

**CREATIVE COMMONS CORPORATION
(A NONPROFIT CORPORATION)**

DECEMBER 31, 2021

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

Opinion

We have audited the consolidated financial statements of **CREATIVE COMMONS CORPORATION (Creative Commons)** which comprise the consolidated statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Creative Commons and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Commons' ability to continue as a going concern for one year from the date of this report.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 Creative Commons' 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Commons' 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.

Hood & Strong LLP

San Francisco, California
July 15, 2022

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Financial Position

December 31, 2021

Assets

Cash and cash equivalents	\$	4,485,413
Accounts receivable, net		5,048,666
Prepaid expenses and other assets		54,043

Total assets	\$	9,588,122
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	131,073
Accrued expenses		154,948
Deferred revenue		26,000
Long-term liabilities		371,232

Total liabilities		683,253
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Net Assets:

Without donor restrictions		2,699,501
With donor restrictions		6,205,368

Total net assets		8,904,869
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Total liabilities and net assets	\$	9,588,122
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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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants, net	\$ 2,336,190	\$ 6,447,745	\$ 8,783,935
Contributions	373,783	348,374	722,157
In-kind contributions		34,256	34,256
Program service fees	158,503		158,503
Special events income	396		396
Other income	191,721		191,721
Satisfaction of program restrictions	738,757	(738,757)	-
Total revenues	3,799,350	6,091,618	9,890,968
Expenses:			
Program services	1,201,923		1,201,923
Supporting services:			
Management and general	1,590,497		1,590,497
Fundraising	369,831		369,831
Total expenses	3,162,251	-	3,162,251
Change in Net Assets	637,099	6,091,618	6,728,717
Net Assets, beginning of year	2,062,402	113,750	2,176,152
Net Assets, end of year	\$ 2,699,501	\$ 6,205,368	\$ 8,904,869

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Functional Expenses

2021

	Beyond The Licenses	Licenses	Capacity Building	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 253,362	\$ 108,595	\$ 332,661	\$ 694,618	\$ 637,417	\$ 216,179	\$ 853,596	\$ 1,548,214
Payroll taxes	13,740	9,441	26,626	49,807	140,792	21,770	162,562	212,369
Employee benefits	8,937	7,925	42,636	59,498	46,639	10,959	57,598	117,096
	276,039	125,961	401,923	803,923	824,848	248,908	1,073,756	1,877,679
Consulting and design	129,510	3,046	171,107	303,663	183,938	108,886	292,824	596,487
Website				-	144,570		144,570	144,570
Licenses and fees				-	138,546		138,546	138,546
Legal fees				-	78,662		78,662	78,662
Technology	10,791		5,286	16,077	49,789	8,238	58,027	74,104
Special events	60,400			60,400			-	60,400
Insurance				-	43,907		43,907	43,907
Bank charges				-	35,490	21	35,511	35,511
Accounting fees				-	34,750		34,750	34,750
Project support	8,050		4,416	12,466	6,500		6,500	18,966
Operations	135		2,460	2,595	14,560	1,514	16,074	18,669
Publicity and communication	195			195	9,945	112	10,057	10,252
Recruiting			920	920	5,587	349	5,936	6,856
Training				-	6,742		6,742	6,742
Telephone			1,425	1,425	2,973	1,500	4,473	5,898
Membership and dues				-	3,602		3,602	3,602
Printing	10		64	74	2,023	230	2,253	2,327
Travel and conferences			153	153	1,792	73	1,865	2,018
Occupancy				-	1,980		1,980	1,980
Supplies	14		18	32	293		293	325
Total expenses	\$ 485,144	\$ 129,007	\$ 587,772	\$ 1,201,923	\$ 1,590,497	\$ 369,831	\$ 1,960,328	\$ 3,162,251

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Cash Flows

Year Ended December 31, 2021

Cash Flows from Operating Activities:	
Change in net assets	\$ 6,728,717
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Net present value discount on long-term accounts receivable	195,422
Forgiveness of first PPP loan	(371,233)
Change in operating assets and liabilities:	
Accounts receivable	(5,088,464)
Prepaid expenses and other assets	(2,216)
Accounts payable	87,295
Accrued expenses	(107,196)
Deferred revenue	(61,500)
Net cash provided by operating activities	1,380,825
Cash Flows from Financing Activities:	
Proceeds from second PPP loan	371,232
Net cash provided by investing activities	371,232
Net Increase in Cash	1,752,057
Cash and Cash Equivalents, beginning of year	2,733,356
Cash and Cash Equivalents, end of year	\$ 4,485,413

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 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

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. Foreign currency gains and losses are recorded on the Statement of Activities and Change in Net Assets if material.

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

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 at purchase to be cash equivalents.

d. Revenue Recognition

Unconditional promises to give, which include grants and contributions, are recognized upon receipt of the promise 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

Program service fees are recorded when earned.

Donated services are reported at fair value in the financial statements when those services (a) 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 \$29,256 and web hosting totaling \$5,000 were recorded for the year ended December 31, 2021.

e. 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.

f. 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 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.

g. 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 Management and General with the understanding that all indirect management costs are expended in support of programmatic work.

h. Reclassifications

Certain activities in the 2020 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2021 financial statements. These reclassifications had no impact on the financial position or changes in net assets.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

i. Recent Accounting Pronouncements

Upcoming

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (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 December 31, 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, 2021 through July 15, 2022, the date these consolidated financial statements were available to be issued. There were no material subsequent events, except as described in Notes 4 and 9, that required recognition or additional disclosure.

Note 3 - Accounts Receivable:

Accounts receivable consisted of unconditional promises to give at December 31, 2021 which are expected to be collected as follows:

In one year or less	\$ 1,910,754
Between one and five years	3,333,334
	<hr/> 5,244,088
Less net present value discount at 3.25%	(195,422)
	<hr/> \$ 5,048,666

Note 4 - 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. On May 23, 2021, this loan was forgiven.

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Notes to Consolidated Financial Statements

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.

On March 21, 2021, Creative Commons received a second PPP loan under the provisions of the CARES Act, in the amount of \$342,522. 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 January 16, 2022, this loan was forgiven as well.

Note 5 - Net Assets With Donor Restrictions:

Net assets of \$738,757 were released in accordance with respective donor restrictions.

Net assets were restricted as to purpose and time as of December 31, 2021 as follows:

Open GLAM	\$ 831,244
Policy	270,000
Open Science	241,041
Better Internet	150,000
Journalism	147,633
DEI	73,922
CC GLAM Certificate	20,283
Time	4,471,245
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Total	\$ 6,205,368

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 ended December 31, 2021 totaled \$80,982.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 7 - Concentrations of Risk:

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

For the year ended December 31, 2021, approximately 72% of revenue, or \$7,101,000, was from three donors. Of that amount, \$4,666,667 is receivable at year end. All receivables are considered collectible, therefore no allowance for doubtful accounts was recorded by management at December 31, 2021.

Note 8 - Liquidity and Availability:

Creative Commons's financial assets at December 31, 2021 available to meet general expenditures over the next twelve months were as follows:

Financial assets:	
Cash and cash equivalents	\$ 4,485,413
Accounts receivable within a year	1,910,754
	<hr/>
	6,396,167
Less:	
Net assets with donor-imposed purpose restrictions that will be released within one year	1,339,716
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Financial assets available to meet general expenditures within one year	\$ 5,065,451
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Note 9 - Subsequent Events:

Subsequent to year end, Creative Commons received a 3-year \$1,000,000 unconditional grant in support of general operations. The grant funds were received as one lump payment in February 2022.

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, 2022. Other financial impact(s) could occur though such potential impact is unknown at this time.