



WIKIMEDIA FOUNDATION, INC.

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

WIKIMEDIA FOUNDATION, INC.

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KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report

The Board of Trustees
Wikimedia Foundation, Inc:

Opinion

We have audited the consolidated financial statements of Wikimedia Foundation, Inc and its subsidiary (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

San Francisco, California
October 8, 2024

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Financial Position

June 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 82,845,159	75,808,401
Contributions receivable	856,657	—
Short-term investments	116,074,763	132,216,667
Prepaid expenses and other current assets	<u>5,722,457</u>	<u>5,569,485</u>
Total current assets	205,499,036	213,594,553
Restricted cash	1,428,542	1,396,717
Long-term investments	67,291,224	43,265,786
Right of use asset - operating lease, net	—	1,821,174
Property and equipment, net	11,826,136	14,045,139
Contributions receivable	<u>715,000</u>	<u>—</u>
Total assets	<u>\$ 286,759,938</u>	<u>274,123,369</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,009,582	2,783,904
Accrued expenses	7,959,558	6,922,259
Lease liability	417,756	1,640,735
Donations payable to Wikimedia Endowment	525,607	5,274,448
Other liabilities	<u>2,292,045</u>	<u>2,124,939</u>
Total current liabilities	15,204,548	18,746,285
Lease liability	<u>—</u>	<u>405,748</u>
Total liabilities	<u>\$ 15,204,548</u>	<u>19,152,033</u>
Net assets:		
Net assets without donor restrictions	265,859,067	249,088,663
Net assets with donor restrictions	<u>5,696,323</u>	<u>5,882,673</u>
Total net assets	<u>271,555,390</u>	<u>254,971,336</u>
Total liabilities and net assets	<u>\$ 286,759,938</u>	<u>274,123,369</u>

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions:		
Support and revenue:		
Contributions of cash and other financial assets	\$ 168,212,977	164,121,185
Contributions of nonfinancial assets and services	263,476	1,040,453
Foreign currency losses	(300,907)	(94,868)
Other income, net	5,629,773	3,824,240
Investment income, net	5,096,842	3,002,929
Release of net assets with donor restrictions	6,481,350	4,732,654
Total support and revenue	<u>185,383,511</u>	<u>176,626,593</u>
Operating expenses:		
Salaries and benefits	106,793,960	101,305,706
Awards and grants	26,820,080	24,433,682
Internet hosting	3,116,445	3,120,819
In-kind service expenses	263,476	1,040,453
Donation processing expenses	7,547,718	6,855,680
Professional service expenses	13,090,040	15,464,635
Other operating expenses	10,798,140	7,393,982
Travel and conferences	5,824,979	4,878,359
Depreciation and amortization	4,216,271	4,602,064
Total operating expenses	<u>178,471,109</u>	<u>169,095,380</u>
Change in net assets without donor restrictions from operating activities	<u>6,912,402</u>	<u>7,531,213</u>
Nonoperating activities:		
Unrealized gains on investments, net	9,858,001	3,547,510
Change in net assets without donor restrictions	<u>16,770,403</u>	<u>11,078,723</u>
Net assets with donor restrictions:		
Contributions with donor restrictions	6,295,000	9,273,736
Net assets released from restrictions	(6,481,350)	(4,732,654)
Increase (decrease) in net assets with donor restrictions	<u>(186,350)</u>	<u>4,541,082</u>
Increase in net assets	<u>16,584,053</u>	<u>15,619,805</u>
Net assets at beginning of year	<u>254,971,337</u>	<u>239,351,532</u>
Net assets at end of year	<u>\$ 271,555,390</u>	<u>254,971,337</u>

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 16,584,053	15,619,804
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,216,271	4,602,064
Loss on disposal of equipment	203,233	64,518
Unrealized and realized gains on investments, net	(8,356,376)	(2,276,210)
Right of use asset - operating lease, net	1,821,432	1,404,875
Changes in operating assets and liabilities:		
Contributions receivable	(1,571,657)	700,000
Prepaid expenses and other current assets	(152,972)	(469,201)
Accounts payable	1,225,678	(483,402)
Accrued expenses	1,037,299	1,224,690
Lease liability	(1,666,935)	(1,618,384)
Donations payable to Wikimedia Endowment	(4,748,841)	5,254,730
Other liabilities	205,056	(65,560)
Net cash provided by operating activities	<u>8,796,241</u>	<u>23,957,924</u>
Cash flows from investing activities:		
Purchase of computer equipment and office furniture	(4,435,982)	(4,006,566)
Development of internal use software	2,235,481	(3,076,098)
Purchase of investments	(92,176,499)	(49,998,612)
Proceeds from sales and maturities of investments	92,649,341	58,016,155
Net cash provided by (used in) investing activities	<u>(1,727,659)</u>	<u>934,879</u>
Net increase in cash, cash equivalents, and restricted cash	7,068,582	24,892,803
Cash, cash equivalents, and restricted cash at beginning of year	<u>77,205,118</u>	<u>52,312,315</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 84,273,700</u>	<u>77,205,118</u>
Supplemental cash flow disclosure:		
Noncash changes in exchange rate	\$ 290,621	(96,027)
Initial recognition of right of use asset - operating lease	—	(3,226,048)
Initial recognition of lease liability	—	3,580,607

See accompanying notes to consolidated financial statements.

WIKIMEDIA FOUNDATION, INC.

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(1) Organization and Summary of Significant Accounting Policies

(a) Organization and Purpose

The accompanying consolidated financial statements present the financial position, change in net assets and cash flows of the Wikimedia Foundation, Inc. (the Foundation) and Wikimedia, LLC.

The Foundation is the nonprofit organization that operates Wikipedia, a free online encyclopedia. Based in San Francisco, California, the Foundation is a 501(c)(3) charity that is funded primarily through donations and contributions.

The Foundation also operates Wikimedia, LLC, a Delaware Limited Liability Company, with the Foundation as its Sole Member. The Wikimedia, LLC is organized and operated exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code and is a disregarded entity for tax purposes.

(b) Risks and Uncertainties

The Foundation's operations are funded primarily by public donations from individuals as well as gifts from foundations and corporations. External factors such as global geopolitics, recession, and currency markets may impact our ability to raise funds. As of the date of this report, the Foundation has not experienced an adverse impact on its business operations.

(c) Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income tax under Chapter 220.13 of the Florida Statutes and Sections 23701d of Revenue and Taxation Code of the State of California. The Internal Revenue Service has determined that the Foundation is not a private foundation and contributions to it qualify as charitable contributions.

The Foundation has evaluated the financial statement impact of positions taken or expected to be taken in its tax returns. The Foundation is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. Net income from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

(d) Financial Statement Presentation

Net assets, support and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions in accordance with Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Net assets without donor restrictions represent unrestricted resources available to support operations and also include previously temporarily restricted resources, which have become available for use by the Foundation in accordance with the intentions of donors.

Net assets with donor restrictions represent contributions that are limited in use by the Foundation in accordance with donor-imposed stipulations. The stipulations may expire with time or may be satisfied and removed by the actions of the Foundation according to the terms of the contribution by the donor.

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Once such stipulations are satisfied, the associated net assets are released from net assets with donor restrictions and recognized as net assets without donor restrictions.

Contributions received are recorded as net assets without donor restriction or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

(e) Cash and Cash Equivalents

The Foundation manages its cash through major financial institutions. At June 30, 2024 and 2023, the carrying amount of the Foundation's general ledger cash held primarily in nationally recognized financial institutions is \$60.0 million and \$63.9 million, respectively. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to the applicable limits. Cash balances held in these financial institutions at June 30, 2024 and 2023 exceed the applicable FDIC insurance limits. The Foundation's current practice is to maintain at least four months of cash and cash equivalents to support a combination of operating cash and a current reserve fund. The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents of \$22.8 million and \$12.0 million as of June 30, 2024 and 2023, respectively, are considered Level 1 under ASC Topic 820, *Fair Value Measurement*.

(f) Restricted Cash

Restricted cash includes standby letters of credit for (1) the Foundation's headquarters office lease and (2) one of the Foundation's Employer of Record responsible for administering compensation and benefits for non-US personnel. As of June 30, 2024, neither letter of credit has been used.

(g) Contributions Receivable

Contributions receivable represent gift amounts due from various entities, which are occasionally directed at specific activities. Contributions receivable due more than one year from the contribution date are discounted to present value using a fair value rate based on the U.S. Treasury bond rate and reflect the risks inherent in these cash flows. Contributions receivable are subject to review and adjustment by management should amounts be deemed uncollectible.

(h) Investments

The Foundation's policy regarding investments is to invest cash in short-term, intermediate-term, and long-term fixed income, and equity instruments without assuming material undue risk to principal. Preservation of principal and maintenance of liquidity are priorities over yield. Investments are reported at fair value with realized and unrealized gains and losses, and accrued interest included as a component of the change in net assets. Additionally, the Foundation holds no shares of donated stock as of June 30, 2024 or 2023, consistent with its policy to sell stock received through donations as soon as possible.

The Foundation presents its investment portfolios as short-term and long-term based on expectations of the holding period of the investment in line with the investment guidelines stipulated in the investment policy.

ASC Topic 820 establishes a fair value hierarchy that prioritizes observable inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted

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prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date. The Foundation's Level 1 assets are investments in marketable securities, including stocks and mutual funds.
- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the investment, either directly or indirectly. The Foundation's Level 2 assets are investments in corporate bonds, mortgage-backed securities, and U.S. Treasury securities.
- Level 3 inputs are unobservable inputs from investments. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

(i) Property and Equipment, Net

Expenditures for property and equipment with useful lives of one year or more are capitalized and recorded at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful life of furniture and data center equipment is five years and computer equipment such as laptops and desktops is four years. Leasehold improvements are amortized over the shorter of the life of the lease or the leasehold improvement. Donated computer equipment and software are recorded at the fair value at the time of the donation and are deemed as contributions without donor restriction in the year in which they are received. Repairs and maintenance of equipment are charged to operations. Upon retirement, sale, or other disposition of property and equipment, costs, and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

The Foundation incurs software development costs related to internal use software. Qualifying costs incurred during the application development stage are capitalized. These costs primarily consist of internal labor and third-party development costs and are amortized using the straight-line method over the estimated useful life of the software, which is generally three years. These assets are reviewed for impairment whenever events or changes in circumstances occur that could impact their recoverability. External use software is expensed as incurred since there is generally no passage of time between achievement of technological feasibility and the availability for general release.

(j) Other Operating Expenses

Other operating expenses primarily include facility expenses, staff related expenses, insurance and personal property tax expenses, and other general administrative expenses.

(k) Contributions of Cash and Other Financial Assets

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Foundation. Contributions that are conditional are not recorded until the condition is substantially met. Conditional contributions must include both (1) one or more barriers that need to be overcome before the Foundation is entitled to the contribution, and (2) a right of return or a right of release from the donor's obligation to provide the contribution.

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Gifts of cash and other assets are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or are restricted as to time. When a donor 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 consolidated statement of activities as net assets released from restrictions.

(l) Contributions of Nonfinancial Assets and Services

Contributions of nonfinancial assets and services include contributed services, as described below.

Contributed services are reported at fair value in the consolidated financial statements for voluntary donations of services when those services (1) create or enhance nonfinancial assets, (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by the donation, and (3) are professional in nature, and have been explicitly agreed to in advance. Contributed services are reported as contributions of nonfinancial assets and services revenue and in-kind service expenses in the consolidated statements of activities. Fair value is estimated based on current local rates for similar services.

A substantial number of volunteers make significant contributions of their time in the furtherance of the Foundation's projects. The value of this contributed time is not reflected in the accompanying consolidated financial statements, as the criteria above are not met.

Contributed service revenue and expenses recorded in the consolidated statements of activities consist of contributed legal services, engineering services, subscription services, and internet hosting services and bandwidth. The amounts of specialized contributed legal services as revenue and expenses are \$82,638 and \$493,315 for the years ended June 30, 2024 and 2023, respectively. The value of specialized engineering services as revenue and expenses are \$0 and \$498,800 for the years ended June 30, 2024 and 2023, respectively. The value of donated subscription services as revenue and expenses was \$124,738 and \$0 for the years ended June 30, 2024 and 2023, respectively. The amounts of contributed internet hosting services and bandwidth for the years ended June 30, 2024 and 2023 is \$56,100 and \$48,338, respectively. Included in the 2024 and 2023 amounts are donated hosting services and bandwidth from the following companies: (1) FiberRing, (2) Tele2, (3) Datahop, (4) LibertyGlobal, (5) Init7, and (6) Arelion.

(m) Revenue Recognition – Contracts With Customers

The Foundation recognizes revenue from contracts with customers related to Wikimedia, LLC under Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, which establishes a principle that revenue is recognized upon transfer of control of promised products and services to customers in an amount that reflects the consideration the Foundation expects to receive in exchange for those products or services.

The Foundation determines the amount of revenue to be recognized through the application of the following 5-step process: 1) identification of the contract, or contracts, with a customer; 2) identification of the performance obligations in the contract; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations in the contract; and 5) recognition of revenue when or as the Foundation satisfies the performance obligations.

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The Foundation enters into contracts with its customers that may include promises to transfer multiple performance obligations such as API software subscription, professional service hours, and service level agreement (SLA) and support. The Foundation generally considers these to be one single performance obligation. Determining whether products and services are distinct performance obligations that should be accounted for separately or combined as one unit of accounting may require judgment.

The transaction price is determined based on consideration to which the Foundation will be entitled in exchange for transferring services to the customer, as stated in the contract. The Foundation has determined that the contracts do not contain a significant financing component.

Revenue is generally recognized ratably over the contract term as the performance obligation is satisfied. The Foundation's contracts typically are non-cancelable and do not contain refund-type provisions. The Foundation typically invoices its customers annually and its payment terms provide that customers pay within 30 days of invoice. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue (within "Other Liabilities") or revenue, depending on whether transfer of control to customers has occurred.

Revenue derived from API software subscriptions and professional services is reported within other income, net in the statement of activities. Deferred revenue, revenue, and billings for the years ended June 30, 2024 and 2023 are as follows. Deferred revenue is reported within other liabilities in the statement of financial position.

	<u>2024</u>	<u>2023</u>
Deferred revenue - beginning balance	\$ 1,660,000	1,560,000
Billings	3,820,000	3,320,000
Less revenue recognized	<u>(3,351,250)</u>	<u>(3,220,000)</u>
Deferred revenue - ending balance	<u>\$ 2,128,750</u>	<u>1,660,000</u>

(n) Leases

Leases consist of a lease liability for the Foundation's headquarters in San Francisco. The liability is equal to the present value of lease payments, which are fixed. The present value is calculated using a risk-free discount rate, determined using a period comparable with that of the lease term. The lease term in accordance with ASC 842 does not include options to extend as it is not reasonably certain that the option will be exercised. The Foundation determined during the year ended June 30, 2024 not to renew the lease.

(o) Collaborative Arrangement

The Foundation has a collaborative arrangement with Wikimedia Deutschland to mutually develop the Wikibase software to support the Wikidata project, which acts as central storage for the structured data of its Wikimedia sister projects including Wikipedia, Wikivoyage, Wiktionary, Wikisource, and others. Both the Foundation and Wikimedia Deutschland do work for the Wikidata project, and the Foundation also grants Wikimedia Deutschland funding to support Wikimedia Deutschland's work in developing the Wikibase software. Since the project is part of the Foundation's mission to make knowledge accessible

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and free to everyone in the world, the Foundation's cost related to this collaborative arrangement is included within awards and grants in the statement of activities. The amount included within awards and grants was \$6.1 million and \$4.1 million for the years ended June 30, 2024 and 2023, respectively.

(p) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Items subject to such estimates and assumptions include the investment valuations, useful lives of fixed assets, and the valuation of contributed services. Accordingly, actual results could differ from those estimates.

(q) Reclassifications

Certain reclassifications have been made in the financial statements to conform 2023 information to the 2024 presentation. The Foundation had a change in accounting policy to present unrealized gains and losses on investments separately from investment income, net. This resulted in a reclassification of \$3,547,510 from investment income, net to unrealized gains on investments within the statement of activities. The Foundation also had a change in accounting policy to no longer present the Wikimania event as special event expense, net in the statement of activities. Revenue from registration sales is now reported within other income, net, and expenses are reported within travel and conference expenses. This resulted in a reclassification of \$698,141 from special event expenses to travel and conference expenses in the statement of activities.

(2) Contributions Receivable

As of June 30, 2024 and 2023, contributions receivable is \$1,571,657 and \$0, respectively, and represents contributions receivable from two grants, as well as contributions receivable from payment processors.

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Notes to Consolidated Financial Statements
June 30, 2024 and 2023

(3) Fair Value of Investments

The following tables present the fair value of investments based on hierarchical level as of June 30, 2024 and 2023:

	Fair value measurements at reporting date using		June 30, 2024
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Corporate bonds	\$ —	66,776,386	66,776,386
Mortgage-backed securities	—	5,561,381	5,561,381
U.S. Treasury securities	—	43,736,995	43,736,995
Total	\$ —	116,074,762	116,074,762
Long-term investments:			
Corporate bonds	\$ —	14,854,407	14,854,407
Stocks	42,009,652	—	42,009,652
Mortgage-backed securities	—	5,213,826	5,213,826
U.S. Treasury securities	—	5,213,339	5,213,339
Total	\$ 42,009,652	25,281,572	67,291,224

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June 30, 2024 and 2023

	Fair value measurements at reporting date using		June 30, 2023
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	
Short-term investments:			
Corporate bonds	\$ —	44,206,556	44,206,556
Mortgage-backed securities	—	7,234,758	7,234,758
U.S. Treasury securities	—	80,775,353	80,775,353
Total	\$ —	132,216,667	132,216,667
Long-term investments:			
Corporate bonds	\$ —	3,365,167	3,365,167
Stocks	29,030,332	—	29,030,332
Mortgage-backed securities	—	6,654,012	6,654,012
U.S. Treasury securities	—	4,216,275	4,216,275
Total	\$ 29,030,332	14,235,454	43,265,786

Fair Value of Financial Instruments

The fair values of the financial instruments as of June 30, 2024 and 2023 represent management's best estimate of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, restricted cash, current contributions receivable, prepaid expenses, other current assets, accounts payable, accrued expenses, and other liabilities: The carrying amounts approximate fair value because of the short maturity of these instruments.

Investments: Marketable securities, such as stocks, are measured using quoted market prices at the reporting date multiplied by the quantity held. Mortgage-backed securities, U.S. Treasury securities, and U.S. corporate bonds are measured using significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date.

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(4) Property and Equipment, Net

Property and equipment at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Furniture	\$ 72,042	737,143
Leasehold improvements	—	2,074,581
Computer equipment	22,821,120	21,941,684
Internal use software	<u>2,507,701</u>	<u>5,198,574</u>
Total	25,400,863	29,951,982
Less accumulated depreciation and amortization	<u>(13,574,727)</u>	<u>(15,906,843)</u>
Property and equipment, net	<u>\$ 11,826,136</u>	<u>14,045,139</u>

(5) Net Assets

Net assets with donor restrictions at June 30, 2024 and 2023 are available for the following purposes:

	<u>2024</u>	<u>2023</u>
Restricted to future periods:	\$ 50,000	100,000
Restricted by purpose:		
Abstract Wikipedia	861,008	1,249,004
Artificial intelligence	239,878	—
Endowment support	—	1,297,620
Future Audiences	500,000	—
Knowledge equity	965,910	2,228,134
Machine learning	24,528	860,620
Media Wiki	1,500,000	—
Other	125,000	147,295
Restricted to future periods and by purpose:		
Artificial intelligence	<u>1,430,000</u>	<u>—</u>
Net assets with donor restrictions	<u>\$ 5,696,324</u>	<u>5,782,673</u>

(6) Functional Allocation of Expenses

Costs of providing the Foundation's activities have been summarized below on a functional basis. Programs comprise various initiatives that focus on (1) building the technological and operating platform that enables the Foundation to function sustainably as a top global internet organization, (2) strengthening, growing, and increasing diversity of the Wikimedia communities, and (3) accelerating impact by investing in key geographic areas, mobile application development, and bottom-up innovation, all of which support Wikipedia and other wiki-based projects. This also includes costs related to the Wikimedia Endowment for which the Foundation is reimbursed. The allocation between programs, general and administrative, and fundraising expenses is based on personnel and related costs and other operating expenses such as rent and office expenses using estimates of time spent or percentage of utilization by headcounts, as well as

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direct costs incurred for the relevant activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services for the years ended June 30, 2024 and 2023, as follows:

2024				
	Programs	General and administrative	Fundraising	Total
Salaries and benefits	\$ 83,645,901	14,018,534	9,129,525	106,793,960
Awards and grants	26,820,080	—	—	26,820,080
Internet hosting	3,116,257	188	—	3,116,445
In-kind service expenses	228,338	35,138	—	263,476
Donation processing expenses	—	—	7,547,718	7,547,718
Professional service expenses	9,670,261	1,870,513	1,549,266	13,090,040
Other operating expenses	6,420,517	3,808,725	568,898	10,798,140
Travel and conferences	4,979,409	536,887	308,683	5,824,979
Depreciation and amortization	3,471,509	744,762	—	4,216,271
	<u>\$ 138,352,272</u>	<u>21,014,747</u>	<u>19,104,090</u>	<u>178,471,109</u>

2023				
	Programs	General and administrative	Fundraising	Total
Salaries and wages	\$ 77,845,272	14,486,209	8,974,225	101,305,706
Awards and grants	24,426,682	7,000	—	24,433,682
Internet hosting	3,119,234	1,585	—	3,120,819
In-kind service expenses	998,857	41,596	—	1,040,453
Donation processing expenses	—	—	6,855,680	6,855,680
Professional service expenses	11,785,153	2,297,431	1,382,051	15,464,635
Other operating expenses	2,752,153	4,102,006	539,823	7,393,982
Travel and conferences	3,799,260	530,517	548,583	4,878,360
Depreciation and amortization	3,837,307	764,757	—	4,602,064
	<u>\$ 128,563,918</u>	<u>22,231,101</u>	<u>18,300,362</u>	<u>169,095,381</u>

The Foundation has a program of awarding grants to support chapters, affiliates, user groups, and individuals in projects that further the mission of the Foundation. Chapters are independent organizations that share the goals of the Foundation and support the goals within a specified geographical region. In addition to this work, which is reflected above in the awards and grants line, an overwhelming majority of the Foundation's project activities are carried out by an international network of volunteers, whose activity is not reflected in the tables above.

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For example (unaudited):

- Wikipedia and the other projects operated by the Foundation receive more than 19.4 billion pageviews per month, making them one of the most popular Web properties worldwide. Wikipedia is available in more than 332 languages and contains more than 63 million articles contributed by a global volunteer community.
- For the year ended June 30, 2024, the educational content of the Foundation's largest project, Wikipedia, grew by approximately 1.9 million articles to approximately 63.4 million articles.
- For the year ended June 30, 2024, volunteers added approximately 12.2 million images, movies, and sound files to the Foundation's multimedia repository, making the total 106.7 million files.
- Volunteers also contribute in several ways to the Foundation's wiki software: volunteer software developers add new functionality to the code base, and volunteer language specialists add to the code base by translating the wiki interface into different languages. During the year ended June 30, 2024, there were 47,773 commits merged, through the efforts of approximately 511 authors/contributors, of which 8,161 commits were through the efforts of approximately 244 volunteers.

(7) Operating Leases

Our operating lease relates to the Foundation's headquarters in San Francisco and has a non-cancelable remaining term of 3 months as of June 30, 2024. The discount rate is 2.9%, the risk-free rate based on daily U.S. Treasury with a term comparable to the lease term. The lease provides the Foundation the option to extend the lease term for one additional period of five years. The Foundation determined during the year ended June 30, 2024 not to renew the lease. Operating lease expense was \$1,859,383 and \$1,489,134 for the year ended June 30, 2024 and 2023, respectively.

Undiscounted lease payments as of June 30, 2024 were as follows:

	Lease payments
Year ending June 30:	
2025	<u>419,791</u>
Total minimum lease payments	\$ <u><u>419,791</u></u>

(8) Retirement Plan

The Foundation offers a 401(k) plan (the Plan) to all of its employees residing in the United States. Employees are eligible to participate in the Plan upon employment. The Foundation matches employee contributions on a dollar-for-dollar basis up to 4% of the employee's compensation. The Foundation contributed \$1,859,839 and \$1,859,012 to the Plan for the years ended June 30, 2024 and 2023, respectively.

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(9) Liquidity and Availability of Financial Assets

The Foundation's financial assets available for general expenditure within one year of the balance sheet date, June 30, 2024 and 2023, are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 82,845,159	75,808,401
Current contributions receivable	856,657	—
Short-term investments	<u>116,074,763</u>	<u>132,216,667</u>
Total financial assets	199,776,579	208,025,068
Less:		
Restricted by donors for programs	5,696,323	5,882,673
Donations payable to Wikimedia Endowment	<u>525,607</u>	<u>5,274,448</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 193,554,649</u>	<u>196,867,947</u>

The Foundation's liquidity management includes a policy of structuring its financial assets to be available to meet its general expenditures, liabilities, grant-making, and other obligations as they come due. Cash and cash equivalents as reported on the consolidated balance sheet at June 30, 2024 and 2023, are the primary liquid resources used by the Foundation to meet these obligations. Financial assets invested in the short-term and long-term investments can be liquidated at any time as needed.

(10) Related Party Transactions

The Wikimedia Endowment began operations as a standalone tax-exempt 501(c)(3) organization on September 30, 2023, with the mission to act as a permanent fund that can support in perpetuity the operations and activities of current and future Wikimedia projects, which are projects that are approved by and advance the purposes of the Foundation or its successor if the Foundation ceases to exist. The Foundation does not have control or controlling financial interest in the Wikimedia Endowment and the Wikimedia Endowment has a separate Board of Directors, but the Wikimedia Endowment is considered a related party to the Foundation because Wikimedia Endowment management is also management at the Foundation.

During the fiscal year ended June 30, 2024, the Foundation recognized revenue of \$2,063,195 related to services provided to the Wikimedia Endowment, primarily for fundraising and general and administrative support under the terms of a cost sharing agreement. These costs are included within the Foundation's expenses based on the nature of the cost. The revenue from the Wikimedia Endowment reimbursing the costs is recorded within other income, net.

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The Foundation also receives donations on behalf of the Wikimedia Endowment as well as transfers additional Foundation donations to the Endowment monthly. Donations that are donor-specified for the Wikimedia Endowment are not recognized as revenue to the Foundation, whereas donations that are not donor-specified for the Wikimedia Endowment are recognized both as contributions revenue and awards and grants expense to the Foundation. The Foundation transferred \$10,706,812 donor-designated gifts and \$624,137 Foundation gifts to the Wikimedia Endowment during the year ended June 30, 2024. As of June 30, 2024, the Foundation owed the Wikimedia Endowment \$525,607 for donations to be transferred to the Wikimedia Endowment for the month of June 2024.

During the fiscal year ended June 30, 2024, the Wikimedia Endowment also provided the Foundation with grants of \$1,500,000 for MediaWiki improvements, \$600,000 for the Abstract Wikipedia project, and \$500,000 for exploring strategies for expanding beyond the Foundation's existing audiences of consumers and contributors. The grants are recorded as contributions with donor restrictions and within net assets with donor restrictions as of June 30, 2024.

(11) Contingencies and Commitments

In the normal course of business, the Foundation receives various threats of litigation. In the opinion of management, the outcome of the pending lawsuits will not materially affect operations or the financial position of the Foundation.

(12) Subsequent Events

The Foundation has evaluated its subsequent events through October 8, 2024, the date at which the consolidated financial statements were available to be issued, and determined there are no items to disclose.