

CCIDC, INC.
FINANCIAL STATEMENTS
December 31, 2005 and 2004

CCIDC, INC.

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INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

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, 2005 and 2004, 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, 2005 and 2004, 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.


An Accountancy Corporation

June 16, 2006
Sacramento, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2005 and 2004

ASSETS

	<u>2005</u>	<u>2004</u>
Current Assets:		
Cash	\$ 65,836	\$ 40,624
Office furniture and equipment, net	12,042	-
Deposits	<u>776</u>	<u>776</u>
Total Assets	<u>\$ 78,654</u>	<u>\$ 41,400</u>

LIABILITIES AND NET ASSETS

Liabilities	\$ -	\$ -
Net assets - unrestricted	<u>78,654</u>	<u>41,400</u>
Total Liabilities and Net Assets	<u>\$ 78,654</u>	<u>\$ 41,400</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Certification fees	\$ 280,425	\$ 239,580
Application fees	4,200	6,900
Exam fees	14,525	14,525
Donated furniture and equipment	14,049	-
Other income	3,978	5,335
	<u>317,177</u>	<u>266,340</u>
Expenses:		
Salaries and payroll taxes	164,475	163,410
Marketing and public relations	18,440	17,566
Accounting and legal	5,635	7,488
Travel and lodging	16,027	12,601
Exam fees expense	7,290	23,292
Postage	7,633	8,689
Certification stamps	12,102	10,279
Leased equipment expense	3,976	3,918
Rent	10,816	10,844
Board expenses	2,250	2,700
Telephone	2,499	2,695
Credit card fees	4,414	3,910
Insurance	12,787	11,918
Office expense	3,023	5,275
Memberships	275	275
CALBO expense	6,274	3,152
Depreciation	2,007	-
	<u>279,923</u>	<u>288,012</u>
Change in net assets	37,254	(21,672)
Net assets - unrestricted, beginning of year	<u>41,400</u>	<u>63,072</u>
Net assets - unrestricted, end of year	<u>\$ 78,654</u>	<u>\$ 41,400</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows From Operating Activities:		
Cash received from applications, renewals and exam fees	\$ 303,128	\$ 266,340
Cash paid to suppliers and employees	<u>(277,916)</u>	<u>(288,012)</u>
Net cash provided by (used in) operating activities	<u>25,212</u>	<u>(21,672)</u>
Increase (decrease) in cash	25,212	(21,672)
Cash, beginning of year	<u>40,624</u>	<u>62,296</u>
Cash, end of year	<u>\$ 65,836</u>	<u>\$ 40,624</u>
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ 37,254	\$ (21,672)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,007	-
Donated furniture and equipment	<u>(14,049)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 25,212</u>	<u>\$ (21,672)</u>

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

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, 2005 and 2004

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, or if donated, at fair value on the date of receipt. 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, 2005 and 2004

NOTE 3: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2005 and 2004 consisted of the following:

	<u>2005</u>	<u>2004</u>
Office furniture and equipment	\$ 14,049	\$ 29,869
Less accumulated depreciation	<u>2,007</u>	<u>29,869</u>
Total	<u>\$ 12,042</u>	<u>\$ -</u>

NOTE 4: DEPOSITS

As of December 31, 2005 and 2004, 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, 2005 and 2004, was \$10,816 and \$10,844, respectively.

Additionally, CCIDC leases photocopiers under other month-to-month operating lease agreements. For the years ended December 31, 2005 and 2004, total leased equipment expense for photocopiers was \$3,976 and \$3,918, 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>2005</u>	<u>2004</u>
Program services	\$ 254,534	\$ 260,644
Supporting services	<u>25,389</u>	<u>27,368</u>
Total	<u>\$ 279,923</u>	<u>\$ 288,012</u>

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005 and 2004

NOTE 7: SUBSEQUENT EVENT - NEW STATUTE

In October 2005, 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, 2008, 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 upon request, on outreach efforts, examinations, finances, interactions of the organization, and materials and information.