

CALIFORNIA COUNCIL FOR
INTERIOR DESIGN CERTIFICATION

FINANCIAL STATEMENTS

December 31, 2001

CALIFORNIA COUNCIL FOR
INTERIOR DESIGN CERTIFICATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
California Council for
Interior Design Certification

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of California Council for Interior Design Certification (CCIDC) as of December 31, 2001, and the related statements of revenue, expenses and change in net assets - modified cash basis and cash flows - modified cash basis for the year then ended. These financial statements are the responsibility of the CCIDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As further described in Note 5, subsequent to year-end, the members of CCIDC voted to transfer the interests of the members and the assets of CCIDC to a newly-formed non-profit corporation and dissolve the present corporation upon completion of the transfers to the new corporation. These financial statements do not include any adjustments with respect to the formation of the new corporation, the transfer of assets or the dissolution of the present corporation.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of CCIDC as of December 31, 2001, and its revenue, expenses, and change in net assets and its cash flows for the year then ended, on the basis of accounting described in Note 1.

Atte, Papp, Bagg & Sepimoto
An Accountancy Corporation

March 25, 2002
Sacramento, California

CALIFORNIA COUNCIL FOR
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STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2001

ASSETS

Current Assets:	
Cash	\$84,669
Deposits	<u>776</u>
Total Assets	<u>\$85,445</u>

LIABILITIES AND NET ASSETS

Net Assets - Unrestricted	<u>\$85,445</u>
Total Net Assets	<u>\$85,445</u>

The accompanying notes are an integral part
of these financial statements

CALIFORNIA COUNCIL FOR
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STATEMENT OF REVENUE, EXPENSES AND
CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended December 31, 2001

Revenue:	
Certification fees	\$262,770
Application fees	4,950
Interest	760
Other income	<u>12,688</u>
Total revenue	<u>281,168</u>
Expenses:	
Salaries and payroll taxes	160,466
Public relations	762
Mailing expenses	243
Accounting and legal	6,476
Travel and lodging	21,812
Exam fees	1,840
Postage	23,300
Lease equipment	1,228
Printing and production	7,115
Rent	7,254
Board expenses	3,290
Miscellaneous	987
Telephone	7,566
Credit card fees	2,401
Internet expense	5,975
Insurance	10,500
Office	8,998
Memberships	2,215
Equipment maintenance	<u>384</u>
Total expenses	<u>272,812</u>
Change in net assets	8,356
Net assets - unrestricted, beginning of year	<u>77,089</u>
Net assets - unrestricted, end of year	\$85,445

The accompanying notes are an integral part
of these financial statements

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STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended December 31, 2001

Cash Flows From Operating Activities:	
Cash received from applications and renewals	\$280,408
Cash paid to suppliers and employees	(272,812)
Interest income received	<u>760</u>
Net cash provided by operating activities	<u>8,356</u>
Increase in cash	8,356
Cash, beginning of year	<u>76,313</u>
Cash, end of year	<u>\$ 84,669</u>
Reconciliation of Change in Net Assets	
<u>to Net Cash Provided by Operating Activities:</u>	
Change in net assets	<u>\$ 8,356</u>
Net cash provided by operating activities	<u><u>\$ 8,356</u></u>

The accompanying notes are an integral part
of these financial statements

CALIFORNIA COUNCIL FOR
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NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The California Council for Interior Design Certification (CCIDC) is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Laws of the State of California. The primary purpose of CCIDC is to promote the general welfare of persons engaged in the profession of interior design and to administer the process of and rules and regulations governing certification of interior designers as specified in the Business and Professions Code under the title "Certified Interior Designer" by the State of California.

CCIDC's policy is to prepare its financial statements on a modified cash basis that includes capitalizing the purchase of long-lived assets, recording of depreciation on long-lived assets, recording liabilities for the acquisition of long-lived assets, payroll withholdings, accruals of payroll taxes, and other selected accruals and receivables. Under this basis, revenue is generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when the obligations are incurred. Consequently, accounts receivable, accounts payable and accrued expenses, other than those mentioned above, are not included in the financial statements.

The following is a summary of significant accounting policies:

- (a) CCIDC considers cash in banks and certificates of deposits with maturities of three months or less as cash and cash equivalents.
- (b) Short-term investments are carried at cost and consist of certificates of deposits with maturities greater than three months, but less than twelve.
- (c) Office furniture and equipment is stated at cost. CCIDC provides for depreciation over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of these assets range from five to ten years.

Maintenance and repairs are charged to expenses as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

- (d) Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, CCIDC is required to report information regarding its assets, liabilities, net assets, revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CCIDC has no restricted net assets.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (e) The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.
- (f) CCIDC is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code and Section 23701e of the California Revenue and Taxation Code. In addition, CCIDC has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE 2: CASH

CCIDC maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. CCIDC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 3 : OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2001, consisted of the following:

Office furniture and equipment	\$25,608
Less accumulated depreciation	<u>(25,608)</u>
Total	<u>\$ -</u>

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis as follows

Program services	\$241,140
Supporting services	<u>3 1,672</u>
Total	<u>\$272,812</u>

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NOTE 5: NEW STATUTE

In October 2001, California lawmakers amended certain provisions of Section 5800 of the California Business and Professions Code. Under the new statute, which becomes effective January 1, 2002, the title "Certified Interior Designer" is protected until January 1, 2004, unless a new statute enacted prior to that date extends it.

CCIDC will continue to administer the interior design certification program in California and will prepare a report as requested by the legislature to be submitted to the Joint Legislative Sunset Review Committee by September 1, 2002, on outreach efforts, examinations, finances, interactions of the organization, and materials and information.

The new statute also requires that CCIDC qualify as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code (IRC) in order to continue operating as an interior design certification organization. CCIDC is presently tax-exempt under Section 501(c)(6) of the IRC, which allows CCIDC to lobby for the benefit of Certified Interior Designers. The primary reason California imposed this new requirement on CCIDC was to restrict it from engaging in lobbying, as organizations exempt under Section 501(c)(3) are not permitted to engage in such activities.

In January 2002, the members of CCIDC voted to:

- . Create a new non-profit corporation qualified as a tax-exempt organization under Section 501(c)(3) of the IRC and as a qualified interior design organization under Section 5800 et, seq. of the California Business and Professions Code;
- . Transfer the interests of the members of CCIDC and the assets of CCIDC to the newly formed non-profit corporation; and
- . Dissolve the present corporation after the above-referenced transfers to the new non-profit corporation are complete.