

CCIDC, INC.
(formerly California Council for Interior Design Certification)

FINANCIAL STATEMENTS

December 31, 2002

CCIDC, INC.
(formerly California Council for Interior Design Certification)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CCIDC, Inc. (formerly California Council for Interior Design Certification)

We have audited the accompanying statement of assets, liabilities and net assets - modified cash basis of CCIDC, Inc. (a California nonprofit mutual benefit corporation) as of December 31, 2002, 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 CCIDC, Inc.'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 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, Inc. as of December 31, 2002, 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.

Tate, Propp, Beggs & Sugimoto
An Accountancy Corporation

December 8, 2003
Sacramento, California

CCIDC, INC.
(formerly California Council for Interior Design Certification)

STATEMENT OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2002

ASSETS

Current Assets:	
Cash	\$68,054
Office furniture and equipment, net	-
Deposits	<u>776</u>
Total Assets	<u>\$68,830</u>

LIABILITIES AND NET ASSETS

Net Assets - Unrestricted	<u>\$68,830</u>
Total Net Assets	<u>\$68,830</u>

The accompanying notes are an integral part
of these financial statements.

CCIDC, INC.
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STATEMENT OF REVENUE, EXPENSES AND
CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Year Ended December 31, 2002

Revenue:	
Certification fees	\$231,979
Application fees	7,050
Exam fees	8,643
Interest income	557
Other income	<u>2,717</u>
Total revenue	<u>250,946</u>
Expenses:	
Salaries and payroll taxes	161,146
Marketing and public relations	9,853
Accounting and legal	8,646
Travel and lodging	20,338
Temporary labor costs	500
Exam fees	5,045
Postage	8,581
Certification stamps	12,459
Lease equipment	2,405
Rent	8,857
Board expenses	3,050
Miscellaneous	109
Telephone	2,642
Credit card fees	2,192
Internet expense	2,764
Insurance	11,704
Office expense	3,711
Memberships	2,950
Equipment maintenance	<u>609</u>
Total expenses	<u>267,561</u>
Change in net assets	(16,615)
Net assets - unrestricted, beginning of year	<u>85,445</u>
Net assets - unrestricted, end of year	<u>\$ 68,830</u>

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of these financial statements.

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STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
For the Year Ended December 31, 2002

Cash Flows From Operating Activities:	
Cash received from applications, renewals and exam fees	\$250,389
Cash paid to suppliers and employees	(267,561)
Interest income received	<u>557</u>
Net cash used in operating activities	<u>(16,615)</u>
Decrease in cash	(16,615)
Cash, beginning of year	<u>84,669</u>
Cash, end of year	<u>\$ 68,054</u>
Reconciliation of Change in Net Assets <u>to Net Cash Used in Operating Activities:</u>	
Change in net assets	<u>\$ (16,615)</u>
Net cash used in operating activities	<u>\$ (16,615)</u>

The accompanying notes are an integral part
of these financial statements.

CCIDC, INC.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CCIDC, Inc., formerly 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 California Business and Professions Code under the title "Certified Interior Designer."

In October 2001, California lawmakers amended certain provisions of Section 5800 of the California Business and Professions Code. Under the new statute, which became effective January 1, 2002, CCIDC was required to 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 had previously been tax-exempt under Section 501(c)(6) of the IRC, which allowed 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.

Effective May 15, 2002, the members of CCIDC instituted the following changes in the organization:

- Created a new nonprofit 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;
- Transferred the interest of the members and the assets of California Council for Interior Design Certification to the newly formed nonprofit corporation; and
- Dissolved the previous corporation after the above-referenced transfers to the new nonprofit corporation were completed.

In order to reflect the continuity of the operations of the Organization throughout the year ended December 31, 2003, these financial statements present continuously all operating transactions for the year, and reflect the change in entities as only a change of operating name and tax exempt status.

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

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NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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.

- (c) 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.
- (d) 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.
- (e) CCIDC is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701d 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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2002

NOTE 3: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2002, consisted of the following:

Office furniture and equipment	\$ 29,869
Less accumulated depreciation	<u>(29,869)</u>
Total	<u>\$ -</u>

NOTE 4: DEPOSITS

As of December 31, 2002, refundable deposits consist of a utility deposit of \$245 and a facilities lease deposit of \$531.

NOTE 5: LEASES

CCIDC leases its office facilities under a month-to-month operating lease agreement, which is cancelable at any time by either party with thirty days notice. Under this agreement, the monthly rent is \$818, which includes an assessment for common area maintenance. Total office space rental expense for the year ended December 31, 2002, was \$8,857.

Additionally, CCIDC leases a photocopier under another month-to-month operating lease agreement. The standard monthly rental expense under this agreement is \$167, and total rental expenses for the year ended December 31, 2002, were \$2,405.

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

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

Program services	\$241,546
Supporting services	<u>26,015</u>
Total	<u>\$267,561</u>

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December 31, 2002

NOTE 7: SUBSEQUENT EVENT - NEW STATUTE

In October 2003, California lawmakers amended certain provisions of Section 5800 of the California Business and Professions Code. Under the new statute, which will become effective January 1, 2004, the title "Certified Interior Designer" is protected until January 1, 2006, 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, 2005, on outreach efforts, examinations, finances, interactions of the organization, and materials and information.