

CALIFORNIA COUNCIL FOR
INTERIOR DESIGN CERTIFICATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The California Council for Interior Design Certification (CCIDC) 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 Business and Professions Code under the title "Certified Interior Designer" by the State of California.

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, recording liabilities for the acquisition of long-lived assets, payroll withholdings, accruals of payroll taxes, and other selected accruals and receivables. Under this basis, revenue is generally recognized when collected rather than when earned, and expenses are generally recognized when paid rather than when the obligations are incurred. Consequently, accounts receivable, accounts payable and accrued expenses, other than those mentioned above, are not included in the financial statements.

The following is a summary of significant accounting policies:

- (a) CCIDC considers cash in banks and certificates of deposits with maturities of three months or less as cash and cash equivalents.
- (b) Short-term investments are carried at cost and consist of certificates of deposits with maturities greater than three months, but less than twelve.
- (c) Office furniture and equipment is stated at cost. 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 charged to expenses as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

- (d) 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 restricted net assets.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (e) 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.
- (f) CCIDC is exempt from income tax under Section 501(c)(6) of the Internal Revenue Code and Section 23701e 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).

NOTE 2: CASH

CCIDC maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. CCIDC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 3 : OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment at December 31, 2001, consisted of the following:

Office furniture and equipment	\$25,608
Less accumulated depreciation	<u>(25,608)</u>
Total	<u>\$ -</u>

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES

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

Program services	\$241,140
Supporting services	<u>3,167</u>
Total	<u>\$272,812</u>

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NOTE 5: NEW STATUTE

In October 2001, California lawmakers amended certain provisions of Section 5800 of the California Business and Professions Code. Under the new statute, which becomes effective January 1, 2002, the title "Certified Interior Designer" is protected until January 1, 2004, unless a new statute enacted prior to that date extends it.

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 by September 1, 2002, on outreach efforts, examinations, finances, interactions of the organization, and materials and information.

The new statute also requires that CCIDC 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 is presently tax-exempt under Section 501(c)(6) of the IRC, which allows 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.

In January 2002, the members of CCIDC voted to:

- . Create a new non-profit 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 et, seq. of the California Business and Professions Code;
- . Transfer the interests of the members of CCIDC and the assets of CCIDC to the newly formed non-profit corporation; and
- . Dissolve the present corporation after the above-referenced transfers to the new non-profit corporation are complete.