

Creative Commons Corporation

Financial Statements

Year Ended December 31, 2010

Creative Commons Corporation

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CERTIFIED PUBLIC ACCOUNTANTS

Partners

Daniel J. Harrington, CPA
Bruce J. Wright, CPA
Michael J. Ellingson, CPA

Principal

Mitchell Richstone, CPA

Independent Auditors' Report

**Board of Directors
Creative Commons Corporation**

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2010, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2009 financial statements and, in our report dated March 25, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Daniel J. Harrington, CPA".

May 3, 2011

Creative Commons Corporation
Statement of Financial Position
December 31, 2010
(With Comparative Totals at December 31, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,509,272	\$ 2,139,975
Grants Receivable	1,717,563	2,509,928
Contributions and Other Receivables	140,213	402,251
Prepaid Expenses	43,859	32,677
Total Current Assets	<u>4,410,907</u>	<u>5,084,831</u>
NONCURRENT ASSETS		
Grants Receivable	1,519,000	2,752,250
Investments	3,149	-
Security Deposit	7,105	7,105
Property and Equipment - Net	17,407	17,893
Total Noncurrent Assets	<u>1,546,661</u>	<u>2,777,248</u>
 Total Assets	 <u>\$ 5,957,568</u>	 <u>\$ 7,862,079</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 34,642	\$ 41,627
Accrued Expenses	141,288	128,637
Total Liabilities	<u>175,930</u>	<u>170,264</u>
NET ASSETS		
Unrestricted	1,078,121	1,134,926
Temporarily Restricted	4,703,517	6,556,889
Total Net Assets	<u>5,781,638</u>	<u>7,691,815</u>
 Total Liabilities and Net Assets	 <u>\$ 5,957,568</u>	 <u>\$ 7,862,079</u>

Creative Commons Corporation
Statement of Activities
Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
REVENUE AND GAINS				
Foundation Grants	\$ 128,412	\$ 489,700	\$ 618,112	\$ 933,064
Contributions	354,335	380,000	734,335	1,516,482
In-Kind Contributions	166,581		166,581	242,210
Contracts	185,791		185,791	-
Interest Income			-	690
Foreign Currency Translation Gain (Loss)	(846)		(846)	676
Net Realized and Unrealized Gain on Investments	227		227	4,730
Dividend Income			-	73
Other Income	9,960		9,960	39,661
	<u>844,460</u>	<u>869,700</u>	<u>1,714,160</u>	<u>2,737,586</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of Program Restrictions	<u>2,723,072</u>	<u>(2,723,072)</u>	<u>-</u>	<u>-</u>
Total Revenue and Gains	<u>3,567,532</u>	<u>(1,853,372)</u>	<u>1,714,160</u>	<u>2,737,586</u>
EXPENSES				
Program Services	2,692,404		2,692,404	2,794,747
Supporting Services				
Management and General Expenses	574,600		574,600	521,987
Fundraising Expenses	<u>357,333</u>		<u>357,333</u>	<u>326,285</u>
Total Expenses	<u>3,624,337</u>	<u>-</u>	<u>3,624,337</u>	<u>3,643,019</u>
CHANGE IN NET ASSETS	(56,805)	(1,853,372)	(1,910,177)	(905,433)
NET ASSETS, BEGINNING OF YEAR	<u>1,134,926</u>	<u>6,556,889</u>	<u>7,691,815</u>	<u>8,597,248</u>
NET ASSETS, END OF YEAR	<u>\$ 1,078,121</u>	<u>\$ 4,703,517</u>	<u>\$ 5,781,638</u>	<u>\$ 7,691,815</u>

Creative Commons Corporation
Statement of Functional Expenses
Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	Program Services						Supporting Services			2010 Total Expenses	2009 Total Expenses	
	Culture	Education	International/ Affiliates	Legal	Science	Technology	Total Program Services	Management and General	Fund Raising			Total Supporting Services
Salaries	\$ 166,042	\$ 292,514	\$ 169,979	\$ 194,963	\$ 494,504	\$ 191,975	\$ 1,509,977	\$ 333,238	\$ 234,023	\$ 567,261	\$ 2,077,238	\$ 1,854,050
Payroll Taxes	13,228	23,303	13,541	15,531	39,394	15,294	120,291	26,547	18,643	45,190	165,481	138,836
Employee Benefits	19,527	34,400	19,990	22,928	58,155	22,577	177,577	39,190	27,522	66,712	244,289	167,902
	198,797	350,217	203,510	233,422	592,053	229,846	1,807,845	398,975	280,188	679,163	2,487,008	2,160,788
Travel and Conferences	25,329	44,621	25,929	29,740	75,433	29,285	230,337	50,833	35,699	86,532	316,869	336,397
Consulting and Design	3,282	47,998	41,904	7,879	69,925	40,888	211,876	27,078	300	27,378	239,254	543,062
Legal Fees				176,849			176,849			-	176,849	246,370
Occupancy	7,959	14,020	8,147	9,345	23,702	9,202	72,375	15,972	11,217	27,189	99,564	113,820
Board Cultivation and Meetings	4,265	7,514	4,366	5,008	12,702	4,931	38,786	25,560	6,011	31,571	70,357	206
Insurance	2,613	4,604	2,675	3,069	7,783	3,022	23,766	5,245	3,683	8,928	32,694	34,201
Professional Services	1,786	3,146	1,828	2,097	5,319	2,065	16,241	3,584	2,517	6,101	22,342	20,869
Accounting Fees							-	22,125		22,125	22,125	16,000
Telephone	1,665	2,934	1,705	1,955	4,960	1,926	15,145	3,342	2,347	5,689	20,834	41,442
Publicity and Communication	1,528	2,692	1,564	1,794	4,550	1,767	13,895	3,066	2,153	5,219	19,114	13,057
Depreciation	1,418	2,498	1,452	1,665	4,223	1,639	12,895	2,846	1,999	4,845	17,740	25,417
Website Development and Hosting	1,312	2,311	1,343	1,541	3,908	1,517	11,932	2,633	1,849	4,482	16,414	-
Special Events	1,267	2,231	1,297	1,487	3,772	1,464	11,518	2,542	1,785	4,327	15,845	5,996
Supplies	1,178	2,075	1,206	1,383	3,508	1,362	10,712	2,363	1,660	4,023	14,735	19,492
Technology	1,055	1,858	1,080	1,239	3,142	1,220	9,594	2,117	1,487	3,604	13,198	14,247
Licenses and Fees	833	1,468	853	978	2,482	963	7,577	1,672	1,174	2,846	10,423	37,685
Membership and Dues	639	1,126	654	751	1,904	739	5,813	1,283	901	2,184	7,997	2,505
Bank Charges	593	1,045	607	696	1,766	686	5,393	1,190	836	2,026	7,419	4,805
Recruiting	564	993	577	662	1,679	652	5,127	1,131	794	1,925	7,052	640
Training	507	894	519	596	1,511	586	4,613	1,018	715	1,733	6,346	1,574
Printing	13	22	13	15	37	15	115	25	18	43	158	4,446
Total Expenses	\$ 256,603	\$ 494,267	\$ 301,229	\$ 482,171	\$ 824,359	\$ 333,775	\$ 2,692,404	\$ 574,600	\$ 357,333	\$ 931,933	\$ 3,624,337	\$ 3,643,019

Creative Commons Corporation
Statement of Cash Flows
Year Ended December 31, 2010
(With Comparative Totals for the Year Ended December 31, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,910,177)	\$ (905,433)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	17,740	25,417
Donated Investments	(2,922)	-
Realized and Unrealized (Gain) on Investments	(227)	(4,730)
(Increase) Decrease in Operating Assets		
Grants Receivable	2,025,615	1,655,737
Contributions and Other Receivables	262,038	(97,086)
Prepaid Expenses	(12,321)	(6,374)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(10,888)	(3,100)
Accrued Expenses	17,692	42,865
Net Cash Provided by Operating Activities	<u>386,550</u>	<u>707,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(17,253)	(7,005)
Proceeds from Sale of Investments	-	16,352
Net Cash Provided (Used) by Investing Activities	<u>(17,253)</u>	<u>9,347</u>
NET INCREASE IN CASH	369,297	716,643
CASH, BEGINNING OF YEAR	<u>2,139,975</u>	<u>1,423,332</u>
CASH, END OF YEAR	<u>\$ 2,509,272</u>	<u>\$ 2,139,975</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010

1. Organization

Creative Commons Corporation (Creative Commons) is a Massachusetts charitable corporation that develops, supports, and stewards legal and technical infrastructure that maximizes digital creativity, sharing, and innovation. Creative Commons' vision is to realize the full potential of the Internet – universal access to research and education, full participation in culture, and driving a new era of development, growth, and productivity. Copyright was created long before the emergence of the Internet, and can make it difficult to legally perform actions we take for granted on the network: copy, paste, edit source, and post to the Web. Because it can be expensive and burdensome to secure legal permission to use a copyrighted work, Creative Commons provides a set of free copyright licenses and public domain tools that enable everyone, from individual creators to large companies and institutions, a simple, standardized way to grant copyright permissions to their creative work. 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 as such. Creative Commons also provides web-based tools to publish and search for content that is free to use.

Creative Commons plays an instrumental role in furthering scientific research and innovation by enabling Open Access journals and the open exchange of scientific data. The world's largest Open Access publishers use Creative Commons' licenses to publish their content online. Creative Commons' licenses and public domain tools are also used to make data and databases freely available. The CC0 public domain dedication tool is used to remove copyright restrictions that could otherwise limit the dissemination and reuse of scientific and government data in the taxonomic, energy, genomics, disease research, geospatial, polar, and biometric disciplines. Additionally, Creative Commons has developed and deployed legal tools for facilitating the sharing of biological materials, and is developing patent and data sharing protocols to further collaboration on neglected diseases, among other things.

Creative Commons also provides the legal framework for Open Educational Resources (OER), free resources that are developed by institutions, communities, and individuals to further universal access to education. Creative Commons licensed OER, such as textbooks and lesson plans, are easy to find, easy to share, and easy to customize and combine. Creative Commons' licenses enable collaboration on linguistic and cultural translations of quality educational resources for use around the world. Creative Commons is also developing software and metadata standards to improve search and discovery of educational resources.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010
(Continued)

1. **Organization (continued)**

Creative Commons' licenses and tools have been developed in consultation with legal experts and Creative Commons affiliate institutions in over 70 jurisdictions. Over 400 million Creative Commons-licensed works have been published by their authors on the Internet. Creative Commons is a major player in the "free culture," "open access," "open education," and "open government" environments worldwide.

2. **Summary of Significant Accounting Policies**

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – Creative Commons is required to report 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. The Organization has no permanently restricted net assets.

Estimates – Management uses estimates and assumptions in preparing 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.

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.

Grants Receivable – No allowance for doubtful accounts is considered necessary since the receivables relate primarily to foundations and corporations.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

Contributions Receivable – Unconditional receivables are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional receivables 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.

Investments – Investments, consisting of nationally traded securities, with readily determinable fair values are stated at fair value in the statement of financial position.

Property and Equipment – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Restricted and Unrestricted Revenue – Contributions received 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 and reported in the Statement of Activities as Net Assets Released from Restrictions.

Donated Services – The financial statements reflect \$176,849 for donated legal services to evaluate ongoing tax, trademark, and copyright implications of its new programs and existing services.

Fair Value of Financial Instruments – The carrying amount of cash, grants receivable, contributions and other receivables, prepaid expenses, security deposit, accounts payable, and accrued liabilities, none of which are held for trading purposes, approximate the fair value due to the short-term maturities of those instruments.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010
(Continued)

2. **Summary of Significant Accounting Policies (continued)**

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.

Functional Allocation of Expenses – 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.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Comparative Totals – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Creative Commons' financial statements for the year ended December 31, 2009 from which the summarized information was derived.

3. **Concentration of Credit Risk**

Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Moreover, the Organization's bank, takes part in the FDIC's Transaction Account Guarantee Program, which provides unlimited deposit insurance coverage for non-interest bearing accounts until December 31, 2012. At December 31, 2010, the uninsured cash balances total \$35,013.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010
(Continued)

4. Grants Receivable

Grants Receivable includes the following unconditional promises to give:

Total Temporarily Restricted Promises to Give	\$ <u>3,237,563</u>
Receivable in less than one year	\$ 1,717,563
Receivable in one to five years	<u>1,520,000</u>
Total unconditional promises to give	3,237,563
Less: discounts to net present value	<u>(1,000)</u>
Net unconditional promises to give at December 31, 2010	\$ <u>3,236,563</u>

Promises to give receivable in more than one year are discounted at 1.02%.

5. Property and Equipment

Computer Equipment	\$ 114,912
Furniture and Equipment	<u>34,260</u>
Subtotal	149,172
Less: Accumulated Depreciation	<u>(131,765)</u>
Property and Equipment – Net	\$ <u>17,407</u>

6. Temporarily Restricted Net Assets

Restricted as to purpose and time:	
General Support	\$ 2,772,762
Education	1,636,054
“Power of Open” Book Project	205,812
Website Development	63,889
International Affiliates Meeting	<u>25,000</u>
Total	\$ <u>4,703,517</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2010
(Continued)

7. Operating Lease

Creative Commons entered into a five year building lease agreement for its program facilities in San Francisco, California expiring April 2012. Subsequent to the financial statement date, this lease has been subleased, see Note 9. For the year ended December 31, 2010, total rent expense under this lease was \$94,408.

Minimum future lease payments are as follows:

<u>Fiscal Year Ending December 31,</u>	
2011	\$ 97,414
2012	<u>28,691</u>
Total	\$ <u>126,105</u>

8. Pension Plan

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. Discretionary contributions made during the year ending December 31, 2010 totaled \$93,990.

9. Subsequent Events

On February 25, 2011, Creative Commons entered into a sixty-two month building lease agreement beginning April 1, 2011 for its program facilities in Mountain View, California for a base rent of \$21,450 per month. On April 1, 2011, Creative Commons relocated its program facilities in San Francisco, California to Mountain View, California.

On March 17, 2011, Creative Commons entered into an agreement to sublease the office space in San Francisco, California, effective April 1, 2011 and expiring April 15, 2012. The sublease is subject to all the terms and conditions of the master lease except as specifically excepted. The sublease provides for a monthly rental of \$8,198 for the lease term.

Management has evaluated subsequent events through May 3, 2011, the date which the financial statements were available to be issued.