

WMF Frequently Asked Questions (FAQs) for the 2011-12 Audited Financial Statements

What is the purpose of the FAQs?

The purpose of the FAQs is to give a general overview of the audited financial statements and to give more detail to areas that have received many inquiries in the past. Detailed information that is available in the footnotes to the financial statements is generally not repeated in the FAQs. The footnotes are an integral part of the financial statements and should be read in their entirety; footnote #1 contains a lot of descriptive information such as an explanation of what is contained in particular lines of the Balance Sheets and Statements of Activities.

What is the period of time covered by these statements?

The statements are for the fiscal year ending June 30, 2012 and have information for the period ending June 30, 2011 for comparison on the “Balance Sheets”, “Statement of Activities”, and “Statement of Cash Flows”. In addition, information for June 30, 2011 is provided in the “Notes to Financial Statements” to provide comparison to the current fiscal year ending June 30, 2012.

What do these statements represent?

These are the audited financial statements of the Wikimedia Foundation, covering July 1, 2011 to June 30, 2012. They have been prepared by the accounting staff of the Wikimedia Foundation, and a certified public accountant representing our audit firm has certified that they meet the requirements of the U.S. GAAP (generally accepted accounting principles). These audited statements have been given to the Wikimedia Foundation audit committee, which has approved them, and given to the Wikimedia Foundation Board of Trustees for their review.

Who is the Wikimedia Foundation's audit firm?

The Wikimedia Foundation's audit firm is KPMG.

What is the purpose of these statements?

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

When will we see the next financial statements?

The Wikimedia Foundation will be publicly releasing basic, unaudited, mid-year financial statements covering the period from July 1, 2012 – December, 31, 2012 by the end of February 2013.

How do the financial statements for 2011-12 compare with the statements for 2010-11? What's the overall takeaway message?

It was an excellent year for the Wikimedia Foundation from a financial perspective. Cash increased from \$12 million to \$21.8 million. The Wikimedia Foundation increased its investment in technology by \$2.6 million and net assets increased by \$10.7 million. Expenses for the fiscal year increased from \$17.9 million to \$29.3 million.

What happened to donations in 2011-12, compared with 2010-11?

Donations increased from \$23 million to \$35 million during the fiscal year ending June 30, 2012.

What are your other revenue sources?

The vast majority of our revenue comes from donations from individuals: we are happy that every year, over one million people from around the world support the Wikimedia Foundation by making an individual donation. We also receive gifts from corporations and foundations, and we bring in what the IRS calls "earned income" (see note below). We also bring in a small amount of revenue from other sources such as investment income and speaker fees.

What is other income?

The "other income" line is mainly made up of our "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 and revenue merchandise sales.

What is "in-kind" service revenue?

Goods and services that would normally be paid 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(k)).

What is "investment income"?

Investment income is primarily interest earned on the Wikimedia Foundation's cash investment and cash balances. During the audit period, a small portion of the Foundation's cash was invested in Certificates of Deposits and in a money market fund consisting of U.S. Government and agency securities.

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

The cash balance has increased from \$12 million to over \$21 million. What is the Wikimedia Foundation's view on its increasing cash reserve?

The Wikimedia Foundation wants to have an appropriate amount of cash in reserve. This is important for stability and the overall financial health of the organization. A non-profit wants to ensure it has a sufficient amount of cash available to it, so that it doesn't face a crisis in the event that unforeseen costs arise, or that an external or internal event hurts its ability to fund-raise.

Different non-profits have different levels of reserves: it is common for young or very small non-profits to have as little as a few months' spending available in their reserve fund and while others may have as much as three years' spending in theirs. There is no generally accepted consensus on what size of reserve is appropriate but the Wikimedia Foundation has been able to grow its reserve over time. The current reserve represents less than one year of funding, at our current spending level. We believe that's appropriate for a growing non-profit of our size and age, with our goal to have one year of operating funding available over time.

What is contained in "Operating expenses"?

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, \$683,640 was spent on rent and utilities, \$1 million was spent on bank fees related to the fundraiser, \$1.2 million on legal and accounting fees and \$535,299 in recruitment expenses.

What is contained in "Travel expenses"?

Travel expenses are for technology related travel, global development travel for our outreach work in India, Brazil, Wikimania travel and board travel. Travel expenses for the Wikimedia Foundation continue to increase annually. This is partly attributable to increased size of the staff overall, but it primarily reflects increased staff interactions with Wikimedia's global community of volunteers including the chapters. The costs of travel reflected in these statements includes costs associated with hackathons, Global

Development travel for work in India and Brazil, research into mobile usage, all staff and volunteer Wikimania travel expenses, and board and staff travel expenses for Wikimedia convenings, conferences and meet-ups. It also includes some volunteer and fellow travel: for example, when the Wikimedia Foundation pays to bring people to the office in San Francisco for projects they are working on, or when the Wikimedia Foundation funds travel for volunteers or fellows related to GLAM or other work.

Examples of travel expenses for this fiscal year are:

Wikimania - \$103,399, Board - \$158,693, Global Development - \$351,407, and Technology - \$398,131.

What is the “functional allocation of expenses”?

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

In the functional allocation of expenses, what kind of spending occurs in the “Projects” category?

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). That includes for example, servers, bandwidth and the salaries of the technical staff.

In the functional allocation of expenses, what kind of spending occurs in the “General and administrative” category?

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 of general office expenses such as rent.

In the functional allocation of expenses, what kind of spending occurs in the “Fundraising” category?

The "Fundraising" category includes all spending associated with fund-raising activities. For example, it includes the salaries of the fund-raising staff and expenses related to the online fundraiser (e.g., PayPal and Global Collect fees and the cost of improvements to our open-source donor database CiviCRM), and all fund-raising-related travel costs.

Wikipedia and the other Wikimedia projects are written by volunteers. How do they fit into these financial statements?

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. That is in no way intended to diminish the significance of the volunteer contribution: the projects wouldn't exist without it, and we value it enormously.

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

Next year's audited financial statements will probably be released in November 2013.

When will the 2011-12 Form 990 be published?

We are currently working on the Form 990 for 2011-12. It will probably be completed, approved by the Board, and published by end of April 2013.

How was the money spent during this audit period?

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| Technology | \$11,922,096 |
| Global Development | \$ 5,483,320 |
| Community | \$ 1,427,936 |
| Governance | \$ 1,005,164 |
| G&A | \$ 6,271,656 |
| Fundraising | \$ 3,150,480 |

G&A includes Human Resources, Finance, Office IT Support, Legal and Administration.

Why did G&A increase over the prior fiscal year?

G&A increased over the prior fiscal year as the Foundation incurred significant additional legal cost and insurance cost for both health and risk management.

How much was spent on grant making by the Foundation during this audit period?

The Wikimedia Foundation increased its Awards and Grants from \$471,060 as of June 30, 2011 to \$2,106,752 as of June 30, 2012.