

**NATIONAL COUNCIL ON
EDUCATION FOR THE
CERAMIC ARTS**

**Financial Statements with
Accompanying Independent
Auditors' Report**

June 30, 2022 and 2021

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
National Council on Education for the Ceramic Arts
Boulder, Colorado

Opinion

We have audited the accompanying financial statements of National Council on Education for the Ceramic Arts (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Council on Education for the Ceramic Arts as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11 to the financial statements, In March 2020, in response to the COVID-19 pandemic, the Organization was forced to cancel its annual conference which was scheduled to take place that month. Due to the continuing severity of the pandemic, the Organization switched its March 2021 conference to a virtual platform, and the March 2022 the conference was a hybrid model. Because of this, the Organization's total conference, exhibitor fees and events revenue for 2022 and 2021 were significantly lower than 2019. The auditors' opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Council on Education for the Ceramic Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council on Education for the Ceramic Arts's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 National Council on Education for the Ceramic Arts's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Council on Education for the Ceramic Arts's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The details of Net Assets by Fund for the year ended June 30, 2022 on page 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material aspect in relation to the basic financial statements taken as a whole.

Tandem CPAs, LLC

Tandem CPAs, LLC

October 25, 2022

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Financial Position

June 30, 2022 and 2021

| | ASSETS | |
|--|---------------------|---------------------|
| Assets | 2022 | 2021 |
| Current Assets | | |
| Cash and cash equivalents | \$ 30,278 | \$ 90,359 |
| Grants and accounts receivable | 25,000 | 88,000 |
| Prepaid expenses | 27,585 | 60,322 |
| Investments at fair market value | 2,973,310 | 4,619,028 |
| Total Current Assets | 3,056,173 | 4,857,709 |
| Property and Equipment | | |
| Furniture, fixtures and equipment | 28,692 | 28,692 |
| Less accumulated depreciation | (27,071) | (26,098) |
| Net Property and Equipment | 1,621 | 2,594 |
| Other Assets | | |
| Prepaid expenses | 32,247 | 21,448 |
| Endowment investments at fair market value | 187,549 | 219,027 |
| Total Other Assets | 219,796 | 240,475 |
| Total Assets..... | \$ 3,277,590 | \$ 5,100,778 |
| LIABILITIES & NET ASSETS | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts and awards payable | \$ 10,950 | \$ 14,350 |
| Accrued expenses | 20,292 | 90,455 |
| Deferred revenue | 171,240 | 246,851 |
| Total Current Liabilities | 202,482 | 351,656 |
| Commitments and Contingencies..... | - | - |
| Long-Term Liabilities | | |
| PPP Loan | - | 115,842 |
| Total Long-Term Liabilities | - | 115,842 |
| Total Liabilities..... | 202,482 | 467,498 |
| Net Assets | | |
| Without donor restrictions | 2,673,528 | 4,209,127 |
| With donor restrictions | 401,580 | 424,153 |
| Total Net Assets | 3,075,108 | 4,633,280 |
| Total Liabilities and Net Assets..... | \$ 3,277,590 | \$ 5,100,778 |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Activities For the Years Ended June 30, 2022 and 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2022 Total</u> | <u>2021 Total</u> |
|---|---------------------------------------|------------------------------------|----------------------------|----------------------------|
| Operating Revenues | | | | |
| Conference fees | \$ 468,468 | \$ - | \$ 468,468 | \$ 140,070 |
| Conference incentive and contributions | 16,070 | - | 16,070 | - |
| Exhibitor fees | 110,102 | - | 110,102 | 29,400 |
| Member dues | 176,388 | - | 176,388 | 134,628 |
| Events | 35,976 | 53,562 | 89,538 | 10,802 |
| Conference program advertising | 17,243 | - | 17,243 | - |
| Sponsorships | 26,800 | - | 26,800 | 9,760 |
| Grants | 25,000 | - | 25,000 | 35,000 |
| Publications | 34,876 | - | 34,876 | 34,260 |
| PPP Loan forgiveness | 115,842 | - | 115,842 | 94,138 |
| Gain (loss) on equipment disposal | - | - | - | 510 |
| Investment return (net of expenses) | (631,215) | - | (631,215) | 913,596 |
| Contributions | 67,433 | 22,426 | 89,859 | 86,443 |
| Net assets released from restrictions | 98,561 | (98,561) | - | - |
| | <u>561,544</u> | <u>(22,573)</u> | <u>538,971</u> | <u>1,488,607</u> |
| Total Operating Revenues (deficit) | | | | |
| Operating Expenses | | | | |
| Program Services: | | | | |
| Conference | 1,275,434 | - | 1,275,434 | 527,730 |
| Exhibitions | 168,044 | - | 168,044 | 123,589 |
| Publications | 95,133 | - | 95,133 | 92,728 |
| Other programs | 278,059 | - | 278,059 | 232,204 |
| Total Program Services | <u>1,816,670</u> | <u>-</u> | <u>1,816,670</u> | <u>976,251</u> |
| Supporting Services: | | | | |
| Management and general | 150,636 | - | 150,636 | 134,272 |
| Board expenses | 98,359 | - | 98,359 | 66,544 |
| Total Support Services | <u>248,995</u> | <u>-</u> | <u>248,995</u> | <u>200,816</u> |
| Total Operating Expenses..... | <u>2,065,665</u> | <u>-</u> | <u>2,065,665</u> | <u>1,177,067</u> |
| Increase (Decrease) in Net Assets from Operating | (1,504,121) | (22,573) | (1,526,694) | 311,540 |
| Non-Operating Activities | | | | |
| Investment return in excess (deficit) of amounts designated for current operations | <u>(31,478)</u> | <u>-</u> | <u>(31,478)</u> | <u>757</u> |
| Increase (Decrease) in Net Assets | (1,535,599) | (22,573) | (1,558,172) | 312,297 |
| Net Assets at Beginning of Year | <u>4,209,127</u> | <u>424,153</u> | <u>4,633,280</u> | <u>4,320,983</u> |
| Net Assets at End of Year..... | <u>\$ 2,673,528</u> | <u>\$ 401,580</u> | <u>\$ 3,075,108</u> | <u>\$ 4,633,280</u> |

**NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS
MANAGEMENT SYSTEMS AND SUBSIDIARY**

**Statement of Functional Expenses
For the Years Ended June 30, 2022 and 2021**

| | PROGRAM SERVICES | | | | | SUPPORT SERVICES | | | 2022 Total | 2021 Total |
|------------------------------|------------------|----------------|---------------|----------------|------------------|---------------------------|----------------|----------------|------------------|------------------|
| | Conference | Exhibitions | Publications | Other Programs | Total Program | General & Admin. Expenses | Board Expenses | Total Support | | |
| Salaries | 206,966 | 27,701 | 27,701 | 45,515 | 307,883 | 97,031 | 18,273 | 115,304 | 423,187 | 386,930 |
| Payroll taxes | 17,176 | 2,299 | 2,299 | 3,777 | 25,551 | 7,556 | 1,516 | 9,072 | 34,623 | 29,689 |
| Employee benefits | 50,784 | 6,797 | 6,797 | 11,168 | 75,546 | 22,337 | 4,484 | 26,821 | 102,367 | 91,555 |
| Advertising | | | | 33,710 | 33,710 | | | - | 33,710 | 39,140 |
| Awards | | 2,000 | | 51,017 | 53,017 | | | - | 53,017 | 60,799 |
| Bank and credit card fees | 30,347 | | | 627 | 30,974 | | | - | 30,974 | 11,754 |
| Facility | 94,901 | | | | 94,901 | | | - | 94,901 | 307 |
| Contract services | 197,333 | 10,766 | | 2,345 | 210,444 | | | - | 210,444 | 53,347 |
| Database subscriptions | | | | 44,650 | 44,650 | | | - | 44,650 | 40,000 |
| Depreciation | | | | 973 | 973 | | | - | 973 | 1,444 |
| Design, production & editing | | 13,431 | 28,629 | | 42,060 | | | - | 42,060 | 38,631 |
| Dues and subscriptions | | | | 16,426 | 16,426 | 10 | | 10 | 16,436 | 7,040 |
| Equipment | 215,865 | | | | 215,865 | 4,241 | | 4,241 | 220,106 | - |
| Honoraria | 59,050 | 16,500 | | 6,650 | 82,200 | | | - | 82,200 | 78,250 |
| Insurance | 262 | | | 5,104 | 5,366 | 3,458 | 3,954 | 7,412 | 12,778 | 11,957 |
| Postage and shipping | 38,491 | 40,571 | 5,002 | 9,823 | 93,887 | 117 | 40 | 157 | 94,044 | 31,959 |
| Printing | 22,149 | 24,758 | 22,989 | 269 | 70,165 | | 12 | 12 | 70,177 | 55,920 |
| Professional fees | 100,984 | | | 26,421 | 127,405 | 11,847 | 9,854 | 21,701 | 149,106 | 206,126 |
| Randall session | 3,500 | | | | 3,500 | | | - | 3,500 | 2,750 |
| Rent | 8,864 | 1,186 | 1,186 | 1,949 | 13,185 | 3,898 | 783 | 4,681 | 17,866 | 19,987 |
| Special events | 10,049 | 6,474 | | 3,300 | 19,823 | | | - | 19,823 | 66 |
| Supplies | 12,764 | 291 | 530 | 11,958 | 25,543 | 141 | 180 | 321 | 25,864 | 4,590 |
| Taxes | 2,446 | | | | 2,446 | | | - | 2,446 | 10 |
| Telephone and internet | 44,427 | | | 2,200 | 46,627 | | 941 | 941 | 47,568 | 1,920 |
| Travel | 158,376 | 15,270 | | 177 | 173,823 | | 58,234 | 58,234 | 232,057 | 1,848 |
| Other | 700 | | | | 700 | | 88 | 88 | 788 | 1,048 |
| Totals | 1,275,434 | 168,044 | 95,133 | 278,059 | 1,816,670 | 150,636 | 98,359 | 248,995 | 2,065,665 | 1,177,067 |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Cash Flows For the Years Ended June 30, 2022 and 2021

| | 2022 | 2021 |
|---|--------------------|------------------|
| Cash Flows from Operating Activities | | |
| Increase (decrease) in net assets | \$ (1,558,172) | \$ 312,297 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 973 | 1,444 |
| (Gain) loss on investments | 695,619 | (878,591) |
| (Gain) loss on sale of equipment | - | (510) |
| PPP Loan forgiveness | (115,842) | (94,138) |
| Net increase and decrease in working capital items: | | |
| Grants and accounts receivable | 63,000 | 7,000 |
| Prepaid expenses | 21,938 | (45,766) |
| Accounts and awards payable | (3,400) | 1,150 |
| Accrued expenses | (70,163) | 56,827 |
| Deferred revenue | (75,611) | (87,145) |
| | (1,041,658) | (727,432) |
| Net Cash Provided (Used) by Operating Activities | (1,041,658) | (727,432) |
| Cash Flows from Investing Activities | | |
| Purchase of investments | (32,914) | (35,554) |
| Proceeds from sale of investments | 1,014,491 | 175,000 |
| Proceeds from sale of equipment | - | 875 |
| Purchase of property and equipment | - | (2,918) |
| | 981,577 | 137,403 |
| Net Cash Used by Investing Activities | 981,577 | 137,403 |
| Cash Flows from Financing Activities | | |
| Proceeds from PPP Loan | - | 115,842 |
| | - | 115,842 |
| Net Cash Provided by Financing Activities..... | - | 115,842 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (60,081) | (474,187) |
| Cash and Cash Equivalents at Beginning of Year | 90,359 | 564,546 |
| Cash and Cash Equivalents at End of Year | \$ 30,278 | \$ 90,359 |
| Supplemental Data | | |
| Cash paid for interest | — | — |
| Noncash investing and financing activities: | | |
| PPP Loan forgiveness | \$ 115,842 | — |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The National Council on Education for the Ceramic Arts (NCECA) promotes and stimulates the ceramic arts through education, research and creative practice. NCECA accomplishes its mission by providing a forum for the exchange of stimulating ideas and vital information about ceramics. Membership in NCECA is open to everyone interested in the ceramic arts. NCECA reaches its members and the broader arts community through an annual conference and general meeting, and through publication, exhibitions and other educational programming.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Cash Equivalents

The Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or fewer to be cash and cash equivalents.

Contributions

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Contributions to the Organization that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are measured at fair value in the Statement of Financial Position. In the absence of donor specification, income and gains on donated funds are not restricted, such income and gains are reported as unrestricted income. The Organization utilizes the specific identification method for determining cost in computing realized gain or loss on the sale of investments, which is included in investment income. Contributions of marketable securities are recorded at fair value on the date of the gift. Unrealized gains and losses are included in the change in net assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. The Organization has determined that it does not have any income which is subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Exempt Organization Business Income Tax Returns Form 990 prior to 2021 are subject to examination by the IRS, generally for three years after they were filed.

Grants and Accounts Receivable

Grants and accounts receivable are stated at their net realizable value. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on historical experience and management's analysis of specific balances. During the years ended June 30, 2022 and 2021, no allowance was recorded based on subsequent collections and the nature of the receivables.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, and depreciated on the straight-line method with lives ranging from three to seven years. Expenditures for maintenance and repairs are charged to the appropriate expense accounts as incurred. Expenditures for renewals or betterments of \$1,000 or more that materially extend the useful lives of assets or increase their productivity are capitalized at cost. The costs and related allowances for depreciation of assets retired or otherwise disposed of are eliminated from the accounts. The resulting gain or losses are included in the determination of increase in unrestricted net assets.

Donated Services

No amounts have been reflected in the financial statements for donated services. NCECA pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in working towards its goals. The value of these services has not been recognized in these financial statements because the criteria for recognition under professional standards have not been satisfied.

Concentration of Credit Risk

Financial institutions that potentially subject the Organization to concentrations of credit risk consists principally of cash and cash equivalents and investments.

The Organization maintains its cash balances at three banks. As of June 30, 2022 and 2021, respectively, the Organization had \$0 and \$0 of cash or cash equivalents in the financial institutions in excess of amounts insured by agencies of the U.S. Government.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, the Organization's investments, worth \$3,160,859 and \$4,838,055 at June 30, 2022 and 2021, were held at Morgan Stanley, and were covered under SIPC insurance.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Fair Value of Financial Instruments

The Organization discloses fair value information about financial instruments when it is practicable to estimate that value. The carrying value of the Organization's cash, accounts and grants receivable, prepaid expenses, accounts payable, and accrued expenses approximate their estimated fair values due to their short-term maturities.

The fair value of investments, including endowment investments, is based upon quoted market prices.

NOTE 2: REVENUE RECOGNITION

The Organization's grants are considered to be contributions. Conference and exhibitor fee revenues are recognized at the time the conference is held. Membership dues are closely tied with providing discounts to the conference. The revenue is recognized when the performance obligations of providing the services are met (i.e. mostly at conference time, in the Spring of each year). Both conference and membership fee payments are required at the time of registration; amounts received in advance are deferred to the applicable period. Publications revenue is recognized when the publication is submitted.

Revenues by Type of Exchange Transaction

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| Conference and exhibitor fees and advertising | \$ 638,683 | \$ 179,230 |
| Member dues | 176,388 | 134,628 |
| Publications revenue | <u>34,876</u> | <u>34,260</u> |
| Total | <u>\$ 849,947</u> | <u>\$ 348,118</u> |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS AND BOARD DESIGNATIONS

NCECA has established the following special funds to keep track of selected activities of the organization.

Fellowship: The fellowship provides a financial award to undergraduate students pursuing education in the ceramic arts. There is a board-designated portion and a donor-restricted portion of fellowship funds.

Development: The Board of Directors has designated a certain portion of its net assets without donor restrictions as a development fund.

Artistic Development: The artistic development program supports projects for artistic development such as residency programs, scholarships and other projects.

Endowment: The Board of Directors has established an endowment fund to support future quality programs such as student fellowships, Randall lectures and archival development. Principal donated by third parties will be held permanently. Income from this fund will be used for the purposes described. The income from the Endowment monies is recorded in Unappropriated Endowment Earnings and is donor-restricted. In 1996, a benefit auction was held to provide initial monies for this fund.

The components of net assets at June 30, 2022 and 2021 are as follows:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Net Assets Without Donor Restrictions: | | |
| Board-designated for fellowship | \$ 3,226 | \$ 3,226 |
| Board-designated for development | 102,590 | 102,590 |
| Undesignated | <u>2,567,712</u> | <u>4,103,310</u> |
| Total Without Donor Restrictions | <u>\$ 2,673,528</u> | <u>\$ 4,209,126</u> |
| Net Assets With Donor Restrictions: | | |
| Unexpended funds received for specific purposes: | | |
| Fellowship | 32,750 | 38,550 |
| Artistic development | 181,281 | 166,576 |
| Accumulated earnings (losses) on endowment | (1,304) | 30,175 |
| Permanent endowment established by donors | <u>188,853</u> | <u>188,853</u> |
| Total With Donor Restrictions | <u>\$ 401,580</u> | <u>\$ 424,154</u> |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 4: INVESTMENTS

The Organization's investments are stated at fair value. Investments were held at Morgan Stanley, and consist of the following investments at June 30, 2022 and 2021, respectively:

| | 2022 | 2021 |
|--------------------|--------------|--------------|
| Money market funds | \$ 258,269 | \$ 442,501 |
| Fixed income | 343,158 | 359,867 |
| Stock equities | 2,559,432 | 4,035,687 |
| Total | \$ 3,160,859 | \$ 4,838,055 |

The respective funds and their fair values are reported in the accompanying financial statements as follows:

| | 2022 | 2021 |
|---------------------------|--------------|--------------|
| Investments, unrestricted | \$ 2,973,310 | \$ 4,619,028 |
| Endowment investments | 187,549 | 219,027 |
| Total | \$ 3,160,859 | \$ 4,838,055 |

The components of investment return (deficit) shown on the Statement of Activities were as follows:

| | 2022 | 2021 |
|--|--------------|------------|
| Interest and dividends | \$ 32,926 | \$ 35,761 |
| Net realized and unrealized gains (losses) | (695,619) | 878,592 |
| Total | \$ (662,693) | \$ 914,353 |

NOTE 5: DERIVATIVE INSTRUMENTS

Certain investment strategies used by the Organization and its investment managers incorporate derivative financial instruments in order to reduce volatility, manage market risk, and enhance investment returns. Changes in the fair value of these instruments are recognized as investment return in the statement of activities.

NOTE 6: PROPERTY AND EQUIPMENT

Property and equipment consists of:

| | 2022 | 2021 |
|--------------------------------|-----------|-----------|
| Office equipment | \$ 22,618 | \$ 22,618 |
| Furniture and fixtures | 6,074 | 6,074 |
| Less: accumulated depreciation | (27,071) | (26,098) |
| Net Property and Equipment | \$ 1,621 | \$ 2,594 |

Depreciation expense for the year was \$973 and \$1,444 for 2022 and 2021, respectively.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 7: DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization sponsors a defined contribution retirement plan covering all employees who meet certain eligibility requirements. The Organization contributes up to 5% in a dollar for dollar match on employee contributions. Total retirement expense for June 30, 2022 and 2021 was \$19,369 and \$18,815 respectively, and is included in employee benefits expense.

NOTE 8: FUNCTIONAL EXPENSES

The financial statements report certain expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs, which mirror the compensation allocations; and supplies, communication and other costs based on identification or estimates of how the costs are used.

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available include amounts the Organization's board of directors have designated for specific operating purposes, regardless of whether those designated amounts were released if the board so chooses.

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|---------------------|
| Financial Assets at Year-End | \$ 3,216,137 | \$5,016,414 |
| Less: Financial assets unavailable for general expenditures within one year due to: | | |
| Contractual or donor-imposed restrictions: | | |
| Restricted by donors with time or purpose restrictions | (214,032) | (205,126) |
| Subject to appropriation and satisfaction of donor restrictions | 1,304 | (30,174) |
| Restricted by donors for permanent endowment | (188,853) | (188,853) |
| Board designations: | | |
| Amounts set aside for fellowship | (3,226) | (3,226) |
| Amounts sets aside for development | <u>(102,590)</u> | <u>(102,590)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 2,708,740</u> | <u>\$ 4,486,445</u> |

As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in marketable securities and money market funds. According to the Organization's investment policy, fund assets are to be allocated between equities and fixed income securities as follows, with annual review by the board:

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 9: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS *(continued)*

| | |
|---------------------|--------|
| Equities | 40-70% |
| Fixed income + cash | 60-30% |

Only enough funds to pay the financial obligations for the next 12 months should be kept in cash and money market accounts. The Organization invests cash in excess of monthly requirements into promotional savings plans, such as money market accounts and tiered certificates of deposit.

NOTE 10: PPP LOAN

The Organization received Paycheck Protection Program (PPP) loans of \$115,842 and \$94,138 in 2021 and 2020 respectively, which were initially recorded as liabilities in those years. The loans were formally forgiven in the subsequent years. They are classified as PPP Loan forgiveness revenue of \$115,842 and \$94,138 in 2022 and 2021, respectively.

NOTE 11: COVID-19 PANDEMIC

In early 2020, the Coronavirus (COVID-19) pandemic began to affect individuals, businesses and organizations throughout the world. In March 2020, the Organization was forced to quickly cancel its annual conference which was scheduled to take place in Richmond, Virginia that same month in response to the unprecedented health event. Because of this, the Organization's conference, exhibitor fees and events revenue were approximately \$1,000,000 less in 2020 than the previous year. Due to the continuing severity of the pandemic, NCECA changed its plans for an in-person conference in Cincinnati, Ohio scheduled for March 2021 to a virtual platform. NCECA has negotiated returns to these two cancelled cities in 2023-2024 and successfully avoided penalties that might have otherwise been imposed by hotels and convention centers.

The Organization held a moderately successful virtual conference produced in March 2021 and a hybrid in-person/virtual conference in Sacramento, California. However, conference revenues are still only a little over half of pre-pandemic levels.

The costs of producing hybrid events from within major convention centers can be significant and NCECA's board of directors are engaged in re-visioning some aspects of the current membership, programming fees, and staffing models to determine how the organization might reconfigure its operations for this still evolving reality. In immediate response to the potential financial impact of cancellation of the 2020 conference, NCECA disseminated communications to its registrants relaying options to request refunds, defer registration fees to the following year's conference, or make a donation to the organization. In addition, the Organization applied for and received PPP loans and CARES act grants.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 12: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2022 and 2021 are as follows:

| | <u>Fair Value Measurements at Reporting Date Using:</u> | | | |
|-----------------------|---|---|--|--|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| June 30, 2022: | | | | |
| Investments: | | | | |
| Money market funds | \$ 258,269 | \$ 258,269 | \$ — | \$ — |
| Fixed income | 343,158 | 343,158 | — | — |
| Stock equities | <u>2,559,432</u> | <u>2,559,432</u> | <u>—</u> | <u>—</u> |
| Total | <u>\$ 3,160,859</u> | <u>\$ 3,160,859</u> | <u>\$ —</u> | <u>\$ —</u> |

| | <u>Fair Value Measurements at Reporting Date Using:</u> | | | |
|-----------------------|---|---|--|--|
| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| June 30, 2021: | | | | |
| Investments: | | | | |
| Money market funds | \$ 442,501 | \$ 442,501 | \$ — | \$ — |
| Fixed income | 359,867 | 359,867 | — | — |
| Stock equities | <u>4,035,687</u> | <u>4,035,687</u> | <u>—</u> | <u>—</u> |
| Total | <u>\$ 4,838,055</u> | <u>\$ 4,838,055</u> | <u>\$ —</u> | <u>\$ —</u> |

All assets have been valued using a market approach.

There are no assets measured at fair value on a recurring basis using significant other observable inputs (Level 2) or unobservable inputs (Level 3).

NOTE 13: ENDOWMENT

The Organization's endowment consists of a donor-restricted fund established for general operating support of National Council on Education for the Ceramic Arts. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 13: ENDOWMENT (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Colorado UPMIFA. In accordance with Colorado UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a) The duration and preservation of the fund
- b) The purposes of the Organization and the donor-restricted endowment fund.
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and the appreciation of investments.
- f) Other resources of the Organization
- g) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund as of June 30, 2022 and 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|----------------------------------|---------------------------------------|------------------------------------|-------------------|
| June 30, 2022: | | | |
| Donor-restricted endowment funds | \$ — | \$ 187,549 | \$ 187,549 |
| Total Funds..... | <u>\$ —</u> | <u>\$ 187,549</u> | <u>\$ 187,549</u> |
| | | | |
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| June 30, 2021: | | | |
| Donor-restricted endowment funds | \$ — | \$ 219,027 | \$ 219,027 |
| Total Funds..... | <u>\$ —</u> | <u>\$ 219,027</u> | <u>\$ 219,027</u> |

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

**Notes to Financial Statements
June 30, 2022 and 2021**

NOTE 13: ENDOWMENT (continued)

Changes in Endowment Net Assets for the Years ended June 30, 2022 and 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ — | \$ 219,027 | \$ 219,027 |
| Investment return: | | | |
| Investment income (net of expenses) | — | 4,862 | 4,862 |
| Net realized and unrealized gains (losses) | — | (36,340) | (36,340) |
| Total Investment Return | — | (31,478) | (31,478) |
| Contributions | — | — | — |
| Appropriation of endowment assets for expenditure | — | — | — |
| Endowment Net Assets, End of Year | <u>\$ —</u> | <u>\$ 187,549</u> | <u>\$ 187,549</u> |

**Description of Amounts Classified as Net Assets with Donor Restrictions
(Endowment Only)**

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|--|--------------------------|--------------------------|
| Permanent Endowment | | |
| The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by Colorado UPMIFA | \$ 188,853 | \$ 188,853 |
| Total Permanent Endowment | <u>\$ 188,853</u> | <u>\$ 188,853</u> |
| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
| Unappropriated Endowment Earnings (Losses) | | |
| (1) Term endowment funds | \$ — | \$ — |
| (2) The portion of perpetual endowment funds subject to a time restriction under Colorado UPMIFA: | | |
| Without purpose restrictions | (1,304) | 30,174 |
| With purpose restrictions | — | — |
| Total Endowment Funds Classified as Donor-Restricted Net Assets | <u>\$ (1,304)</u> | <u>\$ 30,174</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Colorado UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, the deficiencies of this nature that are reported in net assets with donor restrictions were \$1,304 and \$0 for the years ended June 30, 2022 and 2021.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 13: ENDOWMENT (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds.

Asset Allocation

Asset allocation is the responsibility of the Board of Directors in view of their appetite for risk within each fund and the Board's long-term investment objective. In view of this long-term objective, fund assets will be allocated between equities and fixed income securities as shown in the following table with annual review as noted previously.

| | |
|---------------------|--------|
| Equities | 40-70% |
| Fixed income + cash | 30-60% |

The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 4-6% annually. Actual returns in any given year vary from these amounts.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy of the Organization's Permanently-Restricted Endowment

The Organization has a policy of accumulating the investment earnings as part of its permanently-restricted endowment and will only make spending appropriations as necessary through a vote of the Board of Directors. Total return is the primary objective of the endowment. There is a current restriction on using earnings from the endowment funds before the value of \$1,000,000 has been achieved. After that time, distributions from the endowment will be calculated by taking the average of the total return of the preceding three years, but not to exceed five percent of the total account value, priced as of December 31 of the preceding year.

In establishing these policies, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow at an average of 4-6% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2022 and 2021

NOTE 14: COMMITMENTS AND CONTINGENCIES

The Organization receives grants from various sources which are subject to final review and approval, depending on the allowability of corresponding expenses charged to those programs. Any expenses not allowed by the granting authority would be reimbursable by the Organization.

The Organization has signed several contracts for future conventions. So far during the pandemic, the convention centers and hotels have been willing to work with the Organization as long as they reschedule to a future date. However, if cancellation of the entire events were to occur without rescheduling, according to the event contracts, the Organization would owe \$669,705.

NOTE 15: LEASE COMMITMENTS

The Organization leases office space in Boulder, CO at \$585 per month through February 28, 2023.

In addition, the Organization rents storage space lease in Pittsburgh, PA at a rate of \$397 per month through June 30, 2023.

Future minimum lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|-----------------|
| 2023 | 9,404 |
| Thereafter | — |
| Total | <u>\$ 9,404</u> |

Total lease expense for the years ended June 30, 2022 and 2021 was \$17,866 and \$19,987, respectively.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 25, 2022, the date which the financial statements were available to be issued.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Detail of Net Assets by Fund for the Year Ended June 30, 2022

| | <u>Fellowship</u> | | <u>Artistic Development</u> | <u>Development</u> | <u>Endowment</u> | <u>Unappropriated Endowment Earnings</u> | | <u>Undesignated</u> | <u>Total</u> |
|-------------------------|---------------------------------------|------------------------------------|---------------------------------|--------------------|------------------|--|---------------------------------------|---------------------|--------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | | | | <u>With Donor Restrictions</u> | <u>Without Donor Restrictions</u> | | |
| Beginning balance | <u>\$3,226</u> | <u>\$38,550</u> | <u>\$41,776</u> | <u>\$166,576</u> | <u>\$102,590</u> | <u>\$188,853</u> | <u>\$30,174</u> | <u>\$4,103,311</u> | <u>\$4,633,280</u> |
| Additions: | | | | | | | | | |
| Revenue collected | — | — | — | — | — | — | — | 303,096 | 303,096 |
| Events | — | — | — | 53,562 | — | — | — | 35,976 | 89,538 |
| Grants & contributions | <u>—</u> | <u>200</u> | <u>200</u> | <u>22,226</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>92,433</u> | <u>114,859</u> |
| Total Additions | <u>—</u> | <u>200</u> | <u>200</u> | <u>75,788</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>431,505</u> | <u>507,493</u> |
| Less Expenses Paid: | | | | | | | | | |
| Awards | — | 6,000 | 6,000 | 44,642 | — | — | — | 2,375 | 53,017 |
| Program expenses losses | — | — | — | 16,441 | — | — | 31,478 | 1,715,734 | 1,763,653 |
| Support services | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>248,995</u> | <u>248,995</u> |
| Total Expenses | <u>—</u> | <u>6,000</u> | <u>6,000</u> | <u>61,083</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,967,104</u> | <u>2,065,665</u> |
| Transfers | — | — | — | — | — | — | — | — | — |
| Net Change | <u>—</u> | <u>(5,800)</u> | <u>(5,800)</u> | <u>14,705</u> | <u>—</u> | <u>—</u> | <u>(31,478)</u> | <u>(1,535,599)</u> | <u>(1,558,172)</u> |
| Ending Balance | <u>\$3,226</u> | <u>\$32,750</u> | <u>\$35,976</u> | <u>\$181,281</u> | <u>\$102,590</u> | <u>\$188,853</u> | <u>(\$1,304)</u> | <u>\$2,567,712</u> | <u>\$3,075,108</u> |