

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

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

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of 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 auditors' 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 financial position of National Council on Education for the Ceramic Arts as of June 30, 2021 and 2020, 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 12 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 in Richmond, Virginia. Due to the continuing severity of the pandemic, the Organization switched its March 2021 conference in Cincinnati to a virtual platform. Because of this, the Organization's total conference, exhibitor fees and events revenue for 2021 and 2020 were approximately \$1,000,000 less than 2019. The auditors' opinion is not modified with respect to this matter.

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, 2021 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 22, 2021

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Financial Position June 30, 2021 and 2020

	ASSETS	
Assets	2021	2020
Current Assets		
Cash and cash equivalents	\$ 90,359	\$ 564,546
Grants and accounts receivable	88,000	95,000
Prepaid expenses	60,322	9,986
Investments at fair market value	4,619,028	3,880,640
Total Current Assets	4,857,709	4,550,172
Property and Equipment		
Furniture, fixtures and equipment	28,692	28,398
Less accumulated depreciation	(26,098)	(26,913)
Net Property and Equipment	2,594	1,485
Other Assets		
Prepaid expenses	21,448	26,018
Endowment investments at fair market value	219,027	218,270
Total Other Assets	240,475	244,288
Total Assets.....	\$ 5,100,778	\$ 4,795,945
LIABILITIES & NET ASSETS		
Liabilities		
Current Liabilities		
Accounts and awards payable	\$ 14,350	\$ 13,200
Accrued expenses	90,455	33,628
Deferred revenue	246,851	333,996
Total Current Liabilities	351,656	380,824
Commitments and Contingencies.....	-	-
Long-Term Liabilities		
PPP Loan	115,842	94,138
Total Long-Term Liabilities	115,842	94,138
Total Liabilities.....	467,498	474,962
Net Assets		
Without donor restrictions	4,209,127	3,847,327
With donor restrictions	424,153	473,656
Total Net Assets	4,633,280	4,320,983
Total Liabilities and Net Assets.....	\$ 5,100,778	\$ 4,795,945

See accompanying *Notes to Financial Statements*

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Activities For the Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Operating Revenues				
Conference fees	\$ 140,070	\$ -	\$ 140,070	\$ 491
Conference incentive and contributions	-	-	-	55,000
Exhibitor fees	29,400	-	29,400	-
Member dues	134,628	-	134,628	241,804
Events	6,400	4,402	10,802	7,625
Conference program advertising	-	-	-	19,325
Sponsorships	9,760	-	9,760	-
Grants	35,000	-	35,000	95,000
Publications	34,260	-	34,260	26,775
Other income	94,138	-	94,138	
Gain (loss) on equipment disposal	510	-	510	
Investment return (net of expenses)	913,596	-	913,596	238,544
Contributions	80,453	5,990	86,443	143,221
Net assets released from restrictions	59,895	(59,895)	-	-
Total Operating Revenues.....	1,538,110	(49,503)	1,488,607	827,785
Operating Expenses				
Program Services:				
Conference	527,730	-	527,730	463,798
Exhibitions	123,589	-	123,589	94,553
Publications	92,728	-	92,728	68,888
Other programs	232,204	-	232,204	232,707
Total Program Services	976,251	-	976,251	859,946
Supporting Services:				
Management and general	134,272	-	134,272	129,955
Board expenses	66,544	-	66,544	59,713
Total Support Services	200,816	-	200,816	189,668
Total Operating Expenses.....	1,177,067	-	1,177,067	1,049,614
Increase in Net Assets from Operating Activities	361,043	(49,503)	311,540	(221,829)
Non-Operating Activities				
Investment return in excess (deficit) of amounts designated for current operations	757	-	757	14,345
Increase in Net Assets	361,800	(49,503)	312,297	(207,484)
Net Assets at Beginning of Year	3,847,327	473,656	4,320,983	4,528,467
Net Assets at End of Year.....	\$ 4,209,127	\$ 424,153	\$ 4,633,280	\$ 4,320,983

See accompanying *Notes to Financial Statements*

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

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

	PROGRAM SERVICES					SUPPORT SERVICES			2021 Total	2020 Total
	Conference	Exhibitions	Publications	Other Programs	Total Program	General & Admin. Expenses	Board Expenses	Total Support		
Salaries	193,465	27,085	27,085	34,824	282,459	85,124	19,346	104,471	386,930	429,885
Payroll taxes	14,845	2,078	2,078	2,672	21,673	6,532	1,485	8,016	29,689	30,517
Employee benefits	45,778	6,409	6,409	8,240	66,835	20,142	4,578	24,720	91,555	92,634
Advertising	111			39,029	39,140			-	39,140	20,282
Awards		2,000		58,799	60,799			-	60,799	51,485
Bank and credit card fees	10,291			1,463	11,754			-	11,754	42,251
Facility	307				307			-	307	15,291
Contract services	46,154	3,475		450	50,079	3,268		3,268	53,347	45,389
Database subscriptions				40,000	40,000			-	40,000	39,560
Depreciation				1,444	1,444			-	1,444	2,892
Design, production & editing		13,881	24,750		38,631			-	38,631	27,229
Dues and subscriptions				7,040	7,040			-	7,040	16,343
Equipment					-			-	-	9,597
Honoraria	62,400	15,250		600	78,250			-	78,250	7,250
Insurance				5,104	5,104	3,272	3,581	6,853	11,957	16,155
Maintenance and repairs					-			-	-	235
Postage and shipping	308	24,407	2,135	4,880	31,730	170	59	229	31,959	42,923
Printing		27,435	28,485		55,920			-	55,920	27,001
Professional fees	139,910			21,005	160,915	11,070	34,141	45,211	206,126	25,797
Randall session	2,750				2,750			-	2,750	2,750
Rent	9,994	1,399	1,399	1,799	14,591	4,397	999	5,396	19,987	27,278
Special events					-	66		66	66	3,746
Supplies	983	170	387	2,890	4,430	91	69	160	4,590	35,449
Taxes	10				10			-	10	(132)
Telephone and internet				1,920	1,920			-	1,920	2,400
Travel	(276)			45	(231)		2,079	2,079	1,848	34,731
Other	701				701	140	207	347	1,048	676
Totals	527,730	123,589	92,728	232,204	976,251	134,272	66,544	200,816	1,177,067	1,049,614

See accompanying *Notes to Financial Statements*

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Statement of Cash Flows For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 312,297	\$ (207,484)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,444	2,892
(Gain) loss on investments	(878,591)	(188,290)
(Gain) loss on sale of equipment	(510)	-
PPP Loan forgiveness	(94,138)	
Net increase and decrease in working capital items:		
Grants and accounts receivable	7,000	(55,000)
Prepaid expenses	(45,766)	9,950
Accounts and awards payable	1,150	3,353
Accrued expenses	56,827	19,444
Deferred revenue	(87,145)	333,996
Net Cash Provided (Used) by Operating Activities	(727,432)	(81,139)
Cash Flows from Investing Activities		
Purchase of investments	(35,554)	(57,472)
Proceeds from sale of investments	175,000	
Proceeds from sale of equipment	875	
Purchase of property and equipment	(2,918)	-
Net Cash Used by Investing Activities	137,403	(57,472)
Cash Flows from Financing Activities		
Proceeds from PPP Loan	115,842	94,138
Net Cash Provided by Financing Activities.....	115,842	94,138
Net Increase (Decrease) in Cash and Cash Equivalent	(474,187)	(44,473)
Cash and Cash Equivalents at Beginning of Year	564,546	609,019
Cash and Cash Equivalents at End of Year	\$ 90,359	\$ 564,546
Supplemental Data		
Cash paid for interest		—
Noncash investing and financing activities:		
PPP Loan forgiveness	\$ 94,138	—

See accompanying *Notes to Financial Statements*

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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, 2021 and 2020

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 2020 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, 2021 and 2020, 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, 2021 and 2020, respectively, the Organization had \$0 and \$201,668 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, 2021 and 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, the Organization's investments, worth \$4,838,055 and \$4,098,910 at June 30, 2021 and 2020, 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, 2020, 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

We have analyzed the provisions of the FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes are necessary to conform with the new standard. 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). 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>2021</u>	<u>2020</u>
Conference and exhibitor fees	\$ 179,230	\$ 74,816
Member dues	134,628	241,804
Publications revenue	<u>34,260</u>	<u>26,775</u>
Total	<u>\$ 348,118</u>	<u>\$ 343,395</u>

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020 are as follows:

	2021	2020
Net Assets Without Donor Restrictions:		
Board-designated for fellowship	\$ 3,226	\$ 3,226
Board-designated for development	102,590	102,590
Undesignated	4,103,310	3,741,511
Total Without Donor Restrictions	\$ 4,209,126	\$ 3,847,327
Net Assets With Donor Restrictions:		
Unexpended funds received for specific purposes:		
Fellowship	38,550	49,350
Artistic development	166,576	211,436
Unappropriated endowment earnings	30,175	29,417
Permanent endowment established by donors	188,853	188,853
Total With Donor Restrictions	\$ 424,154	\$ 473,656

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, respectively:

	2021	2020
Money market funds	\$ 442,501	\$ 574,217
Fixed income	359,867	618,849
Stock equities	4,035,687	2,905,845
Total	\$ 4,838,055	\$ 4,098,911

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

	2021	2020
Investments, unrestricted	\$ 4,619,028	\$ 3,880,640
Endowment investments	219,027	218,270
Total	\$ 4,838,055	\$ 4,098,911

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

	2021	2020
Interest and dividends	\$ 35,761	\$ 64,599
Net realized and unrealized gains (losses)	878,592	188,290
Total	\$ 914,353	\$ 252,889

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:

	2021	2020
Office equipment	\$ 22,618	\$ 22,324
Furniture and fixtures	6,074	6,074
Less: accumulated depreciation	(26,098)	(26,913)
Net Property and Equipment	\$ 2,594	\$ 1,485

Depreciation expense for the year was \$1,444 and \$2,892 for 2021 and 2020, respectively.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020 was \$18,815 and \$20,971 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>2021</u>	<u>2020</u>
Financial Assets at Year-End	\$ 5,016,414	\$4,758,456
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	(205,126)	(255,386)
Subject to appropriation and satisfaction of donor restrictions	(30,174)	(29,417)
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>\$ 4,486,445</u>	<u>\$ 4,178,984</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, 2021 and 2020

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

In May 2020, the Organization received a Paycheck Protection Program (PPP) loan of \$94,138, which was recorded as a liability in 2020. This loan was formally forgiven in March 2021 and was reclassified to income. It is included in Other Income on the Statement of Activities for 2021. In February 2021, the Organization received a second round PPP loan of \$115,842. Any portion of the loan not forgiven by the Small Business Administration will be repaid within five years of issuance. Interest on the portion not forgiven will accrue at 1% per year.

NOTE 11: NEW ACCOUNTING PRONOUNCEMENTS

ASU 2018-08

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to Organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle was adopted on a modified prospective basis in the year ending June 30, 2020. As a result, the Organization had no changes to its revenues or net assets as of July 1, 2019.

ASU 2014-09

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of 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. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

NOTE 11: NEW ACCOUNTING PRONOUNCEMENTS *(continued)*

The Organization adopted this standard as of July 1, 2019, and has concluded that no changes were necessary to conform with the new standard.

NOTE 12: 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 in that same month in response to the unprecedented health event. Because of this, the Organization's conference, exhibitor fees and events revenue was approximately \$1,000,000 less in 2020 than the previous year. Due to the continuing severity of the pandemic, in late summer 2021, NCECA made a decision to pivot its plans for an in-person conference scheduled for March 2021 in Cincinnati 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.

Along with a moderately successful virtual conference produced in March 2021 and good performance on investments, NCECA is thus far weathering the pandemic reasonably well from a financial standpoint. The recent virtual conference demonstrated not only that NCECA has a loyal following of historic participants, but also that remote engagement can leverage accessibility for new participants, some of whom may have been prevented from participating in past events due to inability to travel or because of financial considerations. For these reasons, NCECA is currently planning its 2022 conference as a hybrid event based in Sacramento, California with robust opportunities for remote participation. California's Department of Health has established rigorous guidelines for large indoor events, and having a virtual component of this experience will both address these requirements while positioning NCECA to sustain or grow its following.

The costs of producing hybrid events from within major convention centers can be significant and NCECA's board of directors will be 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. Additionally, NCECA successfully applied for a forgivable Payroll Protection Program loan, and a \$50,000 CARES Act one time grant from the National Endowment for the Arts. Since this time, NCECA has applied for and received two PPP loans from the Small Business Administration, one of which has been formally forgiven. The organization is currently waiting for forgiveness policies on the second of these two loans to be more formally adopted and published. NCECA has also recently submitted another proposal to the National Endowment for the Arts American Rescue Plan funding opportunity to support staff salaries and capacity building.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

NOTE 13: FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2021 and 2020 are as follows:

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>

	Fair Value Measurements at Reporting Date Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2020:				
Investments:				
Money market funds	\$ 574,217	\$ 574,217	\$ —	\$ —
Fixed income	618,849	618,849	—	—
Stock equities	<u>2,905,845</u>	<u>2,905,845</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 4,098,911</u>	<u>\$ 4,098,911</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 14: 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.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Colorado Uniform Prudent

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

NOTE 14: ENDOWMENT (continued)

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 temporarily 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, 2021 and 2020:

	<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.....	\$ —	\$ 219,027	\$ 219,027
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2020:			
Donor-restricted endowment funds	\$ —	\$ 218,270	\$ 218,270
Total Funds.....	\$ —	\$ 218,270	\$ 218,270

Changes in Endowment Net Assets for the Years ended June 30, 2021 and 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	\$ 218,270	\$ 218,270

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

NOTE 14: ENDOWMENT (continued)

Investment return:			
Investment income (net of expenses)	—	—	—
Net realized and unrealized gains (losses)	—	757	757
Total Investment Return	—	757	757
Contributions	—	—	—
Appropriation of endowment assets for expenditure	—	—	—
Endowment Net Assets, End of Year	<u>\$ —</u>	<u>\$ 219,027</u>	<u>\$ 219,027</u>

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

	June 30, 2021	June 30, 2020
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>
	June 30, 2021	June 30, 2020
Unappropriated Endowment Earnings		
(1) Term endowment funds	\$ —	\$ —
(2) The portion of perpetual endowment funds subject to a time restriction under Colorado UPMIFA:		
Without purpose restrictions	30,174	29,417
With purpose restrictions	—	—
Total Endowment Funds Classified as Donor-Restricted Net Assets	<u>\$ 30,174</u>	<u>\$ 29,417</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, there were no deficiencies of this nature that are reported in unrestricted net assets as of the years ended June 30, 2021 and 2020.

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.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

Notes to Financial Statements June 30, 2021 and 2020

NOTE 14: ENDOWMENT (continued)

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, 2021 and 2020

NOTE 15: 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 \$736,921.

NOTE 16: LEASE COMMITMENTS

The Organization leases office space in Boulder, CO at \$565 per month through January 31, 2022.

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>
2022	\$ 8,154
2023	4,764
Thereafter	—
Total	<u>\$ 12,918</u>

Total lease expense for the years ended June 30, 2021 and 2020 was \$19,987 and \$27,228, respectively.

NOTE 17: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 22, 2021, 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, 2021

	<u>Fellowship</u>			<u>Artistic Development</u>	<u>Development</u>	<u>Endowment</u>	<u>Unappro- priated Endowment Earnings</u>	<u>Undesignated</u>	<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>With Donor Restrictions</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>\$43,950</u>	<u>\$47,176</u>	<u>\$211,435</u>	<u>\$102,590</u>	<u>\$188,853</u>	<u>\$29,417</u>	<u>\$3,741,512</u>	<u>\$4,320,983</u>
Additions:									
Revenue collected	—	—	—	—	—	—	757	1,356,362	1,357,119
Events	—	—	—	4,402	—	—	—	6,400	10,802
Grants & contributions	—	—	—	<u>5,990</u>	—	—	—	<u>115,453</u>	<u>121,443</u>
Total Additions	—	—	—	10,392	—	—	757	1,478,215	1,489,364
Less Expenses Paid:									
Awards	—	5,400	5,400	53,399	—	—	—	—	58,799
Program expenses	—	—	—	1,852	—	—	—	915,600	917,452
Support services	—	—	—	—	—	—	—	<u>200,816</u>	<u>200,816</u>
Total Expenses	—	<u>5,400</u>	<u>5,400</u>	<u>55,251</u>	—	—	—	<u>1,116,416</u>	<u>1,177,067</u>
Transfers	—	—	—	—	—	—	—	—	—
Net Change	—	<u>(5,400)</u>	<u>(5,400)</u>	<u>(44,859)</u>	—	—	<u>757</u>	<u>361,799</u>	<u>312,297</u>
Ending 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>