

**CREATIVE COMMONS CORPORATION
(A NONPROFIT CORPORATION)**

DECEMBER 31, 2022

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

Opinion

We have audited the consolidated financial statements of **CREATIVE COMMONS CORPORATION (Creative Commons)** which comprise the consolidated statement of financial position as of December 31, 2022, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Creative Commons and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Commons' ability to continue as a going concern for one year from the date of this report.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Creative Commons' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Commons' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Hood & Strong LLP

San Francisco, California
July 17, 2023

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Financial Position

December 31, 2022

Assets

Cash and cash equivalents	\$	5,978,680
Accounts receivable, net		6,505,393
Prepaid expenses and other assets		71,346

Total assets	\$	12,555,419
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	22,728
Accrued expenses		185,175
Deferred revenue		22,750
Long-term liabilities		28,709

Total liabilities		259,362
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Net Assets:

Without donor restrictions		3,213,785
With donor restrictions		9,082,272

Total net assets		12,296,057
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Total liabilities and net assets	\$	12,555,419
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See accompanying notes to the consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Activities and Changes in Net Assets

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grants, net	\$ 1,657,818	\$ 5,097,449	\$ 6,755,267
Contributions	244,663	321,519	566,182
In-kind contributions		36,517	36,517
Program service fees	229,700		229,700
Special events income	10,875		10,875
Investment loss	(70)		(70)
Other income	89,261	18,750	108,011
Satisfaction of program restrictions	2,597,331	(2,597,331)	-
Total revenues	4,829,578	2,876,904	7,706,482
Expenses:			
Program services	2,551,880		2,551,880
Supporting services:			
Management and general	1,512,186		1,512,186
Fundraising	251,228		251,228
Total expenses	4,315,294	-	4,315,294
Change in Net Assets	514,284	2,876,904	3,391,188
Net Assets, beginning of year	2,699,501	6,205,368	8,904,869
Net Assets, end of year	\$ 3,213,785	\$ 9,082,272	\$ 12,296,057

See accompanying notes to the consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Better Internet	Emerging & Policy	Global Network/ Community	Licenses & Stewardship	Open Climate	Open Culture	Open Education	Open Journalism	Training & Learning	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 40,430	\$ 114,235	\$ 25,861	\$ 75,243	\$ 171,136	\$ 720,635	\$ 13,660	\$ 110,006	\$ 68,596	\$ 1,339,802	\$ 650,111	\$ 148,089	\$ 798,200	\$ 2,138,002
Employee benefits	5,560	16,771	3,711	10,037	24,311	66,314	1,891	14,549	4,426	147,570	177,693	26,200	203,893	351,463
Payroll taxes	2,292	7,722	2,132	5,743	7,449	39,018	980	8,340	5,036	78,712	87,183	10,083	97,266	175,978
	48,282	138,728	31,704	91,023	202,896	825,967	16,531	132,895	78,058	1,566,084	914,987	184,372	1,099,359	2,665,443
Accounting fees											37,450		37,450	37,450
Bank charges									15	15	36,458		36,458	36,473
Board cultivation and meetings													-	-
Consulting and design	17,450	128,456			37,480	15,829		14,956	53,784	267,955	53,062	9,410	62,472	330,427
Insurance											39,981		39,981	39,981
Legal fees		96								96	73,741		73,741	73,837
Licenses and fees		69								69	13,785		13,785	13,854
Membership and dues		662								662	1,284		1,284	1,946
Occupancy		448					101			549	6,928	299	7,227	7,776
Operations	70	4				1,444	300	150		1,968	27,056	4,867	31,923	33,891
Printing							75	27	585	687	2,191	112	2,303	2,990
Project support	200,888	4,400	32,370		373,000	29,725		1,400	3,483	645,266	17,900		17,900	663,166
Publicity and communication		310	202		234	1,233		567	82	2,628	3,758	534	4,292	6,920
Recruiting		-			105	299				404	6,830		6,830	7,234
Special events		434								434	26,151	6,421	32,572	33,006
Supplies		525	8	113		20			230	896	5,102	453	5,555	6,451
Technology		1,403			452	568		173		2,596	59,231	6,941	66,172	68,768
Telephone						200	350	100		650	3,066	650	3,716	4,366
Training		18								18	19,071	158	19,229	19,247
Travel and conferences	1,282	23,186	107	2,257	1,103	8,806	3,424		2,592	42,757	110,103	37,011	147,114	189,871
Website						18,146				18,146	54,051		54,051	72,197
Total expenses	\$ 267,972	\$ 298,739	64,391	\$ 93,393	\$ 615,270	\$ 902,237	\$ 20,781	\$ 150,268	\$ 138,829	\$ 2,551,880	1,512,186	251,228	\$ 1,763,414	\$ 4,315,294

See accompanying notes to the consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Consolidated Statement of Cash Flows

Year Ended December 31, 2022

Cash Flows from Operating Activities:

Change in net assets	\$ 3,391,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net present value discount on long-term accounts receivable	32,000
Allowance for doubtful accounts	20,000
Change in operating assets and liabilities:	
Accounts receivable	(1,508,727)
Prepaid expenses and other assets	(17,303)
Accounts payable	(108,345)
Accrued expenses	30,227
Deferred revenue	(3,250)

Net cash provided by operating activities	1,835,790
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Cash Flows from Financing Activities:

Forgiveness of PPP loan	(342,523)
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Net cash used by investing activities	(342,523)
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Net Increase in Cash	1,493,267
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Cash and Cash Equivalents, beginning of year	4,485,413
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Cash and Cash Equivalents, end of year	\$ 5,978,680
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See accompanying notes to the consolidated financial statements.

Creative Commons Corporation (a Nonprofit 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 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. Its operations are reported in the consolidated financial statements.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to the Consolidated Financial Statements

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Consolidation

The consolidated 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 (U.S GAAP) specific to nonprofit organizations. The consolidated financial statements include the accounts of its subsidiary (see Note 1). All material intercompany transactions and balances have been eliminated. Foreign currency gains and losses are recorded on the Consolidated Statement of Activities and Change in Net Assets if material.

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 the 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 Consolidated Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less at purchase to be cash equivalents.

d. Revenue Recognition

Unconditional promises to give, which include grants and contributions, are recognized upon receipt of the promise 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 the Consolidated Financial Statements

Program service fees are recorded when earned.

Donated services are reported at fair value in the consolidated financial statements when those services (a) 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 \$35,517 and web hosting totaling \$1,000 were recorded for the year ended December 31, 2022. The value of the services is determined by using market rates for similar services. None of these donated services were received with donor restrictions.

e. Income Taxes

Creative Commons is exempt from federal income taxes under Internal Revenue Section 501(c)(3) and 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 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.

f. Allocation of Functional Expense

Expenses are allocated directly to program activities if they can be specifically identified with a program. If not specifically identifiable, expenses are allocated to Management and General with the understanding that all indirect management costs are expended in support of programmatic work.

g. Recent Accounting Pronouncements

Adopted

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions. Separate presentation on the Consolidated Statement of Activities and additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed are required under the new guidance. The ASU was implemented in 2022 without significant effect on the consolidated financial statements.

h. Subsequent Events

Creative Commons evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2022 through July 17, 2023, the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to the Consolidated Financial Statements

Note 3 - Accounts Receivable:

Accounts receivable consisted of unconditional promises to give at December 31, 2022 which are expected to be collected as follows:

In one year or less	\$ 2,732,815
Between one and five years	4,000,000
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	6,732,815
Less net present value discount at the time of agreement execution	(227,422)
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Contribution receivable	\$ 6,505,393

Note 4 - Long-term Liabilities:

On May 20, 2020, Creative Commons's Canadian subsidiary 0941176 B.C. LTD received a loan in the amount of \$40,000 Canadian dollars, or \$29,710 American dollars, from the Canadian government. Under the terms of the loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses, as defined in the PPP, generally payroll, payroll related costs and facilities costs. If Creative Commons repays 75% of the loan by December 31, 2023, the remaining balance will be forgiven. If this does not happen, the full amount must be repaid by December 31, 2025 and any unpaid portion at December 31, 2023 will begin accruing interest at 5% per annum.

On March 21, 2021, Creative Commons received a Paycheck Protection Program (PPP) loan under the provisions of the Coronavirus, Aid, Relief, and Economic Security (CARES) Act, in the amount of \$342,522. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses, as defined in the PPP, generally payroll, payroll related costs and facilities costs. Creative Commons used the entire loan amount for qualifying expenses. Subsequent to year end, on January 16, 2022, this loan was forgiven.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to the Consolidated Financial Statements

Note 5 - Net Assets With Donor Restrictions:

Net assets of \$ 2,597,331 were released during the year ended December 31, 2022 in accordance with respective donor restrictions.

Net assets were restricted as to purpose and time as of December 31, 2022 as follows:

Open Culture/GLAM	\$ 3,897,006
Open Climate	4,584,480
Better Internet	129,541
Time	471,245
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Total	\$ 9,082,272

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 ended December 31, 2022 totaled \$104,042.

Note 7 - Concentrations of Risk:

Creative Commons maintains cash balances at several financial institutions which, from time to time, exceed federally insured limits.

For the year ended December 31, 2022, approximately 80% of revenue, approximately \$6,000,000, was from three donors, and approximately 90% of the gross accounts receivable, approximately \$6,000,000, is from one donor.

Creative Commons Corporation (a Nonprofit Corporation)

Notes to the Consolidated Financial Statements

Note 8 - Liquidity and Availability:

Creative Commons's financial assets at December 31, 2022 available to meet general expenditures over the next twelve months were as follows:

Financial assets:	
Cash and cash equivalents	\$ 5,978,680
Accounts receivable within a year	2,732,815
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Total financial assets	8,711,495
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Less amounts not available to be used within one year:	
Net assets with donor restrictions	(9,082,272)
Add back net assets with restrictions to be met in less than a year	2,021,579
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	(7,060,693)
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Financial assets available to meet general expenditures over the next twelve months	\$ 1,650,802
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