

WMF Frequently Asked Questions (FAQs) for the 2010-11 Audited Financial Statements

What is the purpose of the FAQs?

The purpose of the FAQs is to give a general overview of the audited financial statements and to give more detail to areas that have received many inquiries in the past. Detailed information that is available in the footnotes to the financial statements is generally not repeated in the FAQs. The footnotes are an integral part of the financial statements and should be read in their entirety; footnote #1 contains a lot of descriptive information such as an explanation of what is contained in particular lines of the Balance Sheets and Statements of Activities.

What is the period of time covered by these statements?

The statements are for the fiscal year ending June 30, 2011 and have information for the period ending June 30, 2010 for comparison on the "Balance Sheets", "Statement of Activities", and "Statement of Cash Flows". In addition, information for June 30, 2010 is provided in the "Notes to Financial Statements" to provide comparison to the current fiscal year ending June 30, 2011.

What do these statements represent?

These are the audited financial statements of the Wikimedia Foundation, covering July 1, 2010 to June 30, 2011. They have been prepared by the accounting staff of the Wikimedia Foundation, and a certified public accountant representing our audit firm has certified that they meet the requirements of the U.S. GAAP (generally accepted accounting principles). These audited statements have been given to the Wikimedia Foundation audit committee, which has approved them, and given to the Wikimedia Foundation Board of Trustees for their review.

Who is the Wikimedia Foundation's audit firm?

The Wikimedia Foundation's audit firm is KPMG.

What is the purpose of these statements?

Financial statements provide an overview of basic information about an organization's financial position. Financial statements are normally read by a number of different audiences, including the management of the organization, board members, donors and others.

When will we see the next financial statements?

The Wikimedia Foundation will be releasing basic, unaudited, mid-year financial statements later in the 2011-12 Fiscal Year. We expect the mid-year financial

statements to be complete by January 31, 2012; they will probably be distributed publicly by the end of February 2012.

How do the financial statements for 2010-11 compare with the statements for 2009-10? What's the overall takeaway message?

It was an excellent year for the Wikimedia Foundation from a financial perspective. The 2010-11 plan called for us to increase revenue 28% from 2009-10, to \$20.4 million, and to increase spending 124% from 2009-10, to \$20.4 million. In fact, we significantly over-achieved from a revenue perspective, and we also under spent, resulting in a larger reserve than planned. We closed the year with a reserve of \$12 million, up from \$7 million the prior year.

This over-achievement is primarily due to the success of the 2010 WMF fundraiser. In 2010-11, the Wikimedia Foundation refocused from a mixed revenue model to a strong primary focus on the annual campaign: this resulted in our shortest and most successful campaign to date, raising \$15 million (up 72% from 2009's \$8.7 million) in 50 days (25% fewer than 2009's 67 days). If you include the \$6.5 million received by 12 chapters which acted as payment processors in 2010, the total raised by the movement in the 2010 campaign was \$21.5 million.

Although the Wikimedia Foundation spent less than planned in 2010-11, it was still able to execute high-priority strategic projects. During 2010-11, the Wikimedia Foundation established the new Virginia data center, and developed and implemented new technical features such as the UploadWizard for Wikimedia Commons, the Article Feedback tool, the MobileFrontend extension, the ResourceLauncher, and WikiLove. It conducted significant amounts of research into mobile usage of Wikipedia, as well as into editing patterns, editor demographics, attitudes and satisfaction levels. It funded parties and celebrations of the 10th anniversary of Wikipedia, new editor outreach work in India, and the development of tools for offline distribution of Wikimedia content (including an improved cross-platform reader application).

What happened to donations in 2010-11, compared with 2009-10?

Donations increased from \$14.4 million to \$23 million during the fiscal year ending June 30, 2011.

What are your other revenue sources?

The vast majority of our revenue comes from donations from individuals: we are happy that every year, hundreds of thousands of people around the world support the Wikimedia Foundation by making an individual donation. We also receive gifts from corporations and foundations, and we bring in what the IRS calls "earned income" (see note below). We also bring in a small amount of revenue from other sources such as investment income and speaker fees.

What is other income?

The "other income" line is mainly made up of our "earned income," the revenue we earn through mission-friendly business activities such as the sale of live-feed data services and trademark license agreements. It also includes speaker fees.

What is "in-kind" revenue?

Goods and services that would normally be paid for but have been donated to us at no charge, such as bandwidth and hosting services and pro-Bono legal services. Further detail is available in the Footnotes to the Financial Statements under Non-cash Contributions (Note 1(k)).

What is "investment income"?

Investment income is primarily interest earned on the Wikimedia Foundation's cash balances. During the audit period the Foundation's cash balances were invested in Certificates of Deposits and in a money market fund consisting of U.S. Government and agency securities.

Our investment philosophy favors preservation of capital and liquidity over higher yields, which come with more risk.

The cash balance (including investments) has increased from \$7.1 million to over \$12 million. What is the Wikimedia Foundation's view on its increasing cash reserve?

The Wikimedia Foundation wants to have an appropriate amount of cash in reserve. This is important for stability and the overall financial health of the organization. A non-profit wants to ensure it has a sufficient amount of cash available to it, so that it doesn't face a crisis in the event that unforeseen costs arise, or that an external or internal event hurts its ability to fund-raise.

Different non-profits have different levels of reserves: it is common for young or very small non-profits to have as little as a few months' spending available in their reserve fund: others may have as much as three years' spending in theirs. There is no generally accepted consensus on what size of reserve is appropriate but the Wikimedia Foundation has been able to grow its reserve over time. The current reserve represents less than one year of funding, at our current spending level. We believe that's appropriate for a growing non-profit of our size and age, with our goal to have one year of operating funding available over time.

What is contained in "Operating expenses"?

Operating expenses include expenses for contract services, and facilities such as rent, utilities, phones, etc. During this audit period the Foundation spent \$2,787,869 million on

contract services for information technology, fundraising and other projects to support implementation of the strategic plan. In addition, \$599,000 was spend on rent and utilities, \$556,413 was spent on bank fees related to the fundraiser, \$451,335 on legal and accounting fees and \$340,303 in recruitment expenses.

What is contained in “Travel expenses”?

Travel expenses are for technology related travel, global development travel for our outreach work in India, Brazil, Wikimania travel and board travel. Travel expenses for the Wikimedia Foundation continue to increase annually. This is partly attributable to increased size of the staff overall, but it primarily reflects increased staff interactions with Wikimedia's global community of volunteers including the chapters, as well as the beginning of execution of the strategic plan, which calls for a new emphasis on the Global South (geographies such as India and Brazil). The costs of travel reflected in these statements includes costs associated with hackathons, Global Development travel for work in India and Brazil, research into mobile usage, all staff and volunteer Wikimania travel expenses, and board and staff travel expenses for Wikimedia convenings, conferences and meet-ups in countries such as Germany, China, the UK, Kenya, India, Spain, Sweden, the United Arab Emirates, Argentina and Canada. It also includes some volunteer and fellow travel: for example, when the Wikimedia Foundation pays to bring people to the office in San Francisco for projects they are working on, or when the Wikimedia Foundation funds travel for volunteers or fellows related to GLAM or other work. In 2010-11, 138 community members – editors, campus ambassadors, fellows, chapters and Wikimania representatives, screen sprint participants, Advisory Board members and members of the broader free software/free culture community--- visited the Wikimedia Foundation offices. Most of this travel was not funded by the Wikimedia Foundation: costs not incurred by the Wikimedia Foundation do not appear in these financial statements.

Examples of travel expenses for this fiscal year are:

Wikimania - \$166,666, Board - \$77,449, Global Development - \$68,792, Technology - \$260,345 and Public Policy (Grant funded) - \$140,078.

What is the “functional allocation of expenses”?

The purpose of the functional expense statement is to show how much an organization spends on program activities that further the mission, as opposed to spending on administrative support and fund-raising activities. Expenses are reviewed and allocated among three categories: Projects, General and Administrative Support and Fundraising

In the functional allocation of expenses, what kind of spending occurs in the “Projects” category?

The "Projects" category includes all the work done by the Wikimedia Foundation that directly supports the Wikimedia mission. For example, it includes all technology spending with the exception of spending supporting the office (e.g., office equipment). That includes for example, servers, bandwidth and the salaries of the technical staff. In 2010-11, “projects” spending enabled work towards creation of the new Virginia data center, as well as the development and implementation of technical features such as the UploadWizard for Wikimedia Commons, the Article Feedback tool, the MobileFrontend extension, the ResourceLauncher, and WikiLove. “Projects” also includes spending in the Global Development and Community departments (with the exception of spending on fundraising). In 2010-11, that included spending on the 10th anniversary celebrations, new editor outreach work in India, the development of tools for offline distribution of Wikimedia content (including an improved cross-platform reader application), grants made to chapters, individuals and like-minded organizations, and scholarships enabling 127 people to attend Wikimania in Gdansk. It also enabled field research into mobile usage and a significant amount of research into editing patterns, editor demographics, attitudes and satisfaction levels.

In the functional allocation of expenses, what kind of spending occurs in the “General and administrative” category?

The "General and administrative" category includes all costs associated with the Board and Advisory Board, as well as an allocation of general office expenses such as rent, business insurance, and the salaries and expenses of the human resources, legal, administrative and finance staff.

In the functional allocation of expenses, what kind of spending occurs in the “Fundraising” category?

The "Fundraising" category includes all spending associated with fund-raising activities. For example, it includes the salaries of the fund-raising staff and expenses related to the online fundraiser (e.g., PayPal fees and the cost of improvements to our open-source donor database CiviCRM), and all fund-raising-related travel costs.

Wikipedia and the other Wikimedia projects are written by volunteers. How do they fit into these financial statements?

Under U.S. GAAP, general volunteer activity is not reflected in a non-profit's financial statements. As a result, we do not attempt to quantify the value of volunteer contributions or include it as an in-kind donation of services. That is in no way intended to diminish the significance of the volunteer contribution: the projects wouldn't exist without it, and we value it enormously.

When will next year's audited financial statements be published?

Next year's audited financial statements will probably be released about the same time as this year: roughly, in November 2012.

When will the 2009-10 Form 990 be published?

Work on the Form 990 for 2010-11 is beginning now. It will probably be completed, approved by the Board, and published by end of March 2012.

How was the money spent during this audit period?

Technology	\$6,670,974
Global Development	\$2,388,698
Community	\$1,889,084
Governance	\$1,172,654
G&A	\$3,626,167
Fundraising	\$2,142,217

G&A includes Human Resources, Finance, Office IT Support, Legal and Administration.

Why did G&A increase over the prior fiscal year?

G&A increased over the prior fiscal year, as this was part of the plan to increase capacity in Legal, Human Resources, and Administration. The plan called for increasing G&A spending from \$2.3 million to \$4.7 million. The actual increase for this G&A during this audit period was \$3.6 million. The increase reflects increased investment in the Legal department, which has historically been under-funded. It also reflects increased investment in Human Resources, with the intent of increasing the Wikimedia Foundation's ability grow programmatic capacity by growing its staff, with an emphasis on thoughtful recruitment and integration of new people.

What money was given by the chapters to WMF and what money was given to chapters by WMF?

In 2010-11, quite a bit of money changed hands between the Wikimedia Foundation and the chapters. Twelve chapters participated in the annual fundraising campaigns by processing the donations that originated in their geographies (rather than those donations being processed by the Wikimedia Foundation): those chapters brought in a total of \$6,406,628, of which \$3,086,387 was later transferred to the Wikimedia

Foundation as per the fundraising agreements. The largest outstanding amount remaining to be transferred is \$196,570 from the Italian chapter.

Also in 2010-11, the Wikimedia Foundation issued regular grants to chapters in the amount of \$362,035, and scholarships of \$109,025. In addition special grants to chapters of \$275,000 and event sponsorships of \$15,000 were occurred during this fiscal year.