

CREATIVE COMMONS CORPORATION
(A NONPROFIT CORPORATION)

DECEMBER 31, 2019



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, 2019, 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, 2019 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
July 8, 2020

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Financial Position

December 31, 2019

Assets

Cash and cash equivalents	\$	737,530
Investments		4,457,007
Grants receivable		327,980
Prepaid expenses and other assets		88,828

Total assets	\$	5,611,345
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	64,178
Accrued expenses		153,810
Deferred revenue		36,000

Total liabilities		253,988
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Net Assets:

Without donor restrictions		5,051,357
With donor restrictions		306,000

Total net assets		5,357,357
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Total liabilities and net assets	\$	5,611,345
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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, 2019

	Without Donor Restrictions	With Donor Restriction	Total
Revenues:			
Grants	\$ 1,745,000	\$ 112,200	\$ 1,857,200
Contributions	117,425	587,500	704,925
In-kind contributions	45,426		45,426
Program service fees	223,089		223,089
Special events income	149,245		149,245
Investment income	308,353		308,353
Satisfaction of program restrictions	793,700	(793,700)	-
Total revenues	3,382,238	(94,000)	3,288,238
Expenses:			
Program services	2,880,768		2,880,768
Supporting services:			
Management and general	977,397		977,397
Fundraising	400,936		400,936
Total expenses	4,259,101		4,259,101
Change in Net Assets	(876,863)	(94,000)	(970,863)
Net Assets, beginning of year	5,928,220	400,000	6,328,220
Net Assets, end of year	\$ 5,051,357	\$ 306,000	\$ 5,357,357

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services					Total Program Services	Supporting Services			2018 Total Expenses
	Education	International Affiliates	Legal	Technology	Culture		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 206,727	\$ 114,879	\$ 151,402	\$ 602,771	\$ 245,313	\$ 1,321,092	\$ 504,009	\$ 193,400	\$ 697,409	\$ 2,018,501
Payroll taxes	14,544	8,082	10,651	42,406	17,258	92,941	35,458	13,606	49,064	142,005
Employee benefits	29,823	16,573	21,842	86,957	35,389	190,584	72,709	27,900	100,609	291,193
	251,094	139,534	183,895	732,134	297,960	1,604,617	612,176	234,906	847,082	2,451,699
Accounting fees	831	462	608	2,422	986	5,309	2,025	777	2,802	8,111
Bank charges	5,353	2,975	3,921	15,609	6,352	34,210	13,051	5,008	18,059	52,269
Board cultivation and meetings						-	15,002		15,002	15,002
Consulting and design	58,030	215,381	11,024	169,971	3,645	458,051	47,453	49,850	97,303	555,354
Insurance	5,651	3,140	4,139	16,477	6,706	36,113	13,777	5,287	19,064	55,177
Legal fees	2,922	1,624	2,140	8,521	3,468	18,675	7,125	2,734	9,859	28,534
Licenses and fees	1,688	938	1,236	4,921	2,003	10,786	4,115	1,579	5,694	16,480
Membership and dues	801	445	587	2,336	951	5,120	1,953	749	2,702	7,822
Occupancy	1,969	1,094	1,442	5,741	2,336	12,582	4,800	1,842	6,642	19,224
Printing	121	67	89	353	144	774	295	113	408	1,182
Project support	666	24,856	488	1,941	790	28,741	1,623	623	2,246	30,987
Publicity and communication	1,130	628	827	3,294	1,341	7,220	2,754	1,057	3,811	11,031
Recruiting	3,096	1,720	2,267	9,027	3,674	19,784	7,548	2,896	10,444	30,228
Special events	13,269	7,373	9,718	38,688	15,745	84,793	32,349	12,413	44,762	129,555
Supplies	732	407	536	2,134	869	4,678	1,785	685	2,470	7,148
Technology	10,729	5,962	7,858	31,284	12,732	68,565	26,158	10,038	36,196	104,761
Telephone	1,949	1,083	1,428	5,684	2,313	12,457	4,752	1,824	6,576	19,033
Training	6,163	3,425	4,514	17,971	7,314	39,387	15,026	5,766	20,792	60,179
Travel and conferences	51,305	28,510	37,575	149,594	60,881	327,865	125,083	47,997	173,080	500,945
Website	15,811	8,786	11,580	46,102	18,762	101,041	38,547	14,792	53,339	154,380
Total expenses	\$ 433,310	\$ 448,410	\$ 285,872	\$ 1,264,204	\$ 448,972	\$ 2,880,768	\$ 977,397	\$ 400,936	\$ 1,378,333	\$ 4,259,101

See accompanying notes to consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Cash Flows

Year Ended December 31, 2019

Cash Flows from Operating Activities:

Change in net assets	\$ (970,863)
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Net realized and unrealized gain on investments	(212,850)
Change in operating assets and liabilities:	
Grants receivable	79,244
Prepaid expenses and other assets	77,913
Accounts payable	(24,989)
Accrued expenses	(151,942)
Deferred revenue	(4,714)

Net cash used by operating activities	(1,208,201)
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Cash Flows from Investing Activities:

Purchase of investments	(4,343,176)
Proceeds from sale of investments	4,565,176

Net cash provided by investing activities	222,000
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Net Decrease in Cash	(986,201)
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Cash and Cash Equivalents, beginning of year	1,723,731
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Cash and Cash Equivalents, end of year	\$ 737,530
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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 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 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

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.

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

At December 31, 2019, 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 \$45,426 were recorded for the year ended December 31, 2019.

e. Investments

Investments consisting primarily of cash and money market funds 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

i. Subsequent Events

Creative Commons evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2019 through July 8, 2020, the date these consolidated financial statements were available to be issued. There were no material subsequent events, except as described below, that required recognition or additional disclosure in these consolidated financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which Creative Commons operates. On March 27, 2020, the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

In response to the coronavirus, Creative Commons made the difficult decision to cancel the 2020 annual in-person Global Summit. This is not expected to have a significant financial impact. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the company. On April 16, 2020, Creative Commons received a loan in the amount of \$342,523 from the U.S. Small Business Administration Paycheck Protection Program. On May 20, 2020, Creative Commons's Canadian subsidiary 0941176 B.C. LTD received a loan in the amount of \$40,000 Canadian dollars from the Canadian government. It is not expected that Creative Commons will experience adverse near-term financial impact as a result of the coronavirus.

j. Recent Accounting Pronouncements

Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This 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 a framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The ASU was adopted as of January 1, 2019 as it relates to contributions received, but it did not have a significant impact on Creative Commons's financial statements. The ASU is effective for contributions made (resource providers and granting entities) for years beginning after December 15, 2019.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Upcoming

In May 2014, the FASB issued 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. ASU 2014-09 will be effective for annual reporting periods beginning after December 15, 2019 using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. Creative Commons has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Note 3 - Investments:

Investments consist of the following at December 31, 2019:

Cash and money market funds	\$ 4,456,740
Equities	199
Fixed income	68
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	\$ 4,457,007

All investments are measured at Level 1.

Investment income is comprised of the following at December 31, 2019:

Interest and dividend income	\$ 95,503
Realized and unrealized gains and losses, net	212,850
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Total investment income	\$ 308,353

Creative Commons Corporation (a Nonprofit Corporation)

Notes to Consolidated Financial Statements

Note 4 - Concentrations of Risk:

Creative Commons maintains cash balances at several financial institutions which from time to time exceed federally insured limits. Investments consist of cash and money market funds.

Note 5 - Net Assets With Donor Restrictions:

Net assets of \$793,700 were released in accordance with respective donor restrictions.

Net assets are restricted as to purpose and time as of December 31, 2019:

Creative Commons Search	\$	175,000
Diversity, equity and inclusion grant		57,000
Creative Commons Global Summit 2020		25,000
Creative Commons Global Summit 2021		25,000
CEO Search		24,000
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Total	\$	306,000

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, 2019 totaled \$96,611.

Note 7 - Liquidity and Availability:

Creative Commons' financial assets at December 31, 2019 that are available to meet general expenditures over the next twelve months are as follows:

Financial assets:		
Cash and cash equivalents	\$	737,530
Grants receivable		327,980
Investments		4,457,007
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		5,522,517
Less:		
Net assets with donor restrictions		(306,000)
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Financial assets available to meet general expenditures within one year	\$	5,216,517