

WIKI EDUCATION FOUNDATION

JUNE 30, 2018 AND 2017

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Wiki Education Foundation

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 2
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Financial Statements

Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13



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, 2018 and 2017 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, 2018. 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, 2018 and 2017, 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
February 19, 2019

Wiki Education Foundation

Statement of Financial Position

<i>June 30,</i>	2018	2017
Assets		
Cash	\$ 148,418	\$ 375,585
Accounts receivable	7,500	7,500
Prepaid expenses and other assets	33,779	40,293
Total assets	\$ 189,697	\$ 423,378
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 6,959	\$ 43,678
Accrued expenses	34,675	38,847
Total liabilities	41,634	82,525
Net Assets:		
Unrestricted	48,063	292,010
Temporarily restricted	100,000	48,843
Total net assets	148,063	340,853
Total liabilities and net assets	\$ 189,697	\$ 423,378

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support:						
Grants and contributions	\$ 1,558,818	\$ 100,000	\$ 1,658,818	\$ 991,260	\$ 579,996	\$ 1,571,256
Program services	25,000		25,000	22,000		22,000
Net assets released from restrictions	48,843	(48,843)	-	589,089	(589,089)	-
Total revenue and support	1,632,661	51,157	1,683,818	1,602,349	(9,093)	1,593,256
Expenses:						
Program services	1,266,718		1,266,718	1,142,167		1,142,167
General and administrative	364,050		364,050	430,495		430,495
Fundraising	245,840		245,840	219,188		219,188
Total expenses	1,876,608	-	1,876,608	1,791,850	-	1,791,850
Change in Net Assets	(243,947)	51,157	(192,790)	(189,501)	(9,093)	(198,594)
Net Assets - Beginning of year	292,010	48,843	340,853	481,511	57,936	539,447
Net Assets - End of year	\$ 48,063	\$ 100,000	\$ 148,063	\$ 292,010	\$ 48,843	\$ 340,853

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Cash Flows

<i>Years Ended June 30,</i>	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (192,790)	\$ (198,594)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Changes in operating assets and liabilities:		
Grants and accounts receivable		34,192
Prepaid expenses and other assets	6,514	(8,336)
Accounts payable	(36,719)	28,944
Accrued expenses	(4,172)	(3,627)
Net cash (used) by operating activities	(227,167)	(147,421)
Net Decrease in Cash and Equivalents	(227,167)	(147,421)
Cash and Equivalents - Beginning of year	375,585	523,006
Cash and Equivalents - End of year	\$ 148,418	\$ 375,585

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 Plans

For the years ended June 30, 2018 and 2017, the Foundation has experienced reduced revenue and support such that operating reserves are limited. Management's plans to alleviate this condition are detailed below.

The Foundation successfully participated in the Wikimedia Foundation's Funds Dissemination Committee Annual Plan Grant program for the first time. Wikimedia awarded the Foundation \$400,000 for calendar year 2018, which was matched by the Stanton Foundation as part of a 5-year matching grant agreement. Both grant makers renewed their commitment totaling \$800,000 in December 2018 for calendar year 2019. These funds, which amount to a substantial part of the Foundation's budget, can be spent on general operating support.

As a result of a 6-month strategic planning process, the Foundation started offering some of its services in a fee-for-service instead of in a free-of-charge model. With the help of a capacity-building grant of \$50,000 from the William and Flora Hewlett Foundation, the Foundation explored the opportunity of charging participants in its new "Scholars & Scientists Program". In this program, established academics learn how to improve Wikipedia articles in their field of study in order to increase the public's access to more representative, accurate and complete information. The Foundation successfully launched this new initiative by collaborating with the U.S. National Archives and Records Administration (NARA) on a project that aims at improving articles related to women's suffrage prior to an exhibit commemorating the 100th anniversary of the 19th amendment. In order to also support scholars who are not able to come up with the fee for the 3-month virtual professional development course, an anonymous individual donor has committed \$70,000 for scholarships that support this effort. Going forward, the Foundation will continue its efforts in attracting individuals or foundations with a focus on specific topics as donors for scholarships in the Scholars & Scientists Program.

Wiki Education Foundation

Notes to Financial Statements

In the long term, the Foundation will continue expanding its grant-based revenue stream by attracting new major grant makers with the ability to give at the level of \$100,000 and beyond. In the first half of fiscal year 2018/19, the Betty and Gordon Moore Foundation provided \$485,000, joining the William and Flora Hewlett Foundation (which provided \$425,000 in 2018) as the Foundation's biggest donors. Also, the Heising-Simons Foundation joined as a new major donor at a starting level of \$100,000.

In addition to expanding its pipeline of large institutional donors, the Foundation will further increase the percentage of revenue gained through earned income. The Foundation's new strategy calls for improving structured data on Wikimedia's youngest project Wikidata, a collaboratively edited knowledge database being used by digital assistants like Alexa or Siri. As part of this effort, the Foundation will explore expanding its Scholars & Scientists fee-for-service program to also include professional development courses that cover Wikidata.

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 (U.S. GAAP) 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, 2018 and 2017, 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, 2018, and 2017, the Foundation had cash deposits in excess of federally insured limits. 52% of contribution revenue was received from three donors and 87% of contribution revenue was received from one donor for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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. The only receivable as of June 30, 2018 was \$7,500 of earned income, which was received within 30 days of invoicing.

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.

Wiki Education Foundation

Notes to Financial Statements

1. Recent Accounting Pronouncements

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards (IFRS), the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606,) related to revenue recognition. The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The guidance provides alternative methods of initial adoption and is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

In February 2016, the 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.

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It provides a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the impact of this pronouncement 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. 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, 2018 through February 19, 2019, 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, 2018 and 2017, total net assets released from restriction as a result of fulfilling donor restrictions were \$48,843 and \$589,089, respectively.

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes or periods:

	2018	2017
Purpose restrictions		\$ 48,843
Time restrictions	\$ 100,000	
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	\$ 100,000	\$ 48,843

Note 3 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$12,227 and \$2,953 for the years ended June 30, 2018 and 2017, 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
2019	\$ 133,762
2020	33,686
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	\$ 167,448

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.

	2018			
	Program	General and Administrative	Fundraising	Total
Salaries, wages and benefits	\$ 986,557	\$ 147,142	\$ 227,593	\$ 1,361,292
Professional services	59,228	88,440	343	148,011
Occupancy	124,629	35,651	300	160,580
Travel and conferences	48,329	6,706	13,465	68,500
Materials and reproduction costs	11,111	2,918	1,039	15,068
Other operating expenses	36,864	83,193	3,100	123,157
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	\$ 1,266,718	\$ 364,050	\$ 245,840	\$ 1,876,608

Wiki Education Foundation

Notes to Financial Statements

	2017			
	Program	General and Administrative	Fundraising	Total
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 expense	30,190	61,393	750	92,333
	<u>\$ 1,142,167</u>	<u>\$ 430,495</u>	<u>\$ 219,188</u>	<u>\$ 1,791,850</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, 2018 and 2017, the Foundation made \$34,730 and \$26,129, respectively, in employer matching contributions.