CREATIVE COMMONS CORPORATION (A NONPROFIT CORPORATION)

DECEMBER 31, 2016

INDEPENDENT AUDITORS’ REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS
Creative Commons Corporation

Independent Auditors’ Report
and Consolidated Financial Statements

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Independent Auditors’ Report

THE BOARD OF DIRECTORS
CREATIVE COMMONS CORPORATION
MOUNTAIN VIEW, CALIFORNIA

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of CREATIVE COMMONS CORPORATION (the Corporation) which comprise the consolidated statement of financial position as of December 31, 2016, 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 the Corporation’s 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 entity’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 the Corporation as of December 31, 2016 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.

San Francisco, California
October 23, 2017
Creative Commons Corporation

Consolidated Statement of Financial Position

December 31, 2016

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$9,681,208</td>
</tr>
<tr>
<td>Grants and federal funds receivable</td>
<td>1,118,135</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>81,640</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$10,880,983</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$95,484</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>230,721</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>326,205</td>
</tr>
</tbody>
</table>

| Net Assets:                                 |       |
| Unrestricted                                | 8,871,213 |
| Temporarily restricted                      | 1,683,565 |
| **Total net assets**                        | 10,554,778 |

| **Total liabilities and net assets**        | **$10,880,983** |

See accompanying notes to consolidated financial statements.
## Consolidated Statement of Activities and Change in Net Assets

*For the Year Ended December 31, 2016*

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>$10,323,791</td>
<td>$1,801,599</td>
<td>$12,125,390</td>
</tr>
<tr>
<td>Contributions</td>
<td>439,597</td>
<td>439,597</td>
<td></td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>16,257</td>
<td>16,257</td>
<td></td>
</tr>
<tr>
<td>Dividend income</td>
<td>101</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation loss</td>
<td>(1,321)</td>
<td>(1,321)</td>
<td></td>
</tr>
<tr>
<td>Net realized and unrealized gain on investments</td>
<td>1,283</td>
<td>1,283</td>
<td></td>
</tr>
<tr>
<td>Satisfaction of Program Restrictions</td>
<td>1,216,948</td>
<td>(1,216,948)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>11,996,656</td>
<td>584,651</td>
<td>12,581,307</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td>2,520,161</td>
<td>2,520,161</td>
<td></td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>391,465</td>
<td>391,465</td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>454,391</td>
<td>454,391</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>3,366,017</td>
<td>3,366,017</td>
<td></td>
</tr>
<tr>
<td><strong>Change in Net Assets</strong></td>
<td>8,630,639</td>
<td>584,651</td>
<td>9,215,290</td>
</tr>
<tr>
<td><strong>Net Assets - beginning of year</strong></td>
<td>240,574</td>
<td>1,098,914</td>
<td>1,339,488</td>
</tr>
<tr>
<td><strong>Net Assets - end of year</strong></td>
<td>$8,871,213</td>
<td>$1,683,565</td>
<td>$10,554,778</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
## Creative Commons Corporation

### Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th>Programs Services</th>
<th>Total Program Services</th>
<th>Supporting Services</th>
<th>2016 Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>528,961</td>
<td>23,628</td>
<td>83,502</td>
</tr>
<tr>
<td>International</td>
<td>120,001</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td>Affiliates</td>
<td>156,176</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td>Legal</td>
<td>230,480</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td>Technology</td>
<td>230,480</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td>Science</td>
<td>89,703</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td>Culture</td>
<td>299,442</td>
<td>23,628</td>
<td>23,628</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,424,763</strong></td>
<td><strong>248,708</strong></td>
<td><strong>264,321</strong></td>
</tr>
<tr>
<td><strong>Total Program Services</strong></td>
<td>$1,184,103</td>
<td>$206,698</td>
<td>$426,372</td>
</tr>
<tr>
<td><strong>Total Supporting Services</strong></td>
<td>$248,863</td>
<td>$74,883</td>
<td>$13,072</td>
</tr>
</tbody>
</table>

### Salaries

- **Education** $439,613
  - International $99,731
  - Affiliates $129,796
  - Legal $191,549
  - Technology $74,551
  - Science $248,863
  - Culture $1,184,103

- **Payroll Taxes** $27,801
  - International $6,307
  - Affiliates $8,208
  - Legal $12,114
  - Technology $4,715
  - Science $15,738
  - Culture $74,883

- **Employee Benefits** $61,547
  - International $13,963
  - Affiliates $18,172
  - Legal $26,817
  - Technology $2,945
  - Science $14,013
  - Culture $28,938

### Project Support

- **Project Support** $528,961

### Consulting and Design

- **Consulting and Design** $113,308
  - International $226,665
  - Affiliates $28,431
  - Technology $158,896
  - Science $2,532
  - Culture $5,127

### Travel and Conferences

- **Travel and Conferences** $116,689
  - International $26,472
  - Affiliates $34,452
  - Technology $50,844
  - Science $7,009
  - Culture $19,788

### Occupancy

- **Occupancy** $1,360
  - International $309
  - Affiliates $402
  - Technology $593
  - Science $231
  - Culture $770

### Legal Fees

- **Legal Fees** $5,203
  - International $1,180
  - Affiliates $1,536
  - Technology $1,536
  - Science $2,267
  - Culture $882

### Board Cultivation & Meetings

- **Board Cultivation & Meetings** $425
  - International $96
  - Affiliates $125
  - Technology $185
  - Science $72
  - Culture $240

### Special Events

- **Special Events** $10,644
  - International $2,415
  - Affiliates $3,143
  - Technology $4,638
  - Science $1,805
  - Culture $6,026

### Insurance

- **Insurance** $16,086
  - International $3,649
  - Affiliates $4,749
  - Technology $7,009
  - Science $2,728
  - Culture $9,106

### Telephone

- **Telephone** $2,419
  - International $549
  - Affiliates $714
  - Technology $1,054
  - Science $410
  - Culture $1,369

### Publicity and Communication

- **Publicity and Communication** $2,916
  - International $661
  - Affiliates $861
  - Technology $1,271
  - Science $494
  - Culture $1,651

### Supplies

- **Supplies** $767
  - International $174
  - Affiliates $227
  - Technology $334
  - Science $130
  - Culture $434

### Accounting Fees

- **Accounting Fees** $9,727
  - International $2,207
  - Affiliates $2,872
  - Technology $4,238
  - Science $1,650
  - Culture $5,506

### Website

- **Website** $14,961
  - International $3,394
  - Affiliates $4,417
  - Technology $6,519
  - Science $2,537
  - Culture $8,469

### Licenses & Fees

- **Licenses & Fees** $399
  - International $91
  - Affiliates $118
  - Technology $174
  - Science $68
  - Culture $226

### Technology

- **Technology** $10,613
  - International $2,408
  - Affiliates $3,133
  - Science $4,624
  - Culture $1,800
  - Science $8,008

### Bank Charges

- **Bank Charges** $5,578
  - International $1,265
  - Affiliates $1,647
  - Technology $2,431
  - Science $946
  - Culture $3,158

### Printing

- **Printing** $2,017
  - International $458
  - Affiliates $596
  - Technology $879
  - Science $342
  - Culture $1,142

### Training

- **Training** $1,672
  - International $379
  - Affiliates $494
  - Technology $728
  - Science $283
  - Culture $946

### Membership and Dues

- **Membership and Dues** $1,222
  - International $277
  - Affiliates $361
  - Technology $532
  - Science $207
  - Culture $692

### Recruiting

- **Recruiting** $871
  - International $198
  - Affiliates $257
  - Technology $380
  - Science $148
  - Culture $493

### Taxes

- **Taxes** $1,417
  - International $321
  - Affiliates $418
  - Technology $617
  - Science $240
  - Culture $802

**Total expenses** $847,255

See accompanying notes to consolidated financial statements.

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Creative Commons Corporation

Statement of Cash Flows

For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$9,215,290</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Net realized and unrealized loss on investments</td>
<td>(1,283)</td>
</tr>
<tr>
<td>Dividends reinvested</td>
<td>(101)</td>
</tr>
<tr>
<td>Discount on pledges receivable</td>
<td>17,007</td>
</tr>
<tr>
<td>Change in operating assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Grants and federal funds receivable</td>
<td>(817,503)</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>204,250</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(40,605)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,407</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>38,542</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>8,620,004</td>
</tr>
</tbody>
</table>

Net Increase in Cash | 8,620,004

Cash and Cash Equivalents, beginning of year | 1,061,204

Cash and Cash Equivalents, end of year | $ 9,681,208

See accompanying 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 CC 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 CCO 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 Canada 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.

b. Basis of Presentation

Creative Commons reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* – the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use by management and the Board of Directors for general operations.

*Temporarily Restricted Net Assets* – 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 the Corporation.

*Permanently Restricted Net Assets* – the portion of net assets the use of which is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the Corporation. The Corporation has no permanently restricted net assets.

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 are recognized upon receipt and are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, 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 temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair 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, 2016, all receivables are due within one year.

Grants and contract revenue is recorded when earned.

f. **Income Taxes**

Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Creative Commons recognizes the effect of income tax positions only if those positions are more than not 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.

Creative Commons’ federal and state income tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after filing.

g. **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.
Creative Commons Corporation

Notes to the Consolidated Financial Statements

Note 3 - Concentrations of Risk:
Creative Commons maintains cash balances at several financial institutions which from time to time exceed federally insured limits.

Note 4 - Temporarily Restricted Net Assets:
Restricted as to purpose and time as of December 31, 2016:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for DOE Open Education Resource</td>
<td>$ 101,914</td>
</tr>
<tr>
<td>Librarians for the 21st Century</td>
<td>144,242</td>
</tr>
<tr>
<td>Learning Resource Metadata Initiative</td>
<td>144,202</td>
</tr>
<tr>
<td>International Network Development</td>
<td>1,168,207</td>
</tr>
<tr>
<td>Sponsorship for 2017 Global Summit</td>
<td>125,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,683,565</strong></td>
</tr>
</tbody>
</table>

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 Common’s contributions made during the year ending December 31, 2016 totaled $84,302.

Note 6 - Subsequent Events:
Creative Commons has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2016 through October 23, 2017, 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, other than what is noted below.