

WIKI EDUCATION FOUNDATION

JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Wiki Education Foundation

Independent Auditors' Report and Financial Statements

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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, 2020 and 2019 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 contributions from donors for general support such that operating reserves are depleted as of June 30, 2020. Management's plans in regard to this matter are 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, 2020 and 2019, 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
January 28, 2021

Wiki Education Foundation

Statement of Financial Position

<i>June 30,</i>	2020	2019
Assets		
Cash and equivalents	\$ 156,590	\$ 22,428
Accounts receivable	19	301,907
Prepaid expenses and other assets	54,361	51,480
Total assets	\$ 210,970	\$ 375,815
Liabilities and Net Assets (Deficit)		
Liabilities:		
Accounts payable	\$ 3,384	\$ 44,579
Accrued expenses	43,866	46,916
Paycheck Protection Program loan	302,390	
Deferred revenues	11,597	
Total liabilities	361,237	91,495
Net Assets (Deficit):		
Without donor restrictions	(186,909)	(208,156)
With donor restrictions	36,642	492,476
Total net assets (deficit)	(150,267)	284,320
Total liabilities and net assets (deficit)	\$ 210,970	\$ 375,815

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contributions	\$ 1,523,983	\$ 106,000	\$ 1,629,983	\$ 1,320,211	\$ 835,000	\$ 2,155,211
Program services	182,566		182,566	124,636		124,636
Net assets released from restrictions	561,834	(561,834)	-	442,524	(442,524)	-
Total revenue and support	2,268,383	(455,834)	1,812,549	1,887,371	392,476	2,279,847
Expenses:						
Program services	1,605,543		1,605,543	1,437,728		1,437,728
General and administrative	420,169		420,169	432,590		432,590
Fundraising	221,424		221,424	273,272		273,272
Total expenses	2,247,136	-	2,247,136	2,143,590	-	2,143,590
Change in Net Assets	21,247	(455,834)	(434,587)	(256,219)	392,476	136,257
Net Assets - Beginning of year	(208,156)	492,476	284,320	48,063	100,000	148,063
Net Assets - End of year	\$ (186,909)	\$ 36,642	\$ (150,267)	\$ (208,156)	\$ 492,476	\$ 284,320

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (434,587)	\$ 136,257
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Changes in operating assets and liabilities:		
Grants and accounts receivable	301,888	(294,407)
Prepaid expenses and other assets	(2,881)	(17,701)
Accounts payable	(41,195)	37,620
Deferred revenues	11,597	
Accrued expenses	(3,050)	12,241
Net cash used in operating activities	(168,228)	(125,990)
Cash Flows from Financing Activities:		
Receipt of PPP Loan proceeds	302,390	
Net cash provided by financing activities	302,390	
Net Increase (Decrease) in Cash and Equivalents	134,162	(125,990)
Cash and Equivalents - Beginning of year	22,428	148,418
Cash and Equivalents - End of year	\$ 156,590	\$ 22,428

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 relies primarily on grants and philanthropic donations to cover operational costs.

b. Management's Plans

Due to the negative effects of the COVID-19 pandemic (see Note 8) on philanthropy in the United States, the Foundation has already taken strong and decisive action aimed at reducing its expenses: in June 2020, it laid off seven of their fourteen staff members, reduced upper management's weekly work hours, suspended all travel, and moved all meetings online. In addition, subsequent to the fiscal year ended June 30, 2020, the Foundation is exploring subleasing their office in the Presidio of San Francisco.

In addition to the above, the Foundation will continue increasing the amount of earned income generated through its pay-for-service model. The Foundation's work in this area has been significantly more successful than expected and management and staff will work on further increasing the amount of funds coming through this stream of revenue.

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.

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020 and 2019, the Foundation does not have any net assets that donors have restricted in perpetuity.

Wiki Education Foundation

Notes to Financial Statements

d. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

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, 2020, and 2019, the Foundation had cash deposits in excess of federally insured limits. 92% of contribution revenue was received from three donors and 93% of contribution revenue was received from five donors for the years ended June 30, 2020 and 2019, respectively.

f. 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.

g. Revenue Recognition

Contributions

Contributions are recognized as revenue at fair value when received or unconditionally promised. The Foundation reports contributions that are restricted by the donor as an increase in net assets with donor restrictions. When a 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 statement of activities and changes in net assets as net assets released from restrictions.

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 contributions receivable included in accounts receivable as of June 30, 2020 and 2019, was \$19 and \$300,000, respectively. Contributions receivable at June 30, 2020 of \$19 are expected to be collected in the following year.

Wiki Education Foundation

Notes to Financial Statements

Fees for Services

Fees for services are recorded as revenue when the contract's performance obligation has been satisfied, and are then recognized as program service fees earned income. Fees for services are mostly for the teaching of specific training courses for which the performance obligation is met over the time period the course is taught. Fees billed and collected in advance of the satisfaction of the performance obligation are recorded as deferred revenue.

The fees receivable included in accounts receivable as of June 30, 2020 and 2019, were \$0 and \$1,907, respectively, and are expected to be collected in the following year.

h. 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.

i. Functional Classification of Expenses

The costs of providing the various program and general services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs, primarily occupancy and meetings, have been allocated based on management estimates of staff usage, among the classifications.

j. New Accounting Pronouncements

Pronouncements Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) issued 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 Foundation has adopted the ASU effective July 1, 2019. There are no significant changes to the financial statements or disclosures.

Wiki Education Foundation

Notes to 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. The Foundation has adopted the ASU on a modified prospective basis effective July 1, 2019.

Pronouncements Effective in the Future

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the ASU, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months for the rights and obligations created by those leases. The ASU is effective for the Foundation's fiscal year ending June 30, 2023. Early application will be permitted. The Foundation is currently assessing the impact the adoption of this ASU will have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation and disclosures for in-kind contributions. The ASU is effective for the Foundation for the fiscal year beginning after June 15, 2021 with early application permitted. The Foundation is currently assessing the impact the adoption of this ASU will have on its financial statements.

k. Subsequent Events

The Foundation evaluated subsequent events from June 30, 2020 through January 28, 2021, 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 as discussed in Note 1B.

Wiki Education Foundation

Notes to Financial Statements

Note 2 - Liquidity Management:

The Foundation's financial assets available within one year of June 30, 2020 and 2019 for general expenditures are as follows:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 156,590	\$ 22,428
Accounts receivable	19	301,907
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Total financial assets	156,609	324,335
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Less amounts not available to be used within one year:		
Net assets with donor restrictions	36,642	492,476
Less net assets with purpose restrictions to be met within one year	(36,642)	(492,476)
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	-	-
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Financial assets available to meet general expenditures within one year	\$ 156,609	\$ 324,335
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The Foundation utilizes corporate credit cards with Chase Bank which provide \$67,000 in available credit limit including \$3,350 in available cash advances. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Foundation's goal is to maintain financial assets to meet all grant and operating needs. The Foundation's cash flows have variations during the year attributable to the timing of contributions received and payments for earned income.

Note 3 - 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, 2020 and 2019, total net assets released from restriction as a result of fulfilling donor time and purpose restrictions were \$261,834 and \$442,524, respectively. For the year ended June 30, 2020 \$300,000 of net assets was released as a result of fulfilling solely donor time restrictions.

Wiki Education Foundation

Notes to Financial Statements

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes or periods:

	2020	2019
Purpose restrictions	\$ 36,642	\$ 23,149
Time and purpose restrictions	-	469,327
<u>Net assets with donor restrictions</u>	<u>\$ 36,642</u>	<u>\$ 492,476</u>

Note 4 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$1,995 and \$3,521 for the years ended June 30, 2020 and 2019, respectively.

Note 5 - Future Commitments:

The Foundation has a lease for office space in San Francisco through October 2022. Future minimum lease payments under the agreement are as follows:

Year ending June 30,	Amount
2021	\$ 148,418
2022	152,870
2023	51,331
	<u>\$ 352,619</u>

Wiki Education Foundation

Notes to Financial Statements

Note 6 - 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.

	2020			
	Program	General and Administrative	Fundraising	Total
Salaries, wages, and benefits	\$ 1,334,124	\$ 193,044	\$ 190,924	\$ 1,718,092
Professional services	65,447	90,633	12,328	168,408
Occupancy	91,496	55,198	4,810	151,504
Travel and conferences	35,688	16,963	10,684	63,335
Materials and reproduction costs	9,714	2,022	259	11,995
Meetings	23,380	19,413	1,891	44,684
Other operating expenses	45,694	42,896	528	89,118
	<u>\$ 1,605,543</u>	<u>\$ 420,169</u>	<u>\$ 221,424</u>	<u>\$ 2,247,136</u>

	2019			
	Program	General and Administrative	Fundraising	Total
Salaries, wages, and benefits	\$ 1,175,951	\$ 181,081	\$ 223,374	\$ 1,580,406
Professional services	23,339	112,969	12,697	149,005
Occupancy	122,565	27,403	13,344	163,312
Travel and conferences	78,449	8,399	15,261	102,109
Materials and reproduction costs	12,089	400	1,950	14,439
Meetings	2,714	57,361	984	61,059
Other operating expenses	22,621	44,977	5,662	73,260
	<u>\$ 1,437,728</u>	<u>\$ 432,590</u>	<u>\$ 273,272</u>	<u>\$ 2,143,590</u>

Wiki Education Foundation

Notes to Financial Statements

Note 7 - 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, 2020 and 2019, the Foundation made \$51,284 and \$43,748 respectively, in employer matching contributions.

Note 8 - COVID-19:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. Many Federal, state and local governmental agencies including the city and county of San Francisco have declared a state of emergency and issued a variety of mandates including the closure of non-essential businesses which have continued through the date of these financial statements.

The Foundation has transitioned its employees to working remotely which has continued through the date of these financial statements. See Footnote 1b for impact to the Foundation.

Note 9 - Paycheck Protection Program Loan:

The Foundation received loan proceeds in the amount of \$302,390 under the Paycheck Protection Program (PPP) on April 24, 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as the Foundation uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its personnel levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%. If the Foundation submits its loan forgiveness application within ten months of the completion of its loan forgiveness covered period, the Foundation will not be required to make any payments until the forgiveness amount has been communicated by the lender. If any or all of the loan is not forgiven, the unforgiven balance must be repaid by the maturity date of the loan. The Foundation intends to use the proceeds for purposes consistent with the PPP. While the Foundation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Foundation cannot assure that it will not take actions that could cause the Foundation to be ineligible for forgiveness of the loan, in whole or in part.