

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

FINANCIAL STATEMENTS

December 31, 2003 and 2002

CCIDC, INC.
(formerly California Council for Interior Design Certification)
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Tate, Propp, Beggs
Sugimoto

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of assets, liabilities and net assets - modified cash basis of CCIDC, Inc. (a California nonprofit mutual benefit corporation) as of December 31, 2003 and 2002, and the related statements of revenue, expenses and change in net assets - modified cash basis and cash flows - modified cash basis for the years 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 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 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 audits provide 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, 2003 and 2002, and its revenue, expenses, and change in net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Tate, Propp, Beggs & Sugimoto
An Accountancy Corporation

June 22, 2004
Sacramento, California

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

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Current Assets:		
Cash	\$ 62,296	\$ 68,054
Office furniture and equipment, net	-	-
Deposits	<u>776</u>	<u>776</u>
Total Assets	<u>\$ 63,072</u>	<u>\$ 68,830</u>

LIABILITIES AND NET ASSETS

Net assets - unrestricted	<u>\$ 63,072</u>	<u>\$ 68,830</u>
Total Net Assets	<u>\$ 63,072</u>	<u>\$ 68,830</u>

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

CCIDC, INC.
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STATEMENTS OF REVENUE, EXPENSES AND
CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Years Ended December 31, 2003 and 2002

	2003	2002
Revenue :		
Certification fees	\$ 248,425	\$ 231,979
Application fees	8,550	7,050
Exam fees	14,150	8,643
Interest income	10	557
Other income	1,730	2,717
Total revenue	272,865	250,946
Expenses:		
Salaries and payroll taxes	162,659	161,146
Marketing and public relations	17,342	9,853
Accounting and legal	2,450	8,646
Travel and lodging	18,107	20,338
Temporary labor costs	-	500
Exam fees	8,740	5,045
Postage	8,637	8,581
Certification stamps	13,548	12,459
Leased equipment expenses	3,768	2,405
Rent	10,780	8,857
Board expenses	2,200	3,050
Miscellaneous	-	109
Telephone	3,748	2,642
Credit card fees	3,812	2,192
Internet expenses	-	2,764
Insurance	12,243	11,704
Office expense	4,282	3,711
Memberships	3,275	2,950
CALBO expense	3,032	-
Equipment maintenance	-	609
Total expenses	278,623	267,561
Change in net assets	(5,758)	(16,615)
Net assets - unrestricted, beginning of year	68,830	85,445
Net assets - unrestricted, end of year	\$ 63,072	\$ 68,830

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of these financial statements.

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STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
For the Years Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows From Operating Activities:		
Cash received from applications, renewals and exam fees	\$ 272,855	\$ 250,389
Cash paid to suppliers and employees	(278,623)	(267,561)
Interest income received	10	557
	<u>(5,758)</u>	<u>(16,615)</u>
Net cash used in operating activities		
	(5,758)	(16,615)
Decrease in cash		
	68,054	84,669
Cash, beginning of year		
	<u>\$ 62,296</u>	<u>\$ 68,054</u>
Cash, end of year		
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	<u>\$ (5,758)</u>	<u>\$ (16,615)</u>
Net cash used in operating activities	<u>\$ (5,758)</u>	<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, 2003 and 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CCIDC, Inc. (CCIDC), formerly California Council for Interior Design Certification, 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, 2002, 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, 2003 and 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. Actual results could differ from those estimates.
- (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
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NOTE 3: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2003 and 2002, consisted of the following:

	2003	2002
Office furniture and equipment	\$ 29,869	\$ 29,869
Less accumulated depreciation	29,869	29,869
Total	\$ -	\$ -

NOTE 4: DEPOSITS

As of December 31, 2003 and 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 years ended December 31, 2003 and 2002, was \$10,780 and \$8,857, respectively.

Additionally, CCIDC leases photocopiers under other month-to-month operating lease agreements. For the year ended December 31, 2002, the standard monthly rental expense under the agreement was \$167, and total annual rental expenses were \$2,405. In July 2003, CCIDC entered into a new lease agreement for a new photocopier. The standard monthly rental expense under the new agreement is \$268. For the year ended December 31, 2003, total rental expenses for photocopiers were \$3,768.

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

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

	2003	2002
Program services	\$ 251,584	\$ 241,546
Supporting services	27,039	26,015
Total	\$ 278,623	\$ 267,561

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NOTE 7: SUBSEQUENT EVENT - NEW STATUTE

In March 2004, California lawmakers introduced amendments to certain provisions of Section 5800 of the California Business and Professions Code. Under the new statute, the title "Certified Interior Designer" will be protected until January 1, 2007, 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.