

# WIKI EDUCATION FOUNDATION

JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

# Wiki Education Foundation

## Independent Auditors' Report and Financial Statements

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## **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, 2016 and 2015 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.

**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, 2016 and 2015, 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  
October 27, 2016

# Wiki Education Foundation

## Statement of Financial Position

<i>June 30,</i>	2016	2015
<b>Assets</b>		
Cash	\$ 523,006	\$ 1,156,416
Accounts receivable	41,692	
Prepaid expenses and other assets	31,957	52,872
<b>Total assets</b>	<b>\$ 596,655</b>	<b>\$ 1,209,288</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 14,735	\$ 68,764
Accrued expenses	42,473	3,644
<b>Total liabilities</b>	<b>57,208</b>	<b>72,408</b>
<b>Net Assets:</b>		
Unrestricted	481,511	6,481
Temporarily restricted	57,936	1,130,399
<b>Total net assets</b>	<b>539,447</b>	<b>1,136,880</b>
<b>Total liabilities and net assets</b>	<b>\$ 596,655</b>	<b>\$ 1,209,288</b>

See accompanying notes to financial statements.

# Wiki Education Foundation

## Statement of Activities and Changes in Net Assets

*Year Ended June 30,*

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support:</b>						
Grants and contributions	\$ 683,816	\$ 1,621,000	\$ 2,304,816	\$ 6,404	\$ 1,879,247	\$ 1,885,651
Program services	50,000		50,000			
Net assets released from restrictions	2,693,463	(2,693,463)	-	1,960,216	(1,960,216)	-
<b>Total revenue and support</b>	3,427,279	(1,072,463)	2,354,816	1,966,620	(80,969)	1,885,651
<b>Expenses:</b>						
Program services	2,018,466		2,018,466	1,304,068		1,304,068
General and administrative	639,953		639,953	549,233		549,233
Fundraising	293,830		293,830	107,089		107,089
<b>Total expenses</b>	2,952,249	-	2,952,249	1,960,390	-	1,960,390
<b>Change in Net Assets</b>	475,030	(1,072,463)	(597,433)	6,230	(80,969)	(74,739)
<b>Net Assets - Beginning of year</b>	6,481	1,130,399	1,136,880	251	1,211,368	1,211,619
<b>Net Assets - End of year</b>	\$ 481,511	\$ 57,936	\$ 539,447	\$ 6,481	\$ 1,130,399	\$ 1,136,880

See accompanying notes to financial statements.

# Wiki Education Foundation

## Statement of Cash Flows

<i>Year Ended June 30,</i>	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (597,433)	\$ (74,739)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Changes in operating assets and liabilities:		
Grants and accounts receivable	(41,692)	1,207,865
Prepaid expenses and other assets	20,915	(52,510)
Accounts payable	(54,029)	68,764
Grants payable		(91,700)
Accrued expenses	38,829	(12,537)
Net cash (used) provided by operating activities	(633,410)	1,045,143
<b>Net (Decrease) Increase in Cash and Equivalents</b>	(633,410)	1,045,143
<b>Cash and Equivalents - Beginning of year</b>	1,156,416	111,273
<b>Cash and Equivalents - End of year</b>	\$ 523,006	\$ 1,156,416

See accompanying notes to financial statements.

# Wiki Education Foundation

## Notes to Financial Statements

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### 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. 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 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, 2016 and 2015, the Foundation did not have any permanently restricted net assets.



# Wiki Education Foundation

## Notes to Financial Statements

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c. 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.

d. 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, 2016 and 2015, the Foundation had cash deposits in excess of federally insured limits. 37% and 73% of contribution revenue was received from one donor for the years ended June 30, 2016 and 2015, respectively.

e. 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, 2016 and 2015, none of the Foundation's financial instruments are measured on a recurring basis.

f. Other Financial Instruments

Financial instruments included in the Foundation's Statement of Financial Position as of June 30, 2016 and 2015 which are not required to be measured at fair value on a recurring basis include cash and cash equivalents and accounts payable. The carrying basis of these amounts approximates fair value due to the short maturity of these instruments.

# Wiki Education Foundation

## Notes to Financial Statements

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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.

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. Contributions receivable were \$31,692 as of June 30, 2016 and no allowance was considered necessary on these receivables. There were no contributions receivable at June 30, 2015.

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.

# Wiki Education Foundation

## Notes to Financial Statements

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### 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.

### l. Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (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 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 and early adoption is permitted. 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, 2016 through October 27, 2016, the date these financial statements were available to be issued. Except as discussed in Note 4, there were no other 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, 2016 and 2015, total net assets released from restriction as a result of fulfilling donor purpose restrictions were \$23,340 and \$276,660, respectively. For the years ended June 30, 2016 and 2015, total net assets released from restriction as a result of the passage of time were \$2,670,123 and \$1,683,556, respectively.

# Wiki Education Foundation

## Notes to Financial Statements

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Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes or periods:

	2016	2015
Time restrictions	\$ 57,936	\$ 1,107,059
Program technology restrictions		23,340
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	\$ 57,936	\$ 1,130,399

### Note 3 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$54,198 and \$6,254 for the years ended June 30, 2016 and 2015, respectively.

### Note 4 - Future Commitments:

The Foundation entered into a lease agreement during the year ended June 30, 2015 for office space in San Francisco through September 2016. Future minimum lease payments under the agreement are \$23,175.

The Foundation entered into a lease agreement subsequent to the year ended June 30, 2016 for office space in San Francisco through September 2019. Future minimum lease payments under the agreement are as follows:

Year ending June 30,	Amount
2017	\$ 95,256
2018	129,866
2019	133,762
2020	33,686
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	\$ 392,570

# Wiki Education Foundation

## Notes to Financial Statements

### 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.

	2016			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 915,225	\$ 362,013	\$ 235,451	\$ 1,512,689
Professional services	830,182	71,526		901,708
Occupancy	14,313	130,431	4,567	149,311
Travel and conferences	109,935	8,191	49,132	167,258
Materials and reproduction costs	20,064	2,565	1,898	24,527
Other operating expenses	128,747	65,227	2,782	196,756
	<u>\$ 2,018,466</u>	<u>\$ 639,953</u>	<u>\$ 293,830</u>	<u>\$ 2,952,249</u>

  

	2015			
	<u>Program</u>	<u>General and administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 624,203	\$ 260,381	\$ 83,777	\$ 968,361
Professional services	453,834	40,582	9,300	503,716
Occupancy	23,529	162,042	1,393	186,964
Travel and conferences	55,541	35,761	6,883	98,185
Materials and reproduction costs	63,652	1,313	4,162	69,127
Other operating expenses	89,309	49,154	1,574	134,037
	<u>\$ 1,304,068</u>	<u>\$ 549,233</u>	<u>\$ 107,089</u>	<u>\$ 1,960,390</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, 2016 and 2015, the Foundation made \$27,417 and \$14,761, respectively, in employer matching contributions.