

WIKI EDUCATION FOUNDATION

JUNE 30, 2015



INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Wiki Education Foundation

Independent Auditors' Report and Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
Wiki Education Foundation
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of **Wiki Education Foundation (the Foundation)** which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, and cash flows for the year 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 accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit 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 auditor's 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 auditor considers internal control relevant to the Foundation'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 Foundation'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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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 Wiki Education Foundation as of June 30, 2015, and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
November 10, 2015

Wiki Education Foundation

Statement of Financial Position

June 30, 2015

Assets

Cash	\$	1,156,416
Prepaid expenses and other assets		52,872
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Total assets	\$	1,209,288

Liabilities and Net Assets

Liabilities:

Accounts payable	\$	68,764
Accrued expenses		3,644
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Total liabilities		72,408

Net Assets:

Unrestricted		6,481
Temporarily restricted		1,130,399
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Total net assets		1,136,880
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Total liabilities and net assets	\$	1,209,288

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Grants and contributions	\$ 6,404	\$ 1,879,247	\$ 1,885,651
Net assets released from restrictions	1,960,216	(1,960,216)	-
Total revenue and support	1,966,620	(80,969)	1,885,651
Expenses:			
Program services	1,304,068		1,304,068
General and administrative	549,233		549,233
Fundraising	107,089		107,089
Total expenses	1,960,390	-	1,960,390
Change in Net Assets	6,230	(80,969)	(74,739)
Net Assets - Beginning of year	251	1,211,368	1,211,619
Net Assets - End of year	\$ 6,481	\$ 1,130,399	\$ 1,136,880

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Cash Flows

Year Ended June 30, 2015

Cash Flows from Operating Activities:

Change in net assets	\$ (74,739)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Grants receivable	1,207,865
Prepaid expenses and other assets	(52,510)
Accounts payable	68,764
Grants payable	(91,700)
Accrued expenses	(12,537)

Net cash provided by operating activities 1,045,143

Net Increase in Cash and Equivalents 1,045,143

Cash and Equivalents - Beginning of year 111,273

Cash and Equivalents - End of year \$ 1,156,416

See accompanying notes to financial statements.

Wiki Education Foundation

Notes to Financial Statements

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

a. Nature of Organization

The Wiki Education Foundation (The Foundation) supports innovative uses of Wikipedia and related projects in communities of teaching, learning, and inquiry in the United States and Canada. The Foundation aims to improve the breadth, scope, and quality of Wikipedia content; enhance student information fluency; and increase the number and diversity of contributors to the free knowledge movement by engaging educators, researchers, and students.

The Foundation was incorporated in 2013 as a 501(c)(3) separate from Wikimedia Foundation, which incubated and acted as its fiscal sponsor. The Foundation relies on grants and philanthropic donations to cover operational costs.

b. Basis of Presentation and Description of Net Assets

The Foundation's financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles for not-for-profit organizations.

The Foundation reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets

The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations.

Temporarily Restricted Net Assets

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation.

Permanently Restricted Net Assets

The portion of net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation. At June 30, 2015, the Foundation did not have any permanently restricted net assets.

Wiki Education Foundation

Notes to Financial Statements

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d. Concentrations of Risk

Financial instruments that potentially subject the Foundation to credit risk consist of cash and contribution revenue. The Foundation maintains cash with a major financial institution. As of June 30, 2015, the Foundation had cash deposits in excess of federally insured limits. For the year ended June 30, 2015, 73% of contribution revenue was received from one donor.

e. Fair Value Measurements

The Foundation may carry certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Foundation classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value. As of June 30, 2015, none of the Foundation's financial instruments are measured on a recurring basis.

f. Other Financial Instruments

Financial instruments included in the Foundation's Statement of Financial Position as of June 30, 2015 which are not required to be measured at fair value on a recurring basis include cash and cash equivalents and accounts payable. The carrying basis of these amounts approximates fair value due to the short maturity of these instruments.

Wiki Education Foundation

Notes to Financial Statements

g. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

h. Revenue Recognition

All contributions and grants, whether or not restricted, are recognized as revenue when they are received by or unconditionally pledged to the Foundation. The Foundation classifies gifts of cash and other assets as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When such donor restrictions expire, that is, when stipulated time restrictions end or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying Statement of Activities as net assets released from restrictions.

i. Contributions Receivable

Contributions receivable consists of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using the estimated market rates. Amortization of discounts is included in contribution revenue.

Contributions receivable represents amounts committed by donors that have not been received by the Foundation. The Foundation makes judgments as to the ability to collect all of its outstanding receivables and provides allowances for amounts when collection becomes doubtful. Provisions are made based upon a specific review of past due and other outstanding balances for which collection is considered uncertain. No contributions receivable existed at June 30, 2015.

j. Income Taxes

The Foundation, as described in Section 501(c)(3) of the U.S. Internal Revenue Code, is exempt from income taxes on related income under provisions of the U.S. Internal Revenue Code and the California Tax Code.

k. Functional Classification of Expenses

The costs of providing the various program and general services have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated, principally on a direct cost basis and management estimates, among the classifications.

l. Subsequent Events:

The Foundation evaluated subsequent events from June 30, 2015 through November 10 2015, the date these financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements and no subsequent events have occurred, the nature of which would require disclosure.

Wiki Education Foundation

Notes to Financial Statements

Note 2 - Temporarily Restricted Net Assets:

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors or by passage of time. For the year ended June 30, 2015, total net assets released from restriction as a result of fulfilling donor purpose restrictions were \$276,660. For the year ended June 30, 2015, total net assets released from restriction as a result of the passage of time was \$1,683,556.

Temporarily restricted net assets at June 30, 2015 are available for the following purposes or periods:

Time restrictions	\$ 1,107,059
Program technology restrictions	23,340
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	\$ 1,130,399

Note 3 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$6,254 for the year ended June 30, 2015.

Note 4 - Future Commitments:

The Foundation entered into a lease agreement during the year ended June 30, 2015 for office space in San Francisco through September 2016. Future minimum lease payments under the agreement are as follows:

Year ending June 30,	Amount
2016	\$ 92,025
2017	23,175
	<hr/>
	\$ 115,200

The Foundation entered into a contract agreement with a third party to provide website development services. The contract agreement allows both parties to revisit and amend the terms of the contract at two points during the contract period - October 31, 2015 and February 29, 2016, respectively. As of June 30, 2015, the Foundation has a future commitment related to the contract of \$266,400. The total commitment assuming no changes to the contract at future dates is \$799,200.

Wiki Education Foundation

Notes to Financial Statements

Note 5 - Functional Allocation of Expenses:

Costs of providing the Foundation's activities have been summarized below on a functional basis. Programs are comprised of various initiatives that focus on (1) building the technological and operating platform that enables instructors and student editors to contribute content to Wikipedia, (2) create educational material targeted at instructors and students to ensure best practices, and (3) increase the participation of instructors assigning students to write Wikipedia articles.

	2015			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 624,203	\$ 260,381	\$ 83,777	\$ 968,361
Professional services	453,834	40,582	9,300	503,716
Occupancy	23,529	162,042	1,393	186,964
Travel and conferences	55,541	35,761	6,883	98,185
Materials and reproduction costs	63,652	1,313	4,162	69,127
Other operating expenses	89,309	49,154	1,574	134,037
	<u>\$1,304,068</u>	<u>\$ 549,233</u>	<u>\$ 107,089</u>	<u>\$1,960,390</u>

Note 6 - Retirement Plan:

The Foundation has a 401(k) plan available to its employees. The Foundation matches up to 4% of employee contributions to the plan and these employer contributions are vested 100% immediately. During the year ended June 30, 2015, the Foundation made \$14,761 in employer matching contributions.