

CCIDC, INC.

FINANCIAL STATEMENTS

December 31, 2009 and 2008

CCIDC, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	2
Statements of Revenue, Expenses and Change in Net Assets - Modified Cash Basis	3
Statements of Cash Flows - Modified Cash Basis	4
Notes to Financial Statements	5 - 10

INDEPENDENT AUDITORS' REPORT

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

9261 Sierra College Boulevard
Roseville, California 95661

916.751.2900
916.751.2979 FAX

pccllp.com

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, 2009 and 2008, 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, 2009 and 2008, 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.



June 7, 2010
Roseville, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash	\$ 59,811	\$ 51,438
Office furniture and equipment, net	4,014	6,021
Deposits	<u>776</u>	<u>776</u>
Total Assets	<u>\$ 64,601</u>	<u>\$ 58,235</u>

LIABILITIES AND NET ASSETS

Current Liability:		
Note payable, current portion	\$ 9,206	\$ 8,416
Long-term Liability:		
Note payable, less current portion	31,047	40,253
Net assets - unrestricted	<u>24,348</u>	<u>9,566</u>
Total Liabilities and Net Assets	<u>\$ 64,601</u>	<u>\$ 58,235</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, 2009 and 2008

	2009	2008
Revenue:		
Certification fees	\$ 305,760	\$ 252,125
Application fees	30,250	15,750
Exam fees	54,550	19,350
Other income	8,952	12,211
Total Revenue	399,512	299,436
Expenses:		
Salaries and payroll taxes	206,575	180,671
Marketing and public relations	18,507	23,786
Accounting and legal	12,978	4,575
Travel and lodging	16,939	17,720
Exam fees expense	525	9,381
Postage	6,420	9,802
Certification stamps	11,431	12,274
Leased equipment expense	4,731	7,059
Rent	12,232	13,208
Board expenses	4,971	3,592
Telephone	2,259	2,262
Credit card fees	8,444	5,507
Insurance	2,174	16,798
Office expense	6,278	5,813
Memberships	395	395
CALBO expense	3,393	6,656
Depreciation	2,007	2,007
Interest expense	5,533	779
IDEX expense	57,857	31,080
Miscellaneous	1,081	1,198
Total Expenses	384,730	354,563
Change in net assets	14,782	(55,127)
Net assets - unrestricted, beginning of year	9,566	64,693
Net assets - unrestricted, end of year	\$ 24,348	\$ 9,566

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, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Cash received from applications, renewals and exam fees	\$ 399,512	\$ 299,436
Cash paid to suppliers and employee for compensation	(377,190)	(351,777)
Interest paid	(5,533)	(779)
Net cash provided by (used in) operating activities	16,789	(53,120)
Cash Flows from Financing Activities:		
Proceeds from issuance of note payable	-	50,000
Principal payments on note payable	(8,416)	(1,331)
Net cash provided by (used in) financing activities	(8,416)	48,669
Increase (decrease) in cash	8,373	(4,451)
Cash, beginning of year	51,438	55,889
Cash, end of year	\$ 59,811	\$ 51,438
Reconciliation of Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Change in net assets	\$ 14,782	\$ (55,127)
Depreciation	2,007	2,007
Net cash provided by (used in) operating activities	\$ 16,789	\$ (53,120)

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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 2009, 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, 2010. The amended statute instead repeals those provisions on January 1, 2013, unless a new statute enacted prior to that date extends it. Also under the existing statute, the State required a 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, 2013, unless a new statute enacted prior to that date extends it. In the current year, both statutes passed the legislature and were signed into law by the Governor and chaptered by the Secretary of State.

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.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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 and recording of depreciation on 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 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 Accounting Standards Codification (ASC) 958-30-130 formerly known as Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-30-130, 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).

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (h) CCIDC has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 820, Subtopic 10 (FASB ASC 820-10), which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on the fair value hierarchy established in FASB ASC 820-10. The standard describes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an on-going basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own suppositions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The carrying amounts of cash approximate fair values due to its short-term nature.

The obligations under long-term debt arrangements are carried at its principal amount which reflects the fair market value of this liability.

- (i) Certain items in the 2008 financial statements have been reclassified, with no effect to operations, to conform to the 2009 presentation.
- (j) *New Financial Accounting Pronouncements*
In June 2009, the Financial Accounting Standards Board (FASB) issued guidance which established the Accounting Standards Codification (ASC) as the source of authoritative U.S. generally accepted accounting principles to be applied by nongovernmental entities. The FASB ASC supersedes all of the existing accounting and reporting standards for non-public companies. This guidance was effective for all interim and annual periods ending after September 15, 2009. As this guidance did not substantively change U.S. generally accepted accounting principles, but rather changed its organization and presentation, it did not have an effect on the Organization's financial statements other than to change how the Organization discloses some of its accounting policies.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) New Financial Accounting Pronouncements (continued)

In May 2009, the FASB issued Statement on Financial Accounting Standards No. 165, *Subsequent Events*, now incorporated into FASB ASC Topic 855, *Subsequent Events*. Under FASB ASC 855, entities are required to evaluate events and transactions that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. FASB ASC 855 requires entities to recognize in the financial statement the effect of all events or transactions that provided additional evidence of conditions that existed at the balance sheet date, including the estimates inherent in the financial preparation process. Entities shall not recognize the impact of events or transactions that provide evidence about conditions that did not exist at the balance sheet date but arose after that date. FASB ASC 855 also requires entities to disclose the date through which subsequent events have been evaluated. FASB ASC 855 was effective for interim and annual reporting periods ending June 15, 2009. The Organization adopted the provisions of FASB ASC 855 for the year ended December 31, 2009, as required, and adoption did not have a material impact on the Organization's financial statements taken as a whole.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (an interpretation of FASB Statement No. 109), now incorporated into FASB ASC Topic 740-10, *Income Taxes*. The related provisions of FASB ASC 740-10 prescribe measurement and disclosure requirements for current and deferred income tax provisions, interest and penalties, and generally permits recognizing current and deferred income tax benefits only if it is more likely than not that the reporting entity's tax treatment would be sustained in the event of an examination by taxing authorities. In relation to non-public companies, these provisions of FASB ASC 740-10 were effective for fiscal years beginning after December 15, 2008. The Organization adopted these provisions of FASB ASC 740-10 on January 1, 2009, and adoption did not have a material impact on the Organization's financial statements taken as a whole.

NOTE 4: CASH

CCIDC maintains its cash at a financial institution insured by the Federal Deposit Insurance Corporation (FDIC).

NOTE 5: OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Office furniture and equipment	\$ 14,049	\$ 14,049
Less accumulated depreciation	10,035	8,028
Total	<u>\$ 4,014</u>	<u>\$ 6,021</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$2,007 each year.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 6: DEPOSITS

As of December 31, 2009 and 2008, the Organization's refundable deposit for the office building was \$776 each year.

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 December 31:</u>	<u>Amount</u>
2010	\$ 9,206
2011	10,069
2012	11,014
2013	<u>9,964</u>
Total	<u>\$ 40,253</u>

Interest paid on note payable was \$4,039 and \$745, respectively, for the years ended December 31, 2009 and 2008.

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, 2009 and 2008, was \$12,232 and \$13,208, respectively.

Additionally, CCIDC leases a photocopier and a postage meter under month-to-month operating lease agreements. For the years ended December 31, 2009 and 2008, total leased equipment expense was \$4,731 and \$7,059, respectively.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

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>2009</u>	<u>2008</u>
Program services	\$ 353,331	\$ 314,378
Supporting services	<u>31,399</u>	<u>40,185</u>
Total	<u>\$ 384,730</u>	<u>\$ 354,563</u>

NOTE 10: FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's liability at fair value as of December 31, 2009 and 2008:

<u>Fair Value as of December 31, 2009</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Note payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,253</u>	<u>\$ 40,253</u>

<u>Fair Value as of December 31, 2008</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Note payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,669</u>	<u>\$ 48,669</u>

	<u>Level 3 Liability</u>
	<u>Note Payable</u>
Balance, beginning of year	\$ 48,669
Principal payments	<u>(8,416)</u>
Balance, end of year	<u>\$ 40,253</u>

NOTE 11: RELATED PARTY TRANSACTION

The Organization holds a continuing education (CEU) class after each board meeting. A board member performs the lecture and proceeds from the CEU are split evenly with CCIDC. During 2009, \$1,190 was paid to a related party for performing the lecture.

NOTE 12: DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through June 7, 2010, the date that the financial statements were available to be issued.