

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

with

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Financial Statements (Unaudited)

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

September 30, 2018

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Interior Design Educators Council, Inc.
Oakbrook Terrace, Illinois

We have reviewed the accompanying financial statements of Interior Design Educators Council, Inc., which comprise the statement of financial position as of September 30, 2018 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Council management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Williams Benator + Libby, LLP

Atlanta, Georgia

July 12, 2019

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

September 30, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 352,273
Accounts receivable	29,576
Prepaid expenses	6,475
TOTAL CURRENT ASSETS	<u>388,324</u>

DUE FROM IDEC FOUNDATION--NOTE B 5,000

INVESTMENTS HELD ON BEHALF OF THE COUNCIL--Note C 83,297

TOTAL ASSETS 476,621

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 8,716
Deferred dues and revenues	59,749
TOTAL CURRENT LIABILITIES	<u>68,465</u>

NET ASSETS

Unrestricted:	
Board designated--Note E	41,648
Undesignated	319,513
	<u>361,161</u>
Temporarily restricted--Note D	21,995
Permanently restricted--Note C	25,000
	<u>408,156</u>

TOTAL LIABILITIES AND NET ASSETS \$ 476,621

See independent accountants' review report and notes to financial statements.

STATEMENT OF ACTIVITIES (UNAUDITED)

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

Year Ended September 30, 2018

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenues and support	
Membership dues and member services	\$ 147,948
Conference registrations and sponsorships	226,723
Web announcements	27,156
Journal of Interior Design	46,229
Regions	30,400
Investment and interest income	<u>9,009</u>

TOTAL REVENUES AND SUPPORT 487,465

Expenses	
Program services:	
Conference	145,256
Journal of Interior Design	25,991
Regions	19,684
Management and general	<u>278,157</u>
TOTAL EXPENSES	<u>469,088</u>

INCREASE IN UNRESTRICTED NET ASSETS 18,377

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Gain on investments--Note C	<u>2,963</u>
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>2,963</u>

INCREASE IN NET ASSETS 21,340

Net assets at beginning of year 386,816

NET ASSETS AT END OF YEAR \$ 408,156

See independent accountants' review report and notes to financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED)

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from members and other supporters	\$ 479,007
Cash paid to service and product providers	(466,322)
Investment income received	6,047
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>18,732</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash repayment received from related party	<u>5,000</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 23,732

Cash and cash equivalents at beginning of year 328,541

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 352,273

RECONCILIATION OF INCREASE IN NET ASSETS

TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Increase in net assets	\$ 21,340
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Gain on investments held on behalf of Council--Note C	(5,925)
(Increase) decrease in operating assets:	
Decrease in accounts receivable	3,675
Decrease in prepaid expenses	333
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	2,433
Deferred dues and revenues	<u>(3,124)</u>
	<u>\$ 18,732</u>

See independent accountants' review report and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

September 30, 2018

NOTE A--DESCRIPTION OF COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interior Design Educators Council, Inc. (“the Council”) is a not-for-profit organization dedicated to the advancement of interior design education, development, and improvement while fostering the exchange of information within the interior design profession and related design disciplines. These goals are accomplished by holding conferences and various other activities. The Council has various types of memberships, depending on the nature of each member’s business.

The following accounting policies are presented to assist the reader in understanding the Council's financial statements:

Accounting Standards Codification: The Council follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification as its sole source of authoritative guidance.

Revenue Recognition: Membership dues are recognized during the period covered by the membership. Meeting registration fees are recognized when the meetings take place. Web announcements revenues are recognized during the duration of each announcement. Journal of Interior Design revenues are recorded during the period covered by the subscription.

Financial Statement Presentation: The Council reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions with donor restrictions are recorded as contributions without donor restrictions if their restrictions are met in the year of receipt.

Functional Allocation of Expenses: The costs of providing the Council’s programs and other activities have been summarized on a functional basis in the Statement of Activities. Management fees paid to a management company are classified as management and general expenses, based on the majority of the work performed by the management company.

Income Taxes: The Council is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision is made for federal taxes on the Council’s exempt activities. The Council is also exempt from state income taxes.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--Continued

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

NOTE A--DESCRIPTION OF COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

The Council follows recent accounting guidance on accounting for uncertainty in income tax. It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a company's income tax returns, including taxes on unrelated business income earned by non-profit organizations, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The fiscal years ended September 30, 2015 through 2018 remain open to examination by the major tax jurisdictions to which the Council is subject. The Council has concluded that there are no uncertain tax positions related to years open to examination that would require recognition in the financial statements.

Investments: Investments are stated at fair value, based on quoted market prices. The fair value of investments in securities that are traded on national securities exchanges is determined based on the closing price on the last business day of the year. Securities traded on the over-the-counter market are valued at the last reported bid price. Sales and purchases are recognized on the settlement date.

In valuing investments at fair value, the Council uses current accounting guidance, which provides for the use of Level 1 inputs, which are quoted prices in active markets for identical assets, Level 2 inputs, which are quoted market prices in active markets for similar instruments traded in active markets, quoted prices of identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market, and Level 3 inputs, which are unobservable inputs for assets that rely on management's own estimates of assumptions that market participants would use in pricing the assets. At September 30, 2018, the Council's investments were valued using a combination of Level 1 (\$62,960, consisting of a money market account and equities) and Level 2 (\$20,337, consisting of fixed income securities) inputs.

A portion of the Council's investment are endowment investments. The corpus of these investments is permanently restricted and the income from these investments is temporarily restricted, as more fully described in Note C.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Council considers demand deposits and all unrestricted, highly liquid investments purchased with an original maturity of three months or less which can be readily converted to cash on demand, without penalty, to be cash equivalents. At September 30, 2018, cash equivalents included bank accounts and money market accounts.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--Continued

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

NOTE A--DESCRIPTION OF COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which will supersede most of the existing revenue recognition guidance. The core principle of the new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, with early adoption permitted, with certain restrictions, for years beginning after December 15, 2016. The new standard allows for either full retrospective or modified retrospective adoption. The Council is currently evaluating which transition approach to use and the impact, if any, of implementation of this new standard on its financial statements.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14 ("ASU 2016-14"), "Presentation of Financial Statements of Not-for-Profit Entities", that will change how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources, which includes qualitative and quantitative requirements related to net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early application permitted. The Council is currently evaluating the impact of the adoption of this accounting standard update on its financial reporting.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08 ("ASU 2018-08"), "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", which provides not-for-profit organizations with assistance in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, "Not-for-Profit Entities", or as exchange (reciprocal) transactions, and also provides guidance for determining whether a contribution is conditional. The amendments in ASU 2018-08 will likely result in more grants and contracts being accounted for as either

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--Continued

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

NOTE A--DESCRIPTION OF COUNCIL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

contributions or conditional contributions than under previous guidance. ASU 2018-08 is effective for contributions received in annual periods beginning after December 15, 2018, and for contributions made in annual periods beginning after December 15, 2019. Early adoption of the amendments is permitted. The amendments in ASU 2018-08 may be applied on either a modified prospective basis or a retrospective basis. The Alliance is currently evaluating which transition approach to use and the impact, if any, of implementation of this new standard on its financial statements.

Subsequent Events: Subsequent events have been evaluated through July 12, 2019, which is the date the financial statements were available to be issued.

NOTE B--DUE FROM INTERIOR DECORATORS COUNCIL FOUNDATION

At September 30, 2018, the Council had a \$5,000 receivable from the Interior Design Educators Council Foundation (“the Foundation”), a related foundation.

NOTE C--INVESTMENTS HELD ON BEHALF OF THE COUNCIL

In January 2005, the Foundation entered into an agreement with the Polsky Family Supporting Foundation (“the PFSF”) to establish an endowment fund to be administered by the Foundation, for the benefit of the Council. The \$50,000 endowment fund was established with a \$25,000 contribution by the Council and a matching contribution from PFSF. The \$25,000 contributed by the Council, and earnings on this portion of the investment, are included in Board designated net assets. The \$25,000 contributed by PFSF is recorded in permanently restricted net assets, with the related undistributed earnings being included in temporarily restricted net assets, until appropriated for expenditure.

Concurrent with the Foundation's agreement with PFSF, an agreement was entered into between the Council and the Foundation regarding this endowment fund. Terms of the agreement allow the Council control of \$25,000 of the principal of the endowment. The Council defines the terms for the investment or disbursement of interest generated from the \$50,000 endowment fund, including the percentage of interest earned that may be disbursed to the Council annually. The Council may cancel the agreement with the Foundation at any time, at which time the Foundation has 30 days to release the \$25,000 back to the Council.

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)--Continued

INTERIOR DESIGN EDUCATORS COUNCIL, INC.

NOTE C--INVESTMENTS HELD ON BEHALF OF THE COUNCIL--Continued

The fair value of the investments held by the Foundation for the Council at September 30, 2018 was \$83,297. During the year ended September 30, 2018, the Council recognized net investment gains of \$5,925, of which \$2,962 related to Board designated net assets and \$2,963 related to temporarily restricted net assets.

The following is a reconciliation of the beginning and ending balances of the Council's endowment net assets for the year ended September 30, 2018:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance at October 1, 2017	\$ 38,686	\$ 13,686	\$ 25,000	\$ 77,372
Net investment gains	<u>2,962</u>	<u>2,963</u>	<u>-0-</u>	<u>5,925</u>
Balance at September 30, 2018	<u>\$ 41,648</u>	<u>\$ 16,649</u>	<u>\$ 25,000</u>	<u>\$ 83,297</u>

NOTE D--TEMPORARILY RESTRICTED NET ASSETS

At September 30, 2018, net assets were temporarily restricted by donors for the following:

Body of Knowledge Project	\$ 5,346
Cumulative net gains on investments held on behalf of the Council, more fully described in Note C	<u>16,649</u>
	<u>\$ 21,995</u>

NOTE E--BOARD DESIGNATED NET ASSETS

At September 30, 2018, Board designated net assets of \$41,648 were designated for the endowment fund, as more fully described in Note C.

NOTE F--COMMITMENTS

The Council has made commitments to a hotel for a conference to be held during March 2020. If the conference is canceled, the Council will be contractually obligated to pay maximum liquidated damages of approximately \$87,000.