

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

We have audited the financial statements of CCIDC, Inc. ("CCIDC") for the year ended December 31, 2014, and have issued our report thereon dated December 29, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 31, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### ***Qualitative Aspects of Accounting Practices***

#### ***Significant Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CCIDC are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### ***Management Judgments and Accounting Estimates***

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

No matters are reportable.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No significant misstatements were detected as a result of our audit procedures.

#### ***Disagreements with Management***

No matters are reportable.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated December 29, 2015.

#### ***Management Consultations with Other Independent Accountants***

No matters are reportable.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements of CCIDC, Inc. as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered CCIDC's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in CCIDC's internal control to be significant deficiencies:

During our audit we noted instances where a full segregation of duties had not been implemented in certain transactions cycles and accounting functions (cash disbursements and cash receipts). The goal of an internal control system is to segregate duties related to transaction authorization, custody of assets, and record keeping. In any organization, certain limitations can exist which prevent a complete segregation of duties, such as the size of the organization and the number of personnel employed in the accounting department. We encourage the Executive Director and Executive Assistant to continue their efforts to segregate duties related to the cash disbursements and cash receipts processes.

This information is intended solely for the use of the Board of Directors and management of CCIDC, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.



December 29, 2015  
Roseville, California

**CCIDC, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2014 and 2013**

CCIDC, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Assets, Liabilities and Net Assets - Modified Cash Basis	3
Statements of Revenue, Expenses and Changes in Net Assets - Modified Cash Basis	4
Statements of Cash Flows - Modified Cash Basis	5
Notes to Financial Statements	6 - 9

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of CCIDC, Inc. (a California nonprofit mutual benefit corporation), which comprise the statements of assets, liabilities, and net assets—modified cash basis as of December 31, 2014 and 2013, and the related statements of revenue, expenses, and changes in net assets—modified cash basis and cash flows—modified cash basis for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 3; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

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, 2014 and 2013, and its revenue, expenses and changes in net assets and its cash flows for the years then ended in accordance with the modified cash basis of accounting as described in Note 3.

**Basis of Accounting**

We draw attention to Note 3 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Proff Britton Coniglio LLP*

December 29, 2015  
Roseville, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND  
NET ASSETS - MODIFIED CASH BASIS  
December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 29,917	\$ 24,781
Deposits	<u>776</u>	<u>776</u>
Total assets	<u>\$ 30,693</u>	<u>\$ 25,557</u>

LIABILITIES AND NET ASSETS

Net assets - unrestricted	<u>\$ 30,693</u>	<u>\$ 25,557</u>
Total liabilities and net assets	<u>\$ 30,693</u>	<u>\$ 25,557</u>

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

CCIDC, INC.

STATEMENTS OF REVENUE, EXPENSES AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue:		
Certification fees	\$ 245,841	\$ 280,900
Application fees	14,400	14,400
Exam fees	41,850	42,535
Other income	<u>1,708</u>	<u>1,800</u>
Total revenue	<u>303,799</u>	<u>339,635</u>
Expenses:		
Salaries and payroll taxes	207,688	203,816
Marketing and public relations	12,250	19,965
Accounting and legal	6,395	6,818
Travel and lodging	6,206	14,162
Postage	5,505	4,578
Certification stamps	9,435	10,127
Leased equipment	7,370	7,600
Rent	12,232	12,232
Board	1,200	1,400
Telephone	4,266	3,823
Credit card fees	5,098	5,106
Insurance	2,053	2,001
Office	4,069	2,435
CALBO	1,663	1,498
Interest	-	604
IDEX	13,105	12,325
Miscellaneous	<u>128</u>	<u>353</u>
Total expenses	<u>298,663</u>	<u>308,843</u>
Change in net assets	5,136	30,792
Net assets - unrestricted, beginning of year	<u>25,557</u>	<u>(5,235)</u>
Net assets - unrestricted, end of year	<u>\$ 30,693</u>	<u>\$ 25,557</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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from applications, renewals and exam fees	\$ 303,799	\$ 339,635
Cash paid to suppliers and employees for compensation	(298,663)	(308,239)
Interest paid	-	(604)
	<u>5,136</u>	<u>30,792</u>
Net cash provided by operating activities		
Cash flows from financing activities:		
Principal payments on note payable	-	(9,964)
	<u>5,136</u>	<u>20,828</u>
Net increase in cash		
Cash, beginning of year	<u>24,781</u>	<u>3,953</u>
Cash, end of year	<u>\$ 29,917</u>	<u>\$ 24,781</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	<u>\$ 5,136</u>	<u>\$ 30,792</u>
Net cash provided by operating activities	<u>\$ 5,136</u>	<u>\$ 30,792</u>

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

NOTE 1: NATURE OF ORGANIZATION

CCIDC, Inc. ("CCIDC" or the "Organization"), 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, which was initially scheduled to be repealed effective January 1, 2010. The most recent amended statute instead repeals those provisions on January 1, 2018, 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). 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, 2014 and 2013

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization's policy is to prepare its financial statements on a modified cash basis of accounting, which 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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-205-45, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

*Unrestricted net assets* - Net assets that are not subject to stipulations.

*Temporarily restricted net assets* - Net assets subject to stipulations that will be met by actions of the Organization or passage of time.

*Permanently restricted net assets* - Net assets subject to stipulations that must be maintained permanently by the Organization.

There were no temporarily or permanently restricted net assets as of December 31, 2014 and 2013.

Cash and Cash Equivalents

CCIDC considers all highly liquid investments with a maturity of three months or less to be cash equivalents. At December 31, 2014 and 2013 there were no cash equivalents.

Office Furniture and Equipment

Office furniture and equipment are 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.

Revenue

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.

Estimates

The preparation of financial statements may require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

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). After they are filed, CCIDC's income tax returns remain subject to examination by taxing authorities generally three years for federal returns and four years for state returns.

Subsequent Events

Events and transactions have been evaluated for potential recognition or disclosure through December 29, 2015, the date that the financial statements were available to be issued.

NOTE 4: CASH

CCIDC maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Organization's cash balances did not exceed federally insured limits as of December 31, 2014 and 2013.

NOTE 5: DEPOSITS

At December 31, 2014 and 2013, the Organization had a refundable deposit for the office building of \$776.

NOTE 6: NOTE PAYABLE

On October 16, 2008, CCIDC executed a \$50,000 promissory note bearing interest at 9% per annum, payable to Cynthia J. Pearson, and maturing in 2013 with no penalty for making additional payments or paying the loan in full at any time. Monthly principal and interest payments under the note were \$1,038 and due on the fifteenth of each month beginning November 15, 2008. The note was non-assumable and unsecured. As of December 31, 2013, the note had been paid in full. Interest paid on the note was \$604 for the year ended December 31, 2013.

NOTE 7: 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, 2014 and 2013 was \$12,232 for each year.

Additionally, CCIDC leases a photocopier and a postage meter under month-to-month operating lease agreements. For the years ended December 31, 2014 and 2013, total leased equipment expense was \$7,370 and \$7,600, respectively.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013

NOTE 8: FUNCTIONAL ALLOCATION OF EXPENSES

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

	<u>2014</u>	<u>2013</u>
Program services	\$ 269,281	\$ 281,021
Supporting services	<u>29,382</u>	<u>27,822</u>
Total	<u>\$ 298,663</u>	<u>\$ 308,843</u>