

Creative Commons Corporation

Financial Statements

Year Ended December 31, 2006

Creative Commons Corporation

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CERTIFIED PUBLIC ACCOUNTANTS

Daniel J. Harrington, CPA
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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, 2006, 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. The prior year summarized comparative information has been derived from the Organization's 2005 financial statements and, in our report dated April 7, 2006, we express 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, 2006, 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.

February 19, 2007

Creative Commons Corporation
Statement of Financial Position
December 31, 2006
(With Comparative Totals at December 31, 2005)

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,429,432	\$ 1,133,805
Grants Receivable	250,000	2,155,000
Contributions Receivable	200,376	-
Other Receivables	23,234	-
Prepaid Expenses	22,356	27,749
Total Current Assets	1,925,398	3,316,554
NONCURRENT ASSETS		
Investments	17,066	-
Grants Receivable	-	250,000
Property and Equipment - Net	20,513	24,760
Total Noncurrent Assets	37,579	274,760
Total Assets	\$ 1,962,977	\$ 3,591,314
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 25,045	\$ 27,780
Funds Held for Sponsor	19,209	-
Accrued Vacation	22,387	14,877
Accrued Expenses	567	11,425
Total Liabilities	67,208	54,082
NET ASSETS		
Unrestricted	972,023	1,132,232
Temporarily Restricted	923,746	2,405,000
Total Net Assets	1,895,769	3,537,232
Total Liabilities and Net Assets	\$ 1,962,977	\$ 3,591,314

Creative Commons Corporation
Statement of Activities
Year Ended December 31, 2006
(With Comparative Totals at December 31, 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2006</u>	<u>Total 2005</u>
REVENUE AND GAINS				
Foundation Grants	\$ 207,509		\$ 207,509	\$ 3,500,000
Contributions	538,364		538,364	438,941
In-Kind Contributions	31,213		31,213	61,567
Contracts	60,000		60,000	30,000
Interest Income	7,119		7,119	16,073
Foreign Currency Translation Gain (Loss)	(23,389)		(23,389)	14,936
Investment Income	541		541	-
Prizes	10,122		10,122	4,878
Sales	684		684	1,019
	<u>832,163</u>	<u>-</u>	<u>832,163</u>	<u>4,067,414</u>
Net Assets Release from Restrictions				
Satisfaction of Program Restrictions	1,481,254	(1,481,254)	-	-
Total Revenue and Other Support	<u>2,313,417</u>	<u>(1,481,254)</u>	<u>832,163</u>	<u>4,067,414</u>
EXPENSES				
Program Services	1,923,679		1,923,679	1,276,646
Supporting Services				
Management and General Expenses	339,019		339,019	232,175
Fundraising Expenses	210,928		210,928	127,280
Total Expenses	<u>2,473,626</u>	<u>-</u>	<u>2,473,626</u>	<u>1,636,101</u>
CHANGE IN NET ASSETS	(160,209)	(1,481,254)	(1,641,463)	2,431,313
NET ASSETS, BEGINNING OF YEAR	<u>1,132,232</u>	<u>2,405,000</u>	<u>3,537,232</u>	<u>1,105,919</u>
NET ASSETS, END OF YEAR	<u>\$ 972,023</u>	<u>\$ 923,746</u>	<u>\$ 1,895,769</u>	<u>\$ 3,537,232</u>

Creative Commons Corporation
Statement of Functional Expenses
Year Ended December 31, 2006
(With Comparative Totals at December 31, 2005)

	<u>Supporting Services</u>			<u>Total 2006</u>	<u>Total 2005</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Salaries	\$ 774,255	\$ 86,613	\$ 125,772	\$ 986,640	\$ 614,629
Payroll Taxes	51,293	11,284	13,578	76,155	53,895
Employee Benefits	20,072	70,461	8,260	98,793	28,864
	<u>845,620</u>	<u>168,358</u>	<u>147,610</u>	<u>1,161,588</u>	<u>697,388</u>
Travel and Conferences	493,234	18,346		511,580	190,453
Consulting and Design	166,388	67,410	40,923	274,721	341,695
Occupancy	138,788			138,788	93,016
Professional Services	67,063			67,063	14,945
Publicity and Communication	65,708	313		66,021	63,901
Supplies	49,865			49,865	27,533
Insurance		42,148		42,148	42,557
Legal Fees	31,213	6,797		38,010	72,072
Technology	34,319			34,319	9,978
Fund Raising Expenses			22,395	22,395	9,653
Depreciation		14,269		14,269	11,586
Membership and Dues	13,335			13,335	6,170
Interns	11,016			11,016	15,165
Accounting Fees		11,000		11,000	15,400
Printing	7,130			7,130	3,266
Bank Charges		5,815		5,815	4,602
Research Expenses		3,163		3,163	1,043
Training		1,400		1,400	1,077
Recruiting				-	1,394
Website Development and Hosting				-	5,843
Miscellaneous				-	7,364
Total Expenses	<u>\$ 1,923,679</u>	<u>\$ 339,019</u>	<u>\$ 210,928</u>	<u>\$ 2,473,626</u>	<u>\$ 1,636,101</u>

Creative Commons Corporation
Statement of Cash Flows
Year Ended December 31, 2006
(With Comparative Totals at December 31, 2005)

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,641,463)	\$ 2,431,313
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	14,269	11,586
Donated Investments	(16,525)	-
Unrealized (Gain) on Investments	(541)	-
Donated Equipment	-	(750)
(Increase) Decrease in Operating Assets		
Grants Receivable	2,155,000	(2,215,000)
Loan Receivable	-	12,865
Contributions Receivable	(200,376)	-
Other Receivables	(23,234)	-
Prepaid Expenses	5,393	(4,421)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(2,735)	4,818
Funds Held for Sponsor	19,209	-
Accrued Vacation	7,510	7,236
Accrued Expenses	(10,858)	9,253
Net Cash Provided by Operating Activities	<u>305,649</u>	<u>256,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(10,022)</u>	<u>(12,176)</u>
Net Cash (Used) by Investing Activities	<u>(10,022)</u>	<u>(12,176)</u>
NET INCREASE IN CASH	295,627	244,724
CASH, BEGINNING OF YEAR	<u>1,133,805</u>	<u>889,081</u>
CASH, END OF YEAR	<u>\$ 1,429,432</u>	<u>\$ 1,133,805</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2006

1. Summary of Organization and Significant Accounting Policies

Organization – Creative Commons Corporation (Creative Commons) is a Massachusetts nonprofit public benefit corporation devoted to expanding the range of creative work available for others to build upon and share. Creative Commons also acts as a fiscal sponsor for a small program. The Organization could participate in providing fiscal sponsorship for other programs.

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 – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, 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 foundation agencies.

Pledges Receivable – Unconditional pledges receivable are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Pledges 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 pledges has been recorded based on management's evaluation of collections.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2006
(Continued)

1. **Summary of Organization and Significant Accounting Policies** – continued

Investments – Investments, consisting of nationally traded securities, are stated at fair market value.

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 that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, 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 \$31,213 for donated legal services to evaluate the copyright and copy protection implications and consequences of its licensing, music storage, and collaborative artistic operations.

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).

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.

Creative Commons Corporation
Notes to Financial Statements
December 31, 2006
(Continued)

2. 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 \$100,000. At December 31, 2006, the uninsured cash balances total \$1,162,484.

3. Investments

Common Stock	\$ <u>17,066</u>
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The composition of investment income is as follows:

Net Unrealized Gain	\$ 493
Dividends	<u>48</u>
Total	\$ <u>541</u>

4. Property and Equipment

Computer Equipment	\$ 58,433
Less: Accumulated Depreciation	<u>(37,920)</u>
Total Computer Equipment	\$ <u>20,513</u>

5. Temporarily Restricted Net Assets

Restricted as to purpose:	
General Support for 2007	\$ 250,000
International work	240,946
Book and Public Domain Wiki	194,322
iCommons	126,375
Science Commons	92,585
OSI – DNL Phase I	<u>309</u>
Total	\$ <u>904,537</u>

Creative Commons Corporation
Notes to Financial Statements
December 31, 2006
(Continued)

6. Pension Plan

Creative Commons has a Tax Sheltered Annuity under IRC 403(b), which allows all employees to contribute through payroll deductions. Matching contributions made during the year ending December 31, 2006 totaled \$35,197.

7. Subsequent Event

Creative Commons entered into a five year building lease agreement for its program facilities in San Francisco, California for base rent of \$7,105 per month. The lease begins April 16, 2007 or such later date as the landlord completes the improvement of the premises as specified in the lease agreement.