

CCIDC, INC.
FINANCIAL STATEMENTS
December 31, 2008 and 2007

CCIDC, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CCIDC, Inc.
San Marcos, California

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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, 2008 and 2007, 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 3, 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, 2008 and 2007, 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 3.



August 31, 2009
Roseville, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current Assets:		
Cash	\$ 51,438	\$ 55,889
Office furniture and equipment, net	6,021	8,028
Deposits	<u>776</u>	<u>776</u>
Total Assets	<u>\$ 58,235</u>	<u>\$ 64,693</u>

LIABILITIES AND NET ASSETS

Current Liability:		
Note payable, current portion	\$ 8,416	\$ -
Long-term Liability:		
Note payable, less current portion	40,253	-
Net assets - unrestricted	<u>9,566</u>	<u>64,693</u>
Total Liabilities and Net Assets	<u>\$ 58,235</u>	<u>\$ 64,693</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, 2008 and 2007

	2008	2007
Revenue:		
Certification fees	\$ 252,125	\$ 279,150
Application fees	15,750	9,150
Exam fees	19,350	23,100
Other income	12,211	20,825
Total revenue	299,436	332,225
Expenses:		
Salaries and payroll taxes	180,671	170,200
Marketing and public relations	23,786	26,863
Accounting and legal	4,575	9,399
Travel and lodging	17,720	19,436
Exam fees expense	9,381	11,004
Postage	9,802	8,433
Certification stamps	12,274	10,066
Leased equipment expense	7,059	6,563
Rent	13,208	13,158
Board expenses	3,592	3,150
Telephone	2,262	2,123
Credit card fees	5,507	5,737
Insurance	16,798	12,847
Office expense	5,813	4,864
Memberships	395	295
CALBO expense	6,656	2,724
Depreciation	2,007	2,007
Interest expense	779	-
IDEX expense	31,080	-
Miscellaneous	1,198	268
Total expenses	354,563	309,137
Change in net assets	(55,127)	23,088
Net assets - unrestricted, beginning of year	64,693	41,605
Net assets - unrestricted, end of year	\$ 9,566	\$ 64,693

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, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities:		
Cash received from applications, renewals and exam fees	\$ 299,436	\$ 332,225
Cash paid to suppliers and employees	(352,556)	(307,375)
Net cash provided by (used in) operating activities	(53,120)	24,850
Cash Flows from Financing Activities:		
Proceeds from issuance of note payable	50,000	-
Principal payment on note payable	(1,331)	-
Net cash provided by financing activities	48,669	-
Increase (decrease) in cash	(4,451)	24,850
Cash, beginning of year	55,889	31,039
Cash, end of year	\$ 51,438	\$ 55,889
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ (55,127)	\$ 23,088
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,007	2,007
Increase in deposits	-	(245)
Net cash provided by (used in) operating activities	\$ (53,120)	\$ 24,850

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1: NATURE OF ORGANIZATION

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.

NOTE 2: AMENDED STATUTE

In February 2006, California lawmakers introduced amendments to certain provisions of Section 5800 of the California Business and Professions Code. Under the existing law it provided for a certification process for interior designers, and repealed those provisions effective January 1, 2008. The amended statute instead repeals those provisions on January 1, 2010, unless a new statute enacted prior to that date extends it. Also under the existing statute, the State required report, provided by the body that certifies interior designers, on the effectiveness of the California Codes and Regulations Examination (CCRE) has been extended to January 1, 2010, unless a new statute enacted prior to that date extends it. To date, there has been no new legislation enacted, but there are two Bills currently in the legislature. The first bill is a minor amendment to the statute clarifying education versus work experience or "experience only" candidates. The second bill is to extend the Sunset review date until January 1, 2013.

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, regarding outreach efforts, examinations, finances, interactions, and materials and information.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies:

- (a) 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, and recording liabilities for the acquisition of long-lived assets. Under this basis, revenue is recognized when collected rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred. Accounts receivable, accounts payable and accrued expenses, are not included in the financial statements.
- (b) CCIDC considers cash in banks and certificates of deposits with maturities of three months or less as cash and cash equivalents.
- (c) 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 expensed as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.
- (d) Certification dues are billed to interior designers in advance and they are recognized when are received. Application fees are due when a candidate submits an application and revenue is recognized upon receipt.
- (e) 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.
- (f) 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.
- (g) 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).
- (h) Certain items in the 2007 financial statements have been reclassified, with no effect to operations, to conform to the 2008 presentation.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 4: CASH

CCIDC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

NOTE 5: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2008 and 2007 consisted of the following:

	2008	2007
Office furniture and equipment	\$ 14,049	\$ 14,049
Less accumulated depreciation	8,028	6,021
Total	<u>\$ 6,021</u>	<u>\$ 8,028</u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$2,007 each year.

NOTE 6: DEPOSITS

As of December 31, 2008 and 2007, the Organization's refundable deposits were \$776.

NOTE 7: NOTE PAYABLE

The Organization executed a promissory note with Cynthia J. Pearson in the amount of \$50,000 on October 16, 2008. The note bears interest at a rate of 9% per annum for a term of 5 years maturing in the year 2013. Principal and interest are due in monthly installments of \$1,038, on the fifteenth of each month starting November 15, 2008. There is no penalty for making additional payments or paying this loan in full at any time. This loan is non-assumable and unsecured.

Maturities of long-term debt for the next five years are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u>
2009	\$ 8,416
2010	9,206
2011	10,069
2012	11,014
2013	9,964
Thereafter	<u>-</u>
Total	<u>\$48,669</u>

Interest paid was \$745 for the year ended December 31, 2008.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 8: 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 \$1,019 includes an assessment for common area maintenance. Total office space rental expense for the years ended December 31, 2008 and 2007, was \$13,208 and \$13,158, respectively.

Additionally, CCIDC leases a photocopier and a postage meter under other month-to-month operating lease agreements. For the years ended December 31, 2008 and 2007, total leased equipment expense was \$7,059 and \$6,563, respectively.

NOTE 9: FUNCTIONAL ALLOCATION OF EXPENSES

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

	<u>2008</u>	<u>2007</u>
Program services	\$ 314,378	\$ 281,058
Supporting services	<u>40,185</u>	<u>28,079</u>
Total	<u>\$ 354,563</u>	<u>\$ 309,137</u>