

CREATIVE COMMONS CORPORATION
(A NONPROFIT CORPORATION)

DECEMBER 31, 2018



INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

Creative Commons Corporation (a Nonprofit Corporation)

Independent Auditors' Report and Consolidated Financial Statements

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Independent Auditors' Report

THE BOARD OF DIRECTORS
CREATIVE COMMONS CORPORATION (A NONPROFIT CORPORATION)
MOUNTAIN VIEW, CALIFORNIA

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **CREATIVE COMMONS CORPORATION (Creative Commons)** which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Creative Commons' preparation and fair presentation of the consolidated 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 Creative Commons'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hood & Strong LLP

San Francisco, California
March 2, 2020

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Financial Position

December 31, 2018

Assets

Cash and cash equivalents	\$	1,723,731
Investments		4,466,157
Grants receivable		407,224
Prepaid expenses and other assets		166,741

Total assets	\$	6,763,853
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	89,167
Accrued expenses		305,752
Deferred revenue		40,714

Total liabilities		435,633
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Net Assets:

Without donor restrictions		5,928,220
With donor restrictions		400,000

Total net assets		6,328,220
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Total liabilities and net assets	\$	6,763,853
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See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Activities and Change in Net Assets

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restriction	Total
Revenues:			
Grants	\$ 257,190	\$ 834,900	\$ 1,092,090
Contributions	632,521		632,521
In-kind contributions	49,327		49,327
Program service fees	70,498		70,498
Special events income	50,725		50,725
Investment income	(17,195)		(17,195)
Foreign currency translation loss	(4)		(4)
Satisfaction of program restrictions	1,685,821	(1,685,821)	-
Total revenues	2,728,883	(850,921)	1,877,962
Expenses:			
Program services	3,153,291		3,153,291
Supporting services:			
Management and general	540,350		540,350
Fundraising	496,622		496,622
Total expenses	4,190,263		4,190,263
Change in Net Assets	(1,461,380)	(850,921)	(2,312,301)
Net Assets, beginning of year	7,389,600	1,250,921	8,640,521
Net Assets, end of year	\$ 5,928,220	\$ 400,000	\$ 6,328,220

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services						Supporting Services				2018 Total Expenses
	Education	International Affiliates	Legal	Technology	Science	Culture	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 421,670	\$ 97,088	\$ 126,988	\$ 558,493	\$ 78,820	\$ 272,899	\$ 1,555,958	\$ 268,871	\$ 272,799	\$ 541,670	\$ 2,097,628
Payroll taxes	29,483	6,788	8,879	39,050	5,511	19,081	108,792	18,799	19,074	37,873	146,665
Employee benefits	57,039	13,133	17,177	75,546	10,662	36,915	210,472	36,370	36,901	73,271	283,743
	508,192	117,009	153,044	673,089	94,993	328,895	1,875,222	324,040	328,774	652,814	2,528,036
Accounting fees	7,097	1,634	2,137	9,400	1,327	4,593	26,188	4,525	4,591	9,116	35,304
Bank charges	14,583	3,358	4,392	19,314	2,726	9,438	53,811	9,298	9,434	18,732	72,543
Board cultivation and meetings							-	29,187		29,187	29,187
Consulting and design	43,506	262,203	16,835	26,386	8,427	16,788	374,145	38,149	16,694	54,843	428,988
Insurance	12,540	2,887	3,776	16,609	2,344	8,116	46,272	7,996	8,113	16,109	62,381
Legal fees	12,979	2,988	3,909	17,190	2,426	8,400	47,892	8,276	8,397	16,673	64,565
Licenses and fees	(166)	(38)	(50)	(220)	(31)	(107)	(612)	(106)	(107)	(213)	(825)
Membership and dues	1,967	453	592	2,605	368	1,273	7,258	1,254	1,272	2,526	9,784
Occupancy	2,240	516	675	2,967	419	1,450	8,267	1,428	1,449	2,877	11,144
Printing	997	229	300	1,320	186	645	3,677	635	645	1,280	4,957
Project support		41,797					41,797			-	41,797
Publicity and communication	5,068	1,167	1,526	6,712	947	3,280	18,700	3,231	3,279	6,510	25,210
Recruiting	962	221	290	1,274	180	622	3,549	613	622	1,235	4,784
Special events	10,866	2,502	3,272	14,392	2,031	7,033	40,096	6,929	7,030	13,959	54,055
Supplies	1,222	281	368	1,619	228	791	4,509	779	791	1,570	6,079
Technology	20,093	4,626	6,051	26,613	3,756	13,004	74,143	12,812	12,999	25,811	99,954
Telephone	2,790	642	840	3,696	522	1,806	10,296	1,779	1,805	3,584	13,880
Training	1,999	460	602	2,648	374	1,294	7,377	1,275	1,294	2,569	9,946
Travel and conferences	115,530	26,600	34,792	153,017	21,595	74,770	426,304	73,666	74,742	148,408	574,712
Website	22,873	5,266	6,888	30,295	4,275	14,803	84,400	14,584	14,798	29,382	113,782
Total expenses	\$ 785,338	\$ 474,801	\$ 240,239	\$ 1,008,926	\$ 147,093	\$ 496,894	\$ 3,153,291	\$ 540,350	\$ 496,622	\$ 1,036,972	\$ 4,190,263

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Cash Flows

Year Ended December 31, 2018

Cash Flows from Operating Activities:

Change in net assets	\$ (2,312,301)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Net realized and unrealized loss on investments	178,021
Change in operating assets and liabilities:	
Grants receivable	141,629
Prepaid expenses and other assets	(130,776)
Accounts payable	35,853
Accrued expenses	15,350
Deferred revenue	40,714

Net cash used by operating activities	(2,031,510)
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Cash Flows from Investing Activities:

Purchase of investments	(637,735)
Proceeds from sale of investments	3,498,238

Net cash provided by investing activities	2,860,503
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Net Increase in Cash	828,993
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Cash and Cash Equivalents, beginning of year	894,738
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Cash and Cash Equivalents, end of year	\$ 1,723,731
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See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 1 - Organization:

Creative Commons Corporation (Creative Commons) is a Massachusetts nonprofit corporation that develops, supports, and stewards legal and technical infrastructure that maximizes digital creativity, sharing, and innovation. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work published to the Web, Creative Commons provides a set of free copyright licenses and public domain tools that enable everyone to grant copyright permissions to their creative works so that they can be legally used by others. Creative Commons' public domain tools allow creators to waive all rights to a work and place it in the public domain, or to mark a work that is already in the public domain.

Creative Commons enables scientific research and innovation by enabling open access journals and the open exchange of scientific data. When a Creative Commons license is applied to a journal or scientific data, the journal and data can be freely reused by others. Creative Commons' licenses and public domain tools are also used to make data and databases freely available. The Creative Commons public domain dedication tool is used to remove all copyright restrictions.

Creative Commons also provides the legal infrastructure that powers Open Educational Resources (OER). OER are free resources that are developed by institutions, communities, and individuals to further universal access to education. Creative Commons' licenses enable educational materials to be translated for use around the world. Creative Commons is also developing software and metadata standards to improve search and discovery of educational resources.

Creative Commons' licenses and tools have been developed in consultation with legal experts and Creative Commons' affiliate institutions in over 85 jurisdictions. Over 1 billion Creative Commons-licensed works have been published by authors on the Internet.

In 2012, a Canadian subsidiary, 0941176 B.C. LTD, was established to enable Creative Commons to engage the services of Canadian-based individuals. Creative Commons is the sole shareholder of the subsidiary. A management services agreement is in place between the organizations and provides the structure for provision of those services to Creative Commons by the subsidiary through its employees and its operations are reported in the consolidated financial statements.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

b. Basis of Presentation

Creative Commons reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – the portion of net assets that is neither time and purpose nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

Net Assets With Donor Restrictions – the portion of net assets the use of which is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Creative Commons.

c. Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e. Revenue Recognition

Unconditional promises to give, which include grants and contributions, are recognized upon receipt and are recorded as increases in net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a donor-specified restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), the net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at present value if expected to be collected in more than one year. No allowance for uncollectible receivables has been recorded based on management's evaluation of collections.

At December 31, 2018, all receivables are due within one year.

Grants and contract revenue are recorded when earned.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

f. Investments

Investments are carried at fair market value with realized and unrealized gains and losses reflected in the Statement of Activities and Changes in Net Assets.

g. Fair Value Measurements

Creative Commons classifies its financial assets and liabilities measured at fair value on a recurring basis based on a fair value hierarchy with three levels of inputs. Fair value is the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Level 1 values are based on unadjusted quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect Creative Commons' determination of assumptions that market participants might reasonably use in valuing the securities. The valuation levels are not necessarily an indication of the risk or liquidity associated with the assets and liabilities measured at fair value.

h. Income Taxes

Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3).

Creative Commons recognizes the effect of income tax positions only if those positions are more than not likely to be sustained. Management continuously evaluates tax positions reflected in the Creative Commons' tax filings and does not believe that any material uncertain tax positions exist.

i. Functional Expense Allocations

Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

j. Subsequent Events

Creative Commons has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2018 through March 2, 2020, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

k. Recent Accounting Pronouncements

Adopted

On January 1, 2018 Creative Commons adopted Financial Accounting Standards Board (FASB) Accounting Standards Updated (ASU) 2016-14: *Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit (Topic 958)*. The guidance in this ASU changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity.

Note 3 - Investments:

Investments consist of the following at December 31, 2018:

Cash and cash equivalents	\$ 6,306
Equities	591,932
Fixed income	3,544,019
Mutual funds – equities & fixed income	323,900
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	\$ 4,466,157

All investments are measured at Level 1.

Investment income is comprised of the following at December 31, 2018:

Interest and dividend income	\$ 160,824
Realized gains, net	19,785
Unrealized losses, net	(197,806)
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Total investment income	\$ (17,195)

Note 4 - Concentrations of Risk:

Creative Commons maintains cash balances at several financial institutions which from time to time exceed federally insured limits.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 5 - Net Assets With Donor Restrictions:

Net assets are restricted as to purpose and time as of December 31, 2018:

Learning Resource Metadata Initiative	\$ 400,000
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Total	\$ 400,000

Note 6 - Pension Plan:

Creative Commons has a tax sheltered annuity under IRC Section 403(b), which allows all employees to contribute through payroll deductions. Creative Commons provides discretionary matching contributions of 5% of annual salary for all employees who work 20 hours or more per week. Creative Commons' contributions made during the year ending December 31, 2018 totaled \$114,771.

Note 7 - Liquidity and Availability:

Creative Commons' financial assets at December 31, 2018 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,723,731
Grants receivable	407,224
Investments	4,466,157
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Financial assets available to meet general expenditures within one year	\$ 6,597,112