquarters office lease and (2) the Foundation's Employer of Record responsible for administering compensation and benefits for non-US personnel. As of June 30, 2023, neither letter of credit has been used.

(g) Contributions Receivable

Contributions receivable represent gift amounts due from various entities, which are occasionally directed at specific activities. Contributions receivable due more than one year from the contribution date are discounted to present value using a fair value rate based on the U.S. Treasury bond rate and reflect the risks inherent in these cash flows. Contributions receivable are subject to review and adjustment by management should amounts be deemed uncollectible.

(h) Investments

The Foundation's policy regarding investments is to invest surplus cash in short-term, intermediate-term, and long-term fixed income, and equity instruments without assuming material 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, and accrued interest included as a component of the change in net assets. Additionally, the Foundation holds no shares of donated stock as of June 30, 2023 or 2022, consistent with its policy to sell stock received through donations as soon as possible.

The Foundation presents its investment portfolios as short-term and long-term based on expectations of the holding period of the investments in line with the investment guidelines stipulated in the investment policy.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

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ASC Topic 820 establishes a fair value hierarchy that prioritizes observable 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. The Foundation's Level 1 assets are investments in marketable securities, including stocks and mutual funds.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly. The Foundation's Level 2 assets are investments in corporate bonds, mortgage-backed securities, and U.S. Treasury securities.
- Level 3 inputs are unobservable inputs from investments. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

(i) Property and Equipment, Net

Expenditures for property 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 and data center equipment is five years and computer equipment such as laptops and desktops is four years. Leasehold improvements are amortized over the shorter of the life of the lease or the leasehold improvement. Repairs and maintenance of equipment are charged to operations. Upon retirement, sale, or other disposition of property and equipment, costs, and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

The Foundation incurs software development costs related to internal use software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and third-party development costs and are amortized using the straight-line method over the estimated useful life of the software, which is generally three years. These assets are reviewed for impairment whenever events or changes in circumstances occur that could impact their recoverability.

(j) Other Operating Expenses

Other operating expenses primarily include facility expenses, staff related expenses, insurance and personal property tax expenses, and other general administrative expenses.

(k) Special Event Expense, Net

Special event expense, net includes costs for the annual Wikimania Conference, such as virtual platform services, venue rental and catering services, net of sponsorship income and registration fees.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(l) Contributions of Cash and Other Financial Assets

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Foundation. Contributions that are conditional are not recorded until the condition is substantially met or when the possibility that the condition will not be met is remote. Conditional contributions must include both (1) one or more barriers that need to be overcome before the Foundation is entitled to the contribution, and (2) a right of return or a right of release from the donor's obligation to provide the contribution.

Gifts of cash and other assets are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or are restricted as to time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

(m) Contributions of Nonfinancial Assets and Services

Contributions of nonfinancial assets and services include (1) donated cryptocurrency, and (2) contributed services, as described below.

Donated cryptocurrency is valued according to the actual cash proceeds on its disposition, as it is the Foundation's policy to sell all donated cryptocurrency as soon as possible. The amounts of donated cryptocurrency included within contributions of nonfinancial assets and services is \$0 and \$14,466 for the years ended June 30, 2023 and 2022, respectively. Effective May 2022, the Foundation no longer accepts cryptocurrency donations.

Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, (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) are professional in nature, and have been explicitly agreed to in advance. Contributed services are reported as contributions of nonfinancial assets and services revenue and in-kind service expenses in the consolidated statements of activities. Fair value is estimated based on current local rates for similar services.

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 consolidated financial statements, as the criteria above are not met.

Contributed service revenue and expenses recorded in the consolidated statements of activities consist of contributed legal services, engineering services, internet hosting services and subscription services. The amounts of specialized contributed legal services as revenue and expenses are \$493,315 and \$182,501 for the years ended June 30, 2023 and 2022, respectively. The value of specialized engineering services as revenue and expenses are \$498,800 and \$180,946 for the years ended June 30, 2023 and 2022, respectively.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

The amounts of contributed internet hosting and subscription services for the years ended June 30, 2023 and 2022 is \$48,338 and \$42,437, respectively. Included in the 2023 and 2022 amounts are donated hosting services and bandwidth from the following companies: (1) FiberRing, (2) Telia Carrier, (3) Tele2, (4) Datahop, (5) Liberty Global, (6) Init7, and (7) Arelion.

(n) Revenue Recognition – Contracts With Customers

The Foundation recognizes revenue from contracts with customers related to Wikimedia, LLC under Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, which establishes a principle that revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Foundation expects to receive in exchange for those products or services.

The Foundation determines the amount of revenue to be recognized through the application of the following 5-step process: 1) identification of the contract, or contracts, with a customer; 2) identification of the performance obligations in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations in the contract; and 5) recognition of revenue when or as the Foundation satisfies the performance obligations.

The Company enters into contracts with its customers that may include promises to transfer multiple performance obligations such as API software subscription, professional service hours, and service level agreement (SLA) and support. The Foundation generally considers these to be one single performance obligation. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require judgment.

The transaction price is determined based on consideration to which the Foundation will be entitled in exchange for transferring services to the customer, as stated in the contract. The Foundation has determined that the contracts do not contain a significant financing component.

Revenue is generally recognized ratably over the contract term as the performance obligation is satisfied. The Foundation's contracts typically are non-cancelable and do not contain refund-type provisions. The Foundation typically invoices its customers annually and its payment terms provide that customers pay within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue (within "other liabilities") or revenue, depending on whether transfer of control to customers has occurred.

Deferred revenue, revenue, and billings for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Deferred revenue – beginning balance	\$ 1,560,000	—
Billings	3,320,000	3,120,000
Less revenue recognized	<u>(3,220,000)</u>	<u>(1,560,000)</u>
Deferred revenue – ending balance	<u>\$ 1,660,000</u>	<u>1,560,000</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

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Revenue is derived from API software subscriptions and professional services. Revenue is reported within other income, net in the statement of activities and totaled \$3,220,000 and \$1,560,000 for the years ended June 30, 2023 and 2022, respectively.

(o) Leases

Leases consist of a right-of-use operating lease asset and a lease liability for the Foundation's headquarters in San Francisco. The liability is equal to the present value of lease payments, which are fixed. The present value is calculated using a risk-free discount rate, determined using a period comparable with that of the lease term. The asset is based on the liability, adjusted for lease incentives received. The lease term in accordance with ASC 842 does not include options to extend as it is not reasonably certain that the option will be exercised.

(p) 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 consolidated financial statements and accompanying notes. Items subject to such estimates and assumptions include the investment valuations, useful lives of fixed assets, and the valuation of contributed services. Accordingly, actual results could differ from those estimates.

(q) Reclassifications

Certain reclassifications have been made in the financial statements to conform 2022 information to the 2023 presentation. The Foundation has a change in accounting policy to report the awards and grants expense given the nature of the arrangement and accounting treatment as a contribution made within ASC 958-605, *Contributed Assets*. This resulted in a reclassification of \$4,307,571 from other operating expense to awards and grants expense for the fiscal year ended June 30, 2022.

(r) Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Foundation adopted this standard on July 1, 2022 on a modified retrospective basis. The adoption of this standard resulted in the recording of a right-of-use asset and a lease liability for the Foundation's headquarters in San Francisco, as well as enhanced disclosures.

(2) Contributions Receivable

As of June 30, 2023 and 2022, contributions receivable is \$0 and \$700,000, respectively, and represents contributions receivable related to one grant.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(3) Fair Value of Investments

The following tables present the fair value of investments based on hierarchical level as of June 30, 2023 and 2022:

	Fair value measurements at reporting date using		June 30, 2023
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Corporate bonds	\$ —	44,206,556	44,206,556
Mortgage-backed securities	—	7,234,758	7,234,758
U.S. Treasury securities	—	80,775,353	80,775,353
Total	<u>\$ —</u>	<u>132,216,667</u>	<u>132,216,667</u>
Long-term investments:			
Corporate bonds	\$ —	3,365,167	3,365,167
Stocks	29,030,332	—	29,030,332
Mortgage-backed securities	—	6,654,012	6,654,012
U.S. Treasury securities	—	4,216,275	4,216,275
Total	<u>\$ 29,030,332</u>	<u>14,235,454</u>	<u>43,265,786</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

	Fair value measurements at reporting date using		June 30, 2022
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Corporate bonds	\$ —	46,630,823	46,630,823
Mortgage-backed securities	—	21,544,726	21,544,726
U.S. Treasury securities	—	73,186,247	73,186,247
Total	\$ —	141,361,796	141,361,796
Long-term investments:			
Corporate bonds	\$ —	3,926,866	3,926,866
Stocks	25,223,561	—	25,223,561
Mortgage-backed securities	—	5,912,056	5,912,056
U.S. Treasury securities	—	4,799,507	4,799,507
Total	\$ 25,223,561	14,638,429	39,861,990

Fair Value of Financial Instruments

The fair values of the financial instruments as of June 30, 2023 and 2022 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, restricted cash, current contributions receivable, prepaid expenses, other current assets, accounts payable, accrued expenses, and other liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments: Marketable securities, such as stocks, are measured using quoted market prices at the reporting date multiplied by the quantity held. Mortgage-backed securities, U.S. Treasury securities, and U.S. corporate bonds are measured using significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

WIKIMEDIA FOUNDATION, INC.
Notes to Consolidated Financial Statements
June 30, 2023 and 2022

(4) Property and Equipment, Net

Property and equipment at June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Furniture	\$ 737,143	717,559
Leasehold improvements	2,074,581	2,074,581
Computer equipment	21,941,684	19,567,364
Internal use software	5,198,574	3,027,663
Total	29,951,982	25,387,167
Less accumulated depreciation and amortization	<u>(15,906,843)</u>	<u>(13,758,110)</u>
Property and equipment, net	<u>\$ 14,045,139</u>	<u>11,629,057</u>

(5) Net Assets

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Restricted to future periods	\$ 100,000	700,000
Restricted by purpose:		
Abstract Wikipedia	1,249,004	—
Endowment support	1,297,620	—
Knowledge equity	2,228,134	—
Machine learning	860,620	—
Other	147,295	641,591
Net assets with donor restrictions	<u>\$ 5,882,673</u>	<u>1,341,591</u>

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

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(6) Functional Allocation of Expenses

Costs of providing the Foundation's activities have been summarized below on a functional basis. Programs comprise 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 Wikimedia communities, and (3) accelerating impact by investing in key geographic areas, mobile application development, and bottom-up innovation, all of which support Wikipedia and other wiki-based projects. The allocation between programs, general and administrative, and fundraising expenses is based on personnel and related costs and other operating expenses such as rent and office expenses using estimates of time spent or percentage of utilization by headcounts, as well as direct costs incurred for the relevant activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services for the years ended June 30, 2023 and 2022, as follows:

	2023			
	<u>Programs</u>	<u>General and administrative</u>	<u>Fund-raising</u>	<u>Total</u>
Salaries and benefits	\$ 77,845,272	14,486,209	8,974,225	101,305,706
Awards and grants	24,426,682	7,000	—	24,433,682
Internet hosting	3,119,234	1,585	—	3,120,819
In-kind service expenses	998,857	41,596	—	1,040,453
Donation processing expenses	—	—	6,855,680	6,855,680
Professional service expenses	11,785,153	2,297,431	1,382,051	15,464,635
Other operating expenses	2,752,153	4,102,006	539,823	7,393,982
Travel and conferences	3,101,119	530,517	548,583	4,180,219
Depreciation and amortization	3,837,307	764,757	—	4,602,064
Special event expense, net	698,141	—	—	698,141
	<u>\$ 128,563,918</u>	<u>22,231,101</u>	<u>18,300,362</u>	<u>169,095,381</u>

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	2022			
	Programs	General and administrative	Fund-raising	Total
Salaries and benefits	\$ 69,371,450	11,531,675	7,208,287	88,111,412
Awards and grants	14,923,242	—	—	14,923,242
Internet hosting	2,700,319	4,523	—	2,704,842
In-kind service expenses	363,443	42,442	—	405,885
Donation processing expenses	—	—	6,215,434	6,215,434
Professional service expenses	12,850,498	2,200,918	1,829,768	16,881,184
Other operating expenses	7,809,034	3,579,311	465,021	11,853,366
Travel and conferences	837,329	346,281	7,554	1,191,164
Depreciation and amortization	2,466,518	746,948	—	3,213,466
Special event expense, net	470,920	—	—	470,920
	<u>\$ 111,792,753</u>	<u>18,452,098</u>	<u>15,726,064</u>	<u>145,970,915</u>

The Foundation has a program of awarding grants to support chapters, affiliates, user groups, and individuals in projects that further the mission of the Foundation. Chapters are independent organizations that share the goals of the Foundation and support the goals 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 tables above.

For example (unaudited):

- Wikipedia and the other projects operated by the Foundation receive more than 18.2 billion pageviews per month, making them one of the most popular Web properties worldwide. Wikipedia is available in more than 321 languages and contains more than 61 million articles contributed by a global volunteer community.
- For the year ended June 30, 2023, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 2.3 million articles to approximately 61.5 million articles.
- For the year ended June 30, 2023, volunteers added approximately 10.1 million images, movies, and sound files to the Foundation's multimedia repository, making the total 94.5 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. During the year ended June 30, 2023, there were 48,720 commits merged, through the efforts of approximately 511 authors/contributors, of which 9,335 commits were through the efforts of approximately 231 volunteers.

(7) Operating Leases

Our operating lease relates to our headquarters in San Francisco and has a non-cancelable remaining term of 1.25 years as of June 30, 2023. The discount rate is 2.9%, the risk-free rate based on daily U.S. Treasury rates with a term comparable to the lease term. The lease provides the Foundation the

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option to extend the lease term for one additional period of five years. Operating lease expense was \$1,489,134 for the year ended June 30, 2023.

Undiscounted lease payments as of June 30, 2023 are as follows:

	<u>Payments</u>	
Year ending June 30:		
2024	\$	1,666,935
2025		<u>419,791</u>
Total minimum lease payments	\$	<u><u>2,086,726</u></u>

(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 \$1,859,012 and \$1,656,673 to the Plan for the years ended June 30, 2023 and 2022, respectively.

(9) Liquidity and Availability of Financial Assets

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date, June 30, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 75,808,401	50,939,835
Current contributions receivable	—	700,000
Short-term investments	<u>132,216,667</u>	<u>141,361,796</u>
Total financial assets	208,025,068	193,001,631
Less:		
Restricted by donors for programs	5,882,673	1,341,591
Donations payable to Wikimedia Endowment	<u>5,274,448</u>	<u>19,718</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 196,867,947</u>	<u><u>191,640,322</u></u>

The Foundation's liquidity management includes a policy of structuring its financial assets to be available to meet its general expenditures, liabilities, grant-making, and other obligations as they come due. Cash and cash equivalents as reported on the consolidated statement of financial position at June 30, 2023 and 2022, are the primary liquid resources used by the Foundation to meet these obligations. Financial assets invested in the short-term and long-term investments can be liquidated at any time as needed.

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(10) Contingencies and Commitments

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.

(11) Subsequent Events

The Foundation has evaluated its subsequent events through October 5, 2023, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.