

**CCIDC, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

CCIDC, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
CCIDC, Inc.  
Escondido, 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, 2017 and 2016, 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, 2017 and 2016, 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.

*Propp Britton Coniglio LLP*

September 25, 2018  
Roseville, California

CCIDC, INC.

STATEMENTS OF ASSETS, LIABILITIES AND  
NET ASSETS - MODIFIED CASH BASIS  
December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets:		
Cash	\$ 5,880	\$ 5,820
Office furniture and equipment, net	-	-
Deposits	<u>1,222</u>	<u>776</u>
Total assets	<u>\$ 7,102</u>	<u>\$ 6,596</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Note payable, current portion	\$ 5,875	\$ -
Long-term liabilities:		
Note payable, less current portion	<u>9,608</u>	<u>-</u>
Total liabilities	15,483	-
Net assets - unrestricted	<u>(8,381)</u>	<u>6,596</u>
Total liabilities and net assets	<u>\$ 7,102</u>	<u>\$ 6,596</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue:		
Certification fees	\$ 241,341	\$ 240,913
Application fees	13,375	10,900
Exam fees	39,080	32,051
Other income	<u>3,375</u>	<u>3,003</u>
Total revenue	<u>297,171</u>	<u>286,867</u>
Expenses:		
Salaries and payroll taxes	190,598	194,312
Marketing and public relations	18,355	14,149
Accounting and legal	6,300	6,075
Travel and lodging	15,719	7,094
Postage	4,963	4,766
Certification stamps	12,194	15,110
Leased equipment	7,608	7,215
Rent	13,423	12,232
Board	1,108	1,252
Telephone	5,940	4,803
Credit card fees	6,352	5,188
Insurance	2,121	2,119
Office	5,938	3,056
Memberships	1,050	300
CALBO	306	4,158
Interest	1,416	349
IDEX	18,482	11,888
Miscellaneous	<u>275</u>	<u>258</u>
Total expenses	<u>312,148</u>	<u>294,324</u>
Change in net assets	(14,977)	(7,457)
Net assets - unrestricted, beginning of year	<u>6,596</u>	<u>14,053</u>
Net assets - unrestricted, end of year	<u>\$ (8,381)</u>	<u>\$ 6,596</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from applications, renewals and exam fees	\$ 297,171	\$ 286,867
Cash paid to suppliers and employees for compensation	(311,178)	(293,975)
Interest paid	<u>(1,416)</u>	<u>(349)</u>
Net cash used in operating activities	<u>(15,423)</u>	<u>(7,457)</u>
Cash flows from financing activities:		
Proceeds from note payable	18,600	-
Principal payments on note payable	<u>(3,117)</u>	<u>-</u>
Net cash provided by financing activities	<u>15,483</u>	<u>-</u>
Net increase (decrease) in cash	60	(7,457)
Cash, beginning of year	<u>5,820</u>	<u>13,277</u>
Cash, end of year	<u>\$ 5,880</u>	<u>\$ 5,820</u>
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	\$ (14,977)	\$ (7,457)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Increase in deposits	<u>(446)</u>	<u>-</u>
Net cash used in operating activities	<u>\$ (15,423)</u>	<u>\$ (7,457)</u>

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

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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, 2022, 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.



NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016 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, 2017 and 2016

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 September 25, 2018, 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, 2017 and 2016.

NOTE 5: OFFICE FURNITURE AND EQUIPMENT

The historical cost of fully depreciated office furniture and equipment at December 31, 2017 and 2016 is \$14,049. There was no depreciation expense for the years then ended.

NOTE 6: DEPOSITS

At December 31, 2017 and 2016, the Organization had a refundable deposit for the office building of \$1,222 and \$776, respectively.

NOTE 7: NOTES PAYABLE

CCIDC obtained a note payable from American Express Bank, FSB on June 23, 2017, with interest at the rate of 11.97% per annum. The note payable has a required monthly principal and interest payment of \$618 and a term of three years maturing on May 23, 2020. The balance outstanding at December 31, 2017 was \$15,483.

Maturity of the notes payable in each of the next three years are estimated as follows:

<u>Year Ending December 31:</u>	
2018	\$ 5,875
2019	6,618
2020	<u>2,990</u>
Total	<u>\$ 15,483</u>

CCIDC, INC.

NOTES TO FINANCIAL STATEMENTS  
December 31, 2017 and 2016

NOTE 8: OPERATING LEASES

Effective October 2017, CCIDC leases its office facilities under a five-year operating lease agreement, which expires on September 2022. In addition, CCIDC leases a printer and software under a five-year operating lease agreement, which expires on August 2022. For the years ended December 31, 2017 and 2016, total rent and leased equipment expense was \$21,031 and \$19,447, respectively.

Future minimum lease commitments under operating leases are as follows:

<u>Year Ending December 31:</u>	
2018	\$ 18,811
2019	18,811
2020	18,811
2021	18,811
2022	<u>13,446</u>
	<u>\$ 88,690</u>

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>2017</u>	<u>2016</u>
Program services	\$ 281,489	\$ 266,684
Supporting services	<u>30,659</u>	<u>27,640</u>
Total	<u>\$ 312,148</u>	<u>\$ 294,324</u>