

January 10, 2018

To the Board of Directors and Management
CCIDC, Inc.
365 W. Second Avenue, Suite 102
Escondido, California 92029

9261 Sierra College Boulevard
Roseville, California 95661

916.751.2900
916.751.2979 FAX

pccllp.com

We have audited the financial statements of CCIDC, Inc. ("the Organization") for the year ended December 31, 2016, and have issued our report thereon dated December 15, 2017. 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 October 28, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization 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 2016. 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.

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

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 15, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to the retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Organization as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization'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 Organization'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 Organization'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.

To the Board of Directors and Management
CCIDC, Inc.
Page 3

This communication is intended solely for the information and 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.

Proprietors Group LLC

Roseville, California

CCIDC, INC.
FINANCIAL STATEMENTS
December 31, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015, 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.



9261 Sierra College Boulevard
Roseville, California 95661

916.751.2900
916.751.2979 FAX

pccllp.com

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.

Propp Britton Benigui LLP

December 15, 2017
Roseville, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND
NET ASSETS - MODIFIED CASH BASIS
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash	\$ 5,820	\$ 13,277
Office furniture and equipment, net	-	-
Deposits	<u>776</u>	<u>776</u>
Total assets	<u>\$ 6,596</u>	<u>\$ 14,053</u>

LIABILITIES AND NET ASSETS

Net assets - unrestricted	<u>\$ 6,596</u>	<u>\$ 14,053</u>
Total liabilities and net assets	<u>\$ 6,596</u>	<u>\$ 14,053</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Certification fees	\$ 240,913	\$ 246,826
Application fees	10,900	13,350
Exam fees	32,051	35,300
Other income	<u>3,003</u>	<u>1,950</u>
Total revenue	<u>286,867</u>	<u>297,426</u>
Expenses:		
Salaries and payroll taxes	194,312	207,039
Marketing and public relations	14,149	14,632
Accounting and legal	6,075	7,050
Travel and lodging	7,094	7,623
Postage	4,766	5,783
Certification stamps	15,110	10,693
Leased equipment	7,215	7,565
Rent	12,232	12,232
Board	1,252	900
Telephone	4,803	4,705
Credit card fees	5,188	5,408
Insurance	2,119	2,158
Office	3,056	3,504
Memberships	300	300
CALBO	4,158	2,020
Interest	349	42
IDEX	11,888	22,293
Miscellaneous	<u>258</u>	<u>119</u>
Total expenses	<u>294,324</u>	<u>314,066</u>
Change in net assets	(7,457)	(16,640)
Net assets - unrestricted, beginning of year	<u>14,053</u>	<u>30,693</u>
Net assets - unrestricted, end of year	<u>\$ 6,596</u>	<u>\$ 14,053</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from applications, renewals and exam fees	\$ 286,867	\$ 297,426
Cash paid to suppliers and employees for compensation	(293,975)	(314,024)
Interest paid	<u>(349)</u>	<u>(42)</u>
Net cash used in operating activities	<u>(7,457)</u>	<u>(16,640)</u>
Cash, beginning of year	<u>13,277</u>	<u>29,917</u>
Cash, end of year	<u>\$ 5,820</u>	<u>\$ 13,277</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	<u>\$ (7,457)</u>	<u>\$ (16,640)</u>
Net cash used in operating activities	<u>\$ (7,457)</u>	<u>\$ (16,640)</u>

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

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, 2016 and 2015

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, 2016 and 2015.

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, 2016 and 2015 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, 2016 and 2015

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 15, 2017, 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, 2016 and 2015.

NOTE 5: OFFICE FURNITURE AND EQUIPMENT

The historical cost of fully depreciated office furniture and equipment at December 31, 2016 and 2015 is \$14,049. There was no depreciation expense for the years then ended.

NOTE 6: DEPOSITS

At December 31, 2016 and 2015, the Organization had a refundable deposit for the office building of \$776.

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 each of the years ended December 31, 2016 and 2015 was \$12,232.

Additionally, CCIDC leases a photocopier and a postage meter under month-to-month operating lease agreements. For the years ended December 31, 2016 and 2015, total leased equipment expense was \$7,215 and \$7,565, respectively.

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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>2016</u>	<u>2015</u>
Program services	\$ 266,684	\$ 285,021
Supporting services	<u>27,640</u>	<u>29,045</u>
Total	<u>\$ 294,324</u>	<u>\$ 314,066</u>

CLIENT 72056

**PROPP CHRISTENSEN CANIGLIA LLP
9261 SIERRA COLLEGE BOULEVARD
ROSEVILLE, CA 95661-5919
916.751.2900**

November 6, 2017

CCIDC, Inc.
1605 Grand Avenue Suite 4
San Marcos, CA 92078

Dear Client:

Your 2016 Federal Return of Organization Exempt from Income Tax will be electronically filed with the Internal Revenue Service upon receipt of a signed Form 8879-EO - IRS e-file Signature Authorization. No tax is payable with the filing of this return.

Your 2016 California Exempt Organization Annual Information Return will be electronically filed with the State of California upon receipt of a signed Form 8453-EO. No tax is payable with the filing of this return.

Enclosed is your California Registration/Renewal Fee Report to the Attorney General. The original should be signed at the bottom of page one. There is a fee due of \$75 payable by November 15, 2017. Make the check or money order payable to "Attorney General's Registry of Charitable Trusts" and mail your California report on or before November 15, 2017 to:

REGISTRY OF CHARITABLE TRUSTS
P.O. BOX 903447
SACRAMENTO, CA 94203-4470

Please be sure to call us if you have any questions.

Sincerely,



K. JEFFREY DE LYSER, CPA