

WIKI EDUCATION FOUNDATION

JUNE 30, 2019 AND 2018

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, 2019 and 2018 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, 2019. 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, 2019 and 2018, 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.

Effect of Adopting New Accounting Standard

As described in Note 1, the Foundation adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to that matter.

Hood & Strong LLP

San Francisco, California
April 7, 2020

Wiki Education Foundation

Statement of Financial Position

<i>June 30,</i>	2019	2018
Assets		
Cash and equivalents	\$ 22,428	\$ 148,418
Accounts receivable	301,907	7,500
Prepaid expenses and other assets	51,480	33,779
Total assets	\$ 375,815	\$ 189,697
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 44,579	\$ 6,959
Accrued expenses	46,916	34,675
Total liabilities	91,495	41,634
Net Assets:		
Without donor restrictions	(208,156)	48,063
With donor restrictions	492,476	100,000
Total net assets	284,320	148,063
Total liabilities and net assets	\$ 375,815	\$ 189,697

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Activities and Changes in Net Assets

Years Ended June 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Grants and contributions	\$ 1,320,211	\$ 835,000	\$ 2,155,211	\$ 1,558,818	\$ 100,000	\$ 1,658,818
Program services	124,636		124,636	25,000		25,000
Net assets released from restrictions	442,524	(442,524)	-	48,843	(48,843)	-
Total revenue and support	1,887,371	392,476	2,279,847	1,632,661	51,157	1,683,818
Expenses:						
Program services	1,437,728		1,437,728	1,266,718		1,266,718
General and administrative	432,590		432,590	364,050		364,050
Fundraising	273,272		273,272	245,840		245,840
Total expenses	2,143,590	-	2,143,590	1,876,608	-	1,876,608
Change in Net Assets	(256,219)	392,476	136,257	(243,947)	51,157	(192,790)
Net Assets - Beginning of year	48,063	100,000	148,063	292,010	48,843	340,853
Net Assets - End of year	\$ (208,156)	\$ 492,476	\$ 284,320	\$ 48,063	\$ 100,000	\$ 148,063

See accompanying notes to financial statements.

Wiki Education Foundation

Statement of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash Flows from Operating Activities:		
Change in net assets	\$ 136,257	\$ (192,790)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Changes in operating assets and liabilities:		
Grants and accounts receivable	(294,407)	
Prepaid expenses and other assets	(17,701)	6,514
Accounts payable	37,620	(36,719)
Accrued expenses	12,241	(4,172)
Net cash used in operating activities	(125,990)	(227,167)
Net Decrease in Cash and Equivalents	(125,990)	(227,167)
Cash and Equivalents - Beginning of year	148,418	375,585
Cash and Equivalents - End of year	\$ 22,428	\$ 148,418

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

From an overall financial perspective, the Foundation performed significantly better in fiscal year 2018–19 than in the previous years. It succeeded at increasing its total revenue and also at creating a new revenue stream through earned income. However, given the fact that the percentage of contributions without donor restrictions decreased, the organization's management has put together a 4-point plan that will inform the Foundation's work going forward:

1. Increase the amount of institutional grant money received without restriction: one of the Foundation's current institutional funders has already verbally committed to a substantial increase in unrestricted funds, projected for early 2021. The Foundation will furthermore work on expanding its pipeline of prospective institutional funders as well as on keeping a healthy relationship with existing donors.
2. Increase the amount of earned income: last fiscal year, the Foundation started a new pay-for-service model. The revenue generated through this model has by far exceeded expectations. The Foundation will continue expanding its offerings in this area by partnering with a wider network of institutions in order to further increase the total amount of unrestricted funds available.
3. Scale the pay-for-service offerings: the Foundation's current model of empowering subject-matter experts to improve Wikipedia's content is based on a synchronous training model with a limited potential to scale. Going forward, the organization will offer self-directed video trainings that will scale better and lead to an increase in the amount of earned income.
4. Explore new revenue sources: the Foundation will explore the feasibility of offering accredited professional development courses for K–12 teachers to incorporate Wikipedia literacy assignments into their classes. The fees coming out of this new offering will add to the organization's lineup of unrestricted funds.

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.

Wiki Education Foundation

Notes to Financial Statements

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, 2019 and 2018, the Foundation does not have any net assets that donors have restricted in perpetuity.

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, 2019, and 2018, the Foundation had cash deposits in excess of federally insured limits. 93% of contribution revenue was received from five donors and 83% of contribution revenue was received from four donors for the years ended June 30, 2019 and 2018, 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.

Wiki Education Foundation

Notes to Financial Statements

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, 2019 and 2018, was \$300,000 and \$0, respectively. Contributions receivable at June 30, 2019 of \$300,000 are expected to be collected in the following year.

Fees for Services

Fees for services are recorded as deferred revenue until the contract's performance obligation has been satisfied, and are then recognized as program service fees earned income.

The fees receivable included in accounts receivable as of June 30, 2019 and 2018, were \$1,907 and \$7,500, 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.

Wiki Education Foundation

Notes to Financial Statements

j. New Accounting Pronouncements

Pronouncement Adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. The Foundation adopted the ASU as of July 1, 2018. Accordingly, the accounting change has been retrospectively applied to all periods presented with the exception of the omission of prior year liquidity and availability of resource information as permitted by the ASU.

Pronouncements Effective in the Future

In May 2014, the FASB 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 underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The guidance provides alternative methods of initial adoption and is effective for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of this pronouncement on its 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 ASU does not apply to transfers of assets from governments to businesses. The amendments in the update related to contributions received are effective for the Foundation's fiscal year ending June 30, 2020, while the amendments related to contributions made are effective one year later. The Foundation is currently evaluating the impact of this pronouncement on its financial statements.

Wiki Education Foundation

Notes to Financial Statements

On February 25, 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, 2022. Early application will be 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, 2019 through April 7, 2020, 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.

Note 2 - Liquidity Management:

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

Financial assets at year-end:	
Cash and cash equivalents	\$ 22,428
Accounts receivable	301,907
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Total financial assets	324,335
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Less amounts not available to be used within one year:	
Net assets with donor restrictions	492,476
Less net assets with purpose restrictions to be met within one year	(492,476)
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Financial assets available to meet general expenditures within one year	\$ 324,335
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The Foundation's financial assets available to meet cash needs for general expenditures within one year are \$324,335 which include receivables expected to be received in the next year. The Foundation utilizes corporate credit cards with Chase Bank which provide \$67,000 in available credit limit including \$13,400 in available cash advances. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Wiki Education Foundation

Notes to Financial Statements

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, 2019 and 2018, total net assets released from restriction as a result of fulfilling donor time and purpose restrictions were \$342,524 and \$48,843, respectively. For the year ended June 30, 2019 \$100,000 of net assets was released as a result of fulfilling solely donor time restrictions.

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
Purpose restrictions	\$ 23,149	
Time restrictions		\$ 100,000
Time and purpose restrictions	469,327	
<u>Net assets with donor restrictions</u>	<u>\$ 492,476</u>	<u>\$ 100,000</u>

Net assets with donor restriction were utilized at June 30, 2019, for operating cash flow needs and were refunded in August 2019, as donor funds were received which did not contain purpose restrictions.

Note 4 - Related Party Transactions:

The Foundation has received support from related parties, including board members, and employees, amounting to \$3,521 and \$12,227 for the years ended June 30, 2019 and 2018, respectively.

Wiki Education Foundation

Notes to Financial Statements

Note 5 - Future Commitments:

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

Year ending June 30,	Amount
2020	\$ 142,550
2021	148,418
2022	152,870
2023	38,498
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	\$ 482,336

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.

	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	22,261	44,977	5,662	73,260
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	\$ 1,437,728	\$ 432,590	\$ 273,272	\$ 2,143,590

Wiki Education Foundation

Notes to Financial Statements

	2018			
	Program	General and Administrative	Fundraising	Total
Salaries, wages and benefits	\$ 986,557	\$ 147,142	\$ 227,593	\$ 1,361,292
Professional services	59,228	88,440	343	148,011
Occupancy	124,629	35,651	300	160,580
Travel and conferences	48,329	6,706	13,465	68,500
Materials and reproduction costs	11,111	2,918	1,039	15,068
Other operating expenses	36,864	83,193	3,100	123,157
	<u>\$ 1,266,718</u>	<u>\$ 364,050</u>	<u>\$ 245,840</u>	<u>\$ 1,876,608</u>

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, 2019 and 2018, the Foundation made \$43,748 and \$34,730 respectively, in employer matching contributions.