

WIKI EDUCATION FOUNDATION

JUNE 30, 2017 AND 2016

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Wiki Education Foundation

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A Century Strong

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, 2017 and 2016 and the related statements of activities and changes in net assets, 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the Foundation will continue as a going concern. As discussed in Note 1 to the financial statements, the Foundation has experienced reduced revenue and support such that operating reserves are limited as of June 30, 2017. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of the uncertainty. Our opinion is not modified with respect to this matter.

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, 2017 and 2016, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
May 11, 2018

Wiki Education Foundation

Statement of Financial Position

<i>June 30,</i>	2017	2016
Assets		
Cash	\$ 375,585	\$ 523,006
Accounts receivable	7,500	41,692
Prepaid expenses and other assets	40,293	31,957
Total assets	\$ 423,378	\$ 596,655
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 43,678	\$ 14,735
Accrued expenses	38,847	42,473
Total liabilities	82,525	57,208
Net Assets:		
Unrestricted	292,010	481,511
Temporarily restricted	48,843	57,936
Total net assets	340,853	539,447
Total liabilities and net assets	\$ 423,378	\$ 596,655

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support:						
Grants and contributions	\$ 991,260	\$ 579,996	\$ 1,571,256	\$ 683,816	\$ 1,621,000	\$ 2,304,816
Program services	22,000		22,000	50,000		50,000
Net assets released from restrictions	589,089	(589,089)	-	2,693,463	(2,693,463)	-
Total revenue and support	1,602,349	(9,093)	1,593,256	3,427,279	(1,072,463)	2,354,816
Expenses:						
Program services	1,142,167		1,142,167	2,128,299		2,128,299
General and administrative	430,495		430,495	530,120		530,120
Fundraising	219,188		219,188	293,830		293,830
Total expenses	1,791,850	-	1,791,850	2,952,249	-	2,952,249
Change in Net Assets	(189,501)	(9,093)	(198,594)	475,030	(1,072,463)	(597,433)
Net Assets - Beginning of year	481,511	57,936	539,447	6,481	1,130,399	1,136,880
Net Assets - End of year	\$ 292,010	\$ 48,843	\$ 340,853	\$ 481,511	\$ 57,936	\$ 539,447

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash Flows from Operating Activities:		
Change in net assets	\$ (198,594)	\$ (597,433)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and accounts receivable	34,192	(41,692)
Prepaid expenses and other assets	(8,336)	20,915
Accounts payable	28,944	(54,029)
Accrued expenses	(3,627)	38,829
Net cash (used) provided by operating activities	(147,421)	(633,410)
Net (Decrease) Increase in Cash and Equivalents	(147,421)	(633,410)
Cash and Equivalents - Beginning of year	523,006	1,156,416
Cash and Equivalents - End of year	\$ 375,585	\$ 523,006

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). The Foundation relies on grants and philanthropic donations to cover operational costs.

b. Management's Plan for Future Operations

Wiki Education has experienced reduced revenue and support such that operating reserves are limited as of June 30, 2017. Wiki Education had reduced its operating expense budget for the year ended June 30, 2017 to address the reduced funding received and has the following plans for the future.

In the first half of fiscal year 2017-18, Wiki Education cleared the way for participating in the Wikimedia Foundation's Annual Plan Grant program. Wikimedia's Annual Plan grants have no funding limit and can be spent on general operating support. Also in Q1 and Q2 of FY 2017/18, the Stanton Foundation started matching revenue received through Wikimedia up to a maximum of \$400,000 annually as part of a multi-year matching grant agreement, totalling \$2,000,000 over five years.

As a result of participating in Wikimedia's Annual Plan Grant program for 2018, Wiki Education received \$466,000 in January 2018 (first disbursement of a total of \$400K through Wikimedia's Annual Plan Grant 2018 of \$233,000, plus the Stanton Foundation's matching grant of \$233,000). Wiki Education will continue seeking Wikimedia Foundation funding through its Annual Plan Grant Program going forward.

In addition to the above, between July 2017 and February 2018 Wiki Education also received \$375,000 from the Hewlett Foundation as part of a multi-year funding commitment and \$600,000 from other funders.

Since the third quarter of fiscal year 2016-17, Wiki Education has been working with a local communications firm on creating a communication package, targeting both individual and institutional prospects. Wiki Education also designed a new donor activation campaign as a multi-year initiative that will help shape donors' perception of its organization's unique value proposition.

Wiki Education Foundation

Notes to Financial Statements

In the long term, Wiki Education will explore two new revenue streams that will make the organization less reliant on larger foundations:

- Topic sponsorships: individuals or foundations with a focus on specific topics will be able to “adopt” classes in Wiki Education’s main program. A first topic sponsorship in the amount of \$50,000 has been secured in February 2018.
- Paid services: educational institutions that have been part of the existing program have given support to the concept of a fee based system as the program is critical to their curriculum. This is a direction Wiki Education is planning to explore more closely in 2018 with the help of a consulting firm specialized in education non-profits.

c. 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, 2017 and 2016, the Foundation did not have any permanently restricted net assets.

d. 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.

Wiki Education Foundation

Notes to Financial Statements

e. 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, 2017 and 2016, the Foundation had cash deposits in excess of federally insured limits. 87% of contribution revenue was received from three donors and 37% of contribution revenue was received from one donor for the years ended June 30, 2017 and 2016, respectively.

f. 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, 2017 and 2016, none of the Foundation's financial instruments are measured on a recurring basis.

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.

Wiki Education Foundation

Notes to Financial Statements

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. There were no contributions receivable as of June 30, 2017 and \$31,692 for the year ended June 30, 2016.

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.

The Foundation's current accounting policy is to evaluate uncertain tax positions. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. Management evaluated the Foundation's tax position and concluded that the Foundation had maintained its tax exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

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. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize, at commencement date, a lease liability representing the lessee's obligation to make payments arising from the lease and a right-of-use asset representing the lessee's right to use, or control the use of, a specified asset for the lease term. This guidance is effective for fiscal years beginning after December 15, 2019. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

Wiki Education Foundation

Notes to Financial Statements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments change presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources, and the changes in those resources, to the users of the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Foundation is currently evaluating the impact the new standard will have on its financial statements.

m. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2017 through May 11, 2018, the date these financial statements were available to be issued, and determined there were no material subsequent events that required recognition in these 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 years ended June 30, 2017 and 2016, total net assets released from restriction as a result of fulfilling donor purpose restrictions were \$57,936 and \$23,340, respectively. For the years ended June 30, 2017 and 2016, total net assets released from restriction as a result of the passage of time were \$531,153 and \$2,670,123, respectively.

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes or periods:

	2017	2016
Purpose restrictions	\$ 48,843	\$ -
Time restrictions	-	57,936
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	\$ 48,843	\$ 57,936

Note 3 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$2,953 and \$54,198 for the years ended June 30, 2017 and 2016, respectively.

Wiki Education Foundation

Notes to Financial Statements

Note 4 - Future Commitments:

The Foundation entered into a lease for office space in San Francisco through September 2019. Future minimum lease payments under the agreement are as follows:

Year ending June 30,	Amount
2018	\$ 129,866
2019	133,762
2020	33,686
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	\$ 297,314

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.

	2017			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 832,185	\$ 229,878	\$ 145,484	\$ 1,207,547
Professional services	114,954	54,438	57,356	226,748
Occupancy	82,830	78,779	4,340	165,949
Travel and conferences	76,501	3,601	11,217	91,319
Materials and reproduction costs	5,507	2,406	41	7,954
Other operating expenses	30,190	61,393	750	92,333
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	\$ 1,142,167	\$ 430,495	\$ 219,188	\$ 1,791,850

Wiki Education Foundation

Notes to Financial Statements

	2016			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 915,225	\$ 362,013	\$ 235,451	\$ 1,512,689
Professional services	830,182	71,526		901,708
Occupancy	124,146	20,598	4,567	149,311
Travel and conferences	109,935	8,191	49,132	167,258
Materials and reproduction costs	20,064	2,565	1,898	24,527
Other operating expenses	128,747	65,227	2,782	196,756
	<u>\$ 2,128,299</u>	<u>\$ 530,120</u>	<u>\$ 293,830</u>	<u>\$ 2,952,249</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 years ended June 30, 2017 and 2016, the Foundation made \$26,129 and \$27,417, respectively, in employer matching contributions.