

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.

Hood & Strong LLP

San Francisco, California
October 23, 2017

Creative Commons Corporation
Consolidated Statement of Financial Position

December 31, 2016

Assets

Cash and cash equivalents	\$ 9,681,208
Grants and federal funds receivable	1,118,135
Prepaid expenses and other assets	81,640
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Total assets	\$ 10,880,983

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 95,484
Accrued expenses	230,721
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Total liabilities	326,205

Net Assets:

Unrestricted	8,871,213
Temporarily restricted	1,683,565
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Total net assets	10,554,778
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Total liabilities and net assets	\$ 10,880,983

See accompanying notes to consolidated financial statements.

Creative Commons Corporation

Consolidated Statement of Activities and Change in Net Assets

For the Year Ended December 31, 2016

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

See accompanying notes to consolidated financial statements.

Creative Commons Corporation
Consolidated Statement of Functional Expenses

For the Year Ended December 31, 2016

	Program Services						Total Program Services	Supporting Services			2016 Total Expenses
	Education	International Affiliates	Legal	Technology	Science	Culture		Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 439,613	\$ 99,731	\$ 129,796	\$ 191,549	\$ 74,551	\$ 248,863	\$ 1,184,103	\$ 206,698	\$ 219,674	\$ 426,372	\$ 1,610,475
Payroll Taxes	27,801	6,307	8,208	12,114	4,715	15,738	74,883	13,072	13,892	26,964	101,847
Employee Benefits	61,547	13,963	18,172	26,817	10,437	34,841	165,777	28,938	30,755	59,693	225,470
	528,961	120,001	156,176	230,480	89,703	299,442	1,424,763	248,708	264,321	513,029	1,937,792
Project Support		23,628					23,628				23,628
Consulting and Design	113,308	226,665	28,431	158,896	(2,532)	(5,127)	519,641	46,116	87,638	133,754	653,395
Travel and Conferences	116,689	26,472	34,452	50,844	19,788	66,057	314,302	54,865	58,309	113,174	427,476
Occupancy	1,360	309	402	593	231	770	3,665	639	680	1,319	4,984
Legal Fees	5,203	1,180	1,536	2,267	882	2,945	14,013	2,446	2,600	5,046	19,059
Board Cultivation & Meetings	425	96	125	185	72	240	1,143	200	212	412	1,555
Special Events	10,644	2,415	3,143	4,638	1,805	6,026	28,671	5,005	5,319	10,324	38,995
Insurance	16,086	3,649	4,749	7,009	2,728	9,106	43,327	7,563	8,038	15,601	58,928
Telephone	2,419	549	714	1,054	410	1,369	6,515	1,137	1,209	2,346	8,861
Publicity and Communication	2,916	661	861	1,271	494	1,651	7,854	1,371	1,457	2,828	10,682
Supplies	767	174	227	334	130	434	2,066	1,328	384	1,712	3,778
Accounting Fees	9,727	2,207	2,872	4,238	1,650	5,506	26,200	4,573	4,861	9,434	35,634
Website	14,961	3,394	4,417	6,519	2,537	8,469	40,297	7,034	7,476	14,510	54,807
Licenses & Fees	399	91	118	174	68	226	1,076	188	200	388	1,464
Technology	10,613	2,408	3,133	4,624	1,800	6,008	28,586	4,990	5,303	10,293	38,879
Bank Charges	5,578	1,265	1,647	2,431	946	3,158	15,025	2,623	2,787	5,410	20,435
Printing	2,017	458	596	879	342	1,142	5,434	948	1,008	1,956	7,390
Training	1,672	379	494	728	283	946	4,502	786	835	1,621	6,123
Membership and Dues	1,222	277	361	532	207	692	3,291	574	611	1,185	4,476
Recruiting	871	198	257	380	148	493	2,347	410	435	845	3,192
Taxes	1,417	321	418	617	240	802	3,815	(39)	708	669	4,484
	318,294	296,796	88,953	248,213	32,229	110,913	1,095,398	142,757	190,070	332,827	1,428,225
Total expenses	\$ 847,255	\$ 416,797	\$ 245,129	\$ 478,693	\$ 121,932	\$ 410,355	\$ 2,520,161	\$ 391,465	\$ 454,391	\$ 845,856	\$ 3,366,017

See accompanying notes to consolidated financial statements.

Creative Commons Corporation

Statement of Cash Flows

For the Year Ended December 31, 2016

Cash Flows from Operating Activities:

Change in net assets	\$ 9,215,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	(1,283)
Dividends reinvested	(101)
Discount on pledges receivable	17,007
Change in operating assets and liabilities:	
Grants and federal funds receivable	(817,503)
Contributions receivable	204,250
Prepaid expenses	(40,605)
Accounts payable	4,407
Accrued expenses	38,542
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Net cash provided by operating activities	8,620,004
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Net Increase in Cash	8,620,004
Cash and Cash Equivalents, beginning of year	1,061,204
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Cash and Cash Equivalents, end of year	\$ 9,681,208

See accompanying notes to consolidated financial statements.

Creative Commons Corporation

Notes to the 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.

Creative Commons Corporation

Notes to 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.

Creative Commons Corporation

Notes to the Consolidated Financial Statements

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:

Support for DOE Open Education Resource	\$ 101,914
Librarians for the 21 st Century	144,242
Learning Resource Metadata Initiative	144,202
International Network Development	1,168,207
Sponsorship for 2017 Global Summit	125,000
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Total	<u>\$ 1,683,565</u>

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 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.