

**Audit Committee Meeting**  
**Thursday, September 18, 2014**  
**Wikimedia Foundation Office/San Francisco**  
**2:00 3:00 PDT 20:00 21:00 GMT**

**Participating by phone:** Stu West, Matt Bisanz, Michael Snow, Samuel Klein, Abhijith Jayanthi, Ben Creasy, Florian Gerl, Nancy Rose (KPMG), Patricio Lorente

**Participating in person:** Garfield Byrd, Tony Le, Amy Vossbrinck

**Participating from KPMG:** Karen Cordeiro

**Approval minutes**

The minutes from the July 28, 2014 Audit Committee Meeting were approved.

**Annual Wikimedia Foundation Audit**

Karen Cordeiro and Nancy Rose of KPMG presented the Audit Report.

The responsibilities of all parties to the audit were reviewed: WMF Management, KPMG and the Audit Committee. Audit Committee responsibilities include:

- oversight of the financial reporting process;
- oversight of the establishment and maintenance of effective internal control over financial reporting;
- oversight of the establishment and maintenance of programs and internal controls designed to prevent and detect fraud;
- in concert with the Foundation management, setting the proper tone and creating and maintaining a culture of honesty and high ethical standards.

The KPMG audit:

- Reviewed significant contribution agreements;
- Sample-tested contributions by vouching to support documentation and verified appropriate classification;
  
- Tested 100% of contributions from key payment processors;
  
- Performed analytic over employee salary increases and employee headcount;
  
- Performed trend analysis over operating expenses;

- Reviewed the allocation methodology and tested significant assumptions;
- Confirmed balances with financial institutions;
- Sample-tested reconciling items (deposits in transit, outstanding checks, interbank transfers);
- Confirmed 100% of investments;
- Sample tested securities to assess fair value;
- Vouched samples of additions to supporting documents (One “out of period item was found” meaning the purchase of the item was recorded in the fiscal year after the year it was actually purchased. The purchase was fully appropriate but the books for the year in which the purchase was made were closed so it was recorded in the following fiscal year.);
- Performed ratio analysis over depreciation expense;
- Sample-tested awards and grants to chapters;
- Reviewed financial statement disclosures in compliance with the U.S. GAAP and not-for-profit accounting standards;
- Performed inquiry and obtained legal responses from in-house legal counsel and external legal firms.

No misstatements, omissions, material weaknesses or significant deficiencies were found. There were no significant related party transactions found. The committee discussed Wikimedia's contract with Automattic as a potential related party transaction. KPMG noted that Automattic was a related party, but the small size of the contract means it was not classified as significant.

Both the Financial Statement and the Balance Sheet were reviewed and were consistent with prior years. Funds have increased year over year. There was an increase in liabilities of \$4,127,984.00 due, in part, to an agreement by the Wikimedia Foundation to be the fiscal sponsor for the Wiki Education Foundation. The Wiki Education Foundation grant from the Stanton Foundation (\$1,136,588.00) is temporarily on the Wikimedia

Foundation's books while the Wiki Education Foundation applies for their own 501(c)3 which they should have by mid-October 2014.

A new and now ongoing liability, based on recent experiences, is a result of the Foundation's decision to manage the finances for the annual Wikimania event rather than giving the hosting chapter a grant to manage it.

A question was raised regarding how KPMG confirms their independence from their audit clients. Nancy explained that KMPG has established a process that requires each employee to validate their independence on a daily basis and complete a survey verifying that independence on a quarterly basis. Items that are accessed are investments, loans, insurance products and spousal employment. The client for whom KPMG is performing the audit cannot have any other contracts with KPMG.

Tony Le, the Foundation's Controller and his team were thanked for all of their work during the year and on the Audit.

The Audit and the Audit Report were approved by the Audit Committee.

Nancy and Karen left the meeting.

### **Investment advisor**

U.S. Trust has been selected as the investment advisor for the Wikimedia Foundation. They were chosen because they offer a wide range of services, they have a good and experienced team and their fee was very competitive. U.S. Trust has agreed to reporting that will be fully transparent and the Foundation has permission to directly publish the reports which will be provided both monthly and quarterly. U.S. Trust will also provide reports explaining their choice of particular investments from a market standpoint. Reports are shared with the Board and the Audit Committee. Interested community members who request the reports can also receive them.

Decisions regarding investments are guided by the Foundation's Investment Policy which is provided by the Board. The Foundation will now have both short and long term funds. The long term funds are new for the Foundation and we are fortunate to have the resources to create such a fund. For short term investments, the Foundation seeks to match the rate of inflation without posing undue risk. The policy has been and will remain to buy and hold, rather than chasing high returns that can present high risk.

For the time being \$2 million of the Foundation's investments will stay with Smith

Affiliated Capital.

**Action Items**

Tony Le and Garfield Byrd: Post the Audit Report and the Audit FAQ

**Executive Session**

There was a brief executive session

Submitted by Amy Vossbrinck