

CREATIVE COMMONS CORPORATION  
(A NONPROFIT CORPORATION)

DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

# **Creative Commons Corporation (a Nonprofit Corporation)**

## **Independent Auditors' Report and Consolidated Financial Statements**

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A Century Strong

## **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, 2020, 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, 2020 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  
June 15, 2021

# Creative Commons Corporation (a Nonprofit Corporation)

## Consolidated Statement of Financial Position

*December 31, 2020*

### Assets

Cash and cash equivalents	\$ 2,732,633
Investments	723
Accounts receivable	155,624
Prepaid expenses and other assets	51,827

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Total assets	\$ 2,940,807
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### Liabilities and Net Assets

#### Liabilities:

Accounts payable	\$ 43,778
Accrued expenses	262,144
Deferred revenue	87,500
Long-term liabilities	371,233

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Total liabilities	764,655
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#### Net Assets:

Without donor restrictions	2,062,402
With donor restrictions	113,750

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Total net assets	2,176,152
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Total liabilities and net assets	\$ 2,940,807
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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, 2020*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues:</b>			
Grants	\$ 209,462	\$ 160,000	\$ 369,462
Contributions	304,790	17,569	322,359
In-kind contributions	37,656	-	37,656
Program service fees	141,758	-	141,758
Special events income	-	26,000	26,000
Investment income	11,894	-	11,894
Other income	71,545	-	71,545
Satisfaction of program restrictions	395,819	(395,819)	-
<b>Total revenues</b>	<b>1,172,924</b>	<b>(192,250)</b>	<b>980,674</b>
<b>Expenses:</b>			
Program services	2,060,827		2,060,827
Supporting services:			
Management and general	1,738,042		1,738,042
Fundraising	363,010		363,010
<b>Total expenses</b>	<b>4,161,879</b>	<b>-</b>	<b>4,161,879</b>
<b>Change in Net Assets</b>	<b>(2,988,955)</b>	<b>(192,250)</b>	<b>(3,181,205)</b>
<b>Net Assets, beginning of year</b>	<b>5,051,357</b>	<b>306,000</b>	<b>5,357,357</b>
<b>Net Assets, end of year</b>	<b>\$ 2,062,402</b>	<b>\$ 113,750</b>	<b>\$ 2,176,152</b>

See accompanying notes to consolidated financial statements.

# Creative Commons Corporation (a Nonprofit Corporation)

## Consolidated Statement of Functional Expenses

*Year Ended December 31, 2020*

	Program Services					Supporting Services			Total Expenses
	Education	International Affiliates	Legal	Technology	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 214,417	\$ 23,828	\$ 237,973	\$ 500,550	\$ 976,768	\$ 775,978	\$ 231,000	\$ 1,006,978	\$ 1,983,746
Payroll taxes	13,706	1,524	15,223	32,019	62,472	75,346	14,777	90,123	152,595
Employee benefits	23,524	2,635	26,353	54,768	107,280	125,258	25,513	150,771	258,051
	251,647	27,987	279,549	587,337	1,146,520	976,582	271,290	1,247,872	2,394,392
Accounting fees	-	-	-	-	-	73,360	-	73,360	73,360
Bank charges	1,810	1,927	-	797	4,534	39,251	1,136	40,387	44,921
Board cultivation and meetings	-	-	-	-	-	-	-	-	-
Consulting and design	50,150	335,817	8,297	366,702	760,966	117,502	54,263	171,765	932,731
Insurance	-	-	-	-	-	44,387	-	44,387	44,387
Legal fees	-	-	-	-	-	44,165	-	44,165	44,165
Licenses and fees	-	-	-	-	-	58,845	-	58,845	58,845
Membership and dues	192	368	490	-	1,050	1,964	40	2,004	3,054
Occupancy	-	-	-	-	-	3,643	-	3,643	3,643
Operations	386	960	889	2,906	5,141	7,758	671	8,429	13,570
Printing	146	-	-	-	146	462	-	462	608
Project support	20,000	69,395	-	-	89,395	5,600	-	5,600	94,995
Publicity and communication	1,204	1,100	-	-	2,304	1,813	176	1,989	4,293
Recruiting	-	-	-	-	-	55,619	-	55,619	55,619
Special events	-	-	-	-	-	2,612	-	2,612	2,612
Supplies	288	192	80	200	760	1,487	-	1,487	2,247
Technology	312	20,211	52	18,122	38,697	26,641	33,900	60,541	99,238
Telephone	116	-	735	2,161	3,012	3,261	1,534	4,795	7,807
Training	-	-	-	-	-	12,544	-	12,544	12,544
Travel and conferences	3,531	1,510	95	3,166	8,302	52,641	-	52,641	60,943
Website	-	-	-	-	-	207,905	-	207,905	207,905
<b>Total expenses</b>	<b>\$ 329,782</b>	<b>\$ 459,467</b>	<b>\$ 290,187</b>	<b>\$ 981,391</b>	<b>\$ 2,060,827</b>	<b>\$ 1,738,042</b>	<b>\$ 363,010</b>	<b>\$ 2,101,052</b>	<b>\$ 4,161,879</b>

See accompanying notes to consolidated financial statements.

# Creative Commons Corporation (a Nonprofit Corporation)

## Consolidated Statement of Cash Flows

*Year Ended December 31, 2020*

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**Cash Flows from Operating Activities:**

Change in net assets	\$ (3,181,205)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	788
Change in operating assets and liabilities:	
Accounts receivable	172,356
Prepaid expenses and other assets	37,001
Accounts payable	(20,400)
Accrued expenses	108,334
Deferred revenue	51,500

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Net cash used by operating activities (2,831,626)

**Cash Flows from Investing Activities:**

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Proceeds from sale of investments	4,455,496
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Net cash provided by investing activities 4,455,496

**Cash Flows from Financing Activities:**

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Proceeds from issuance of long-term liabilities	371,233
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Net cash provided by investing activities 371,233

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**Net Increase in Cash** 1,995,103

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**Cash and Cash Equivalents, beginning of year** 737,530

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**Cash and Cash Equivalents, end of year** \$ 2,732,633

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See accompanying notes to consolidated financial statements.



# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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### 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 openly licensed educational 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. Nearly 2 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.

# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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### Note 2 - Summary of Significant Accounting Policies

#### a. Basis of Accounting and Consolidation

The consolidating financial statements of Creative Commons are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (U.S GAAP) specific to nonprofit organizations. The consolidating financial statements include the accounts of its subsidiary (see Note 1). All material intercompany transactions and balances have been eliminated.

*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.

#### b. 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.

#### c. Cash and Cash Equivalents and Concentration of Risk

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

#### d. 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.

# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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At December 31, 2020, all receivables are due within one year.

Program service fees are recorded when earned.

Donated services are reported at fair value in the financial statements when those services create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Creative Commons. Donated services of legal services totaling \$37,656 were recorded for the year ended December 31, 2020.

e. 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.

f. 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.

g. Income Taxes

Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3) and is exempt from California tax under Section 23701(d) of the Revenue Taxation Code.

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.

h. Functional Expense Allocations

Expenses are allocated directly to program activities if they can be specifically identified with a program. If not specifically identifiable, expenses are allocated to programs based on estimated usage by each program. These allocation ratios are reviewed periodically by management.

# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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### i. Recent Accounting Pronouncements

#### *Adopted*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. Creative Commons adopted Topic 606 as of January 1, 2020. The adoption of Topic 606 did not have a material effect on Creative Commons' financial statements.

#### *Upcoming*

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions. The first element will require separate presentation on the statement of activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for the Creative Commons' year ending November 30, 2022. Creative Commons is currently assessing the impact the adoption of this ASU will have on its financial statements.

### j. Subsequent Events

Creative Commons evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2020 through June 15, 2021, the date these consolidated financial statements were available to be issued. There were no material subsequent events, except as described in Notes 3 and 7, that required recognition or additional disclosure.

# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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### Note 3 - Long-term Liabilities:

On April 15, 2020, Creative Commons received a Paycheck Protection Program (PPP) loan under the provisions of the Coronavirus, Aid, Relief, and Economic Security (CARES) Act, in the amount of \$342,523. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses, as defined in the PPP, generally payroll, payroll related costs and facilities costs. Creative Commons used the entire loan amount for qualifying expenses. Subsequent to year-end, on May 24, 2021, Creative Commons received notice from the U.S. Small Business Administration that the loan was forgiven in full.

On May 20, 2020, Creative Commons's Canadian subsidiary 0941176 B.C. LTD received a loan in the amount of \$40,000 Canadian dollars, or \$29,710 American dollars, from the Canadian government. Under the terms of the loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses, as defined in the PPP, generally payroll, payroll related costs and facilities costs. If Creative Commons repays 75% of the loan by December 31, 2022, the remaining balance will be forgiven. If this does not happen, the full amount must be repaid by December 31, 2025 and any unpaid portion at December 31, 2022 will begin accruing interest at 5% per annum.

### Note 4 - Net Assets With Donor Restrictions:

Net assets of \$395,819 were released in accordance with respective donor restrictions.

Net assets are restricted as to purpose and time as of December 31, 2020 as follows:

CC Search	\$	75,000
Creative Commons Global Summit 2021		25,000
CC GLAM Certificate		13,750
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Total	\$	113,750

### Note 5 - 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 ended December 31, 2020 totaled \$ 89,381.

# Creative Commons Corporation (a Nonprofit Corporation)

## Notes to Consolidated Financial Statements

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### Note 6 - Liquidity and Availability:

Creative Commons's financial assets at December 31, 2020 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,732,633
Accounts receivable	155,624
Investments	723
	<hr/>
	2,888,980
Less:	
Net assets with donor restrictions	113,750
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Financial assets available to meet general expenditures within one year	<hr/> \$ 2,775,230 <hr/>

### Note 7 - Subsequent Events:

Subsequent to year-end, Creative Commons received a five-year, \$5,000,000 conditional grant in support of its major program. As the first milestone was met in May 2021, the first installment of \$1,000,000 is expected to be received by Creative Commons in July 2021.

As a result of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which may negatively impact financial activity for the Foundation in the fiscal year ending December 31, 2021. Other financial impact(s) could occur though such potential impact is unknown at this time.