

CCIDC, INC.

FINANCIAL STATEMENTS

December 31, 2004 and 2003

CCIDC, INC.

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Tate, Propp, Beggs
Sugimoto

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CCIDC, Inc.

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, 2004 and 2003, 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, 2004 and 2003, 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.


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June 7, 2005
Sacramento, California

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CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2004 and 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Current Assets:		
Cash	\$ 40,624	\$ 62,296
Office furniture and equipment, net	-	-
Deposits	<u>776</u>	<u>776</u>
Total Assets	<u>\$ 41,400</u>	<u>\$ 63,072</u>

LIABILITIES AND NET ASSETS

Net assets - unrestricted	<u>\$ 41,400</u>	<u>\$ 63,072</u>
Total Net Assets	<u>\$ 41,400</u>	<u>\$ 63,072</u>

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

CCIDC, INC.

STATEMENTS OF REVENUE, EXPENSES AND
CHANGE IN NET ASSETS - MODIFIED CASH BASIS
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue:		
Certification fees	\$ 239,580	\$ 248,425
Application fees	6,900	8,550
Exam fees	14,525	14,150
Interest income	-	10
Other income	5,335	1,730
	<u>266,340</u>	<u>272,865</u>
Expenses:		
Salaries and payroll taxes	163,410	162,659
Marketing and public relations	17,566	17,342
Accounting and legal	7,488	2,450
Travel and lodging	12,601	18,107
Exam fees expense	23,292	8,740
Postage	8,689	8,637
Certification stamps	10,279	13,548
Leased equipment expense	3,918	3,768
Rent	10,844	10,780
Board expenses	2,700	2,200
Telephone	2,695	3,748
Credit card fees	3,910	3,812
Insurance	11,918	12,243
Office expense	5,275	4,282
Memberships	275	3,275
CALBO expense	3,152	3,032
	<u>288,012</u>	<u>278,623</u>
Change in net assets	(21,672)	(5,758)
Net assets - unrestricted, beginning of year	<u>63,072</u>	<u>68,830</u>
Net assets - unrestricted, end of year	<u>\$ 41,400</u>	<u>\$ 63,072</u>

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

CCIDC, INC.

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities:		
Cash received from applications, renewals and exam fees	\$ 266,340	\$ 272,855
Cash paid to suppliers and employees	(288,012)	(278,623)
Interest income received	-	10
	<u> </u>	<u> </u>
Net cash used in operating activities	(21,672)	(5,758)
	<u> </u>	<u> </u>
Decrease in cash	(21,672)	(5,758)
	<u> </u>	<u> </u>
Cash, beginning of year	62,296	68,054
	<u> </u>	<u> </u>
Cash, end of year	\$ 40,624	\$ 62,296
	<u> </u>	<u> </u>
Reconciliation of Change in Net Assets to Net Cash Used in Operating Activities:		
Change in net assets	\$ (21,672)	\$ (5,758)
	<u> </u>	<u> </u>
Net cash used in operating activities	\$ (21,672)	\$ (5,758)
	<u> </u>	<u> </u>

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

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 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 nonprofit corporation after the above-referenced transfers to the new nonprofit corporation were completed.

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.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporarily or permanently 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.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE 3: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Office furniture and equipment	\$ 29,869	\$ 29,869
Less accumulated depreciation	<u>29,869</u>	<u>29,869</u>
Total	<u>\$ -</u>	<u>\$ -</u>

NOTE 4: DEPOSITS

As of December 31, 2004 and 2003, refundable deposits consisted 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 of \$818 includes an assessment for common area maintenance. Total office space rental expense for the years ended December 31, 2004 and 2003, was \$10,844 and \$10,780, respectively.

Additionally, CCIDC leases photocopiers under other month-to-month operating lease agreements. 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 years ended December 31, 2004 and 2003, total leased equipment expense for photocopiers was \$3,918 and \$3,768, respectively.

NOTE 6: FUNCTIONAL ALLOCATION OF EXPENSES

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

	<u>2004</u>	<u>2003</u>
Program services	\$ 260,644	\$ 251,584
Supporting services	<u>27,368</u>	<u>27,039</u>
Total	<u>\$ 288,012</u>	<u>\$ 278,623</u>

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2004 and 2003

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.