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

**FINANCIAL STATEMENTS**

for the years ended

June 30, 2009 and 2008

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Board of Directors  
National Council on Education for the Ceramic Arts

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statements of financial position of National Council on Education for the Ceramic Arts (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of financial activity and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, financial position of National Council on Education for the Ceramic Arts, as of June 30, 2009 and 2008, and the results of its financial activity for the years then ended in conformity with generally accepted accounting principles in the United States of America.

My 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, 2009 on page 11 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Jon Blomberg  
Certified Public Accountant

September 10, 2009  
Boulder, Colorado

# NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

## STATEMENT OF FINANCIAL POSITION

as of June 30

ASSETS	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 253,242	\$ 389,770
Prepaid expenses	43,862	28,955
Investments at fair market value	<u>783,876</u>	<u>1,512,762</u>
Total current assets	1,080,980	1,931,487
<b>PROPERTY AND EQUIPMENT</b>		
Furniture, fixtures and equipment	120,285	92,448
Less accumulated depreciation	<u>(91,756)</u>	<u>(81,722)</u>
Net property and equipment	28,529	10,726
<b>OTHER ASSETS</b>		
Prepaid expenses	19,276	16,888
Long term investments	<u>183,853</u>	<u>183,853</u>
Total other assets	<u>203,129</u>	<u>200,741</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,312,638</u></u>	<u><u>\$ 2,142,954</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 24,994	\$ 19,316
Deferred revenue	-	90,820
Accrued vacation payable	<u>16,005</u>	<u>15,077</u>
Total current liabilities	40,999	125,213
<b>NET ASSETS</b>		
Unrestricted net assets		
Unrestricted, undesignated	(120,838)	627,050
Unrestricted, designated by the Board for:		
Fellowship	3,226	3,226
Development	102,590	102,590
Endowment	<u>904,147</u>	<u>904,147</u>
Total Unrestricted	889,125	1,637,013
Temporarily restricted net assets		
Fellowship	99,660	105,060
Artistic development	<u>99,001</u>	<u>91,815</u>
Total Temporarily restricted net assets	198,661	196,875
Permanently restricted Endowment Fund	<u>183,853</u>	<u>183,853</u>
Total net assets	<u>1,271,639</u>	<u>2,017,741</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,312,638</u></u>	<u><u>\$ 2,142,954</u></u>

See Notes to Financial Statements

# NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

## STATEMENTS OF FINANCIAL ACTIVITY

### and CHANGES IN NET ASSETS

for the years ended June 30

	2009			2008	
	<u>Unrestricted</u>	Temporarily Permanently		<u>Total</u>	<u>Total</u>
		<u>Restricted</u>	<u>Restricted</u>		
<b>SUPPORT AND REVENUE COLLECTED</b>					
Conference & membership fees	\$ 518,832			\$ 518,832	\$ 501,635
Exhibitor & membership fees	153,964			153,964	209,507
Member dues	160,729			160,729	171,730
Events	8,508	\$ 32,242		40,750	43,495
Conference program advertising	19,617			19,617	18,778
China Symposium	162,133			162,133	-
Grants	-			-	35,000
Publications	65,680			65,680	54,787
Investment income	28,868			28,868	41,278
Contributions	3,870			3,870	9,257
Unrealized and realized gains	(414,506)			(414,506)	(90,049)
Assets released from restriction:					
Satisfaction of purpose restriction	30,456	(30,456)		-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>738,151</b>	<b>1,786</b>	<b>-</b>	<b>739,937</b>	<b>995,418</b>
<b>EXPENSES</b>					
Program services					
Conference	500,951			500,951	492,821
Exhibitions	87,820			87,820	45,583
Publications	180,012			180,012	151,586
Other programs	<u>576,727</u>			<u>576,727</u>	<u>282,102</u>
<b>Total program expenses</b>	<b>1,345,510</b>			<b>1,345,510</b>	<b>972,092</b>
Supporting services					
General and administrative	31,955			31,955	63,762
Board expenses	<u>108,574</u>			<u>108,574</u>	<u>79,659</u>
<b>Total supporting services</b>	<b>140,529</b>			<b>140,529</b>	<b>143,421</b>
<b>Total Expenses</b>	<b>1,486,039</b>			<b>1,486,039</b>	<b>1,115,513</b>
<b>CHANGE IN NET ASSETS</b>	<b>(747,888)</b>	<b>1,786</b>	<b>-</b>	<b>(746,102)</b>	<b>(120,095)</b>
Net assets, beginning of year	<u>1,637,013</u>	<u>196,875</u>	<u>183,853</u>	<u>2,017,741</u>	<u>2,137,836</u>
Net assets, end of year	<u>\$ 889,125</u>	<u>\$ 198,661</u>	<u>\$ 183,853</u>	<u>\$1,271,639</u>	<u>\$2,017,741</u>

See Notes to Financial Statements

# NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

## STATEMENT OF CASH FLOWS

for the years ended June 30

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets		
Unrestricted	\$ (747,888)	\$ (134,557)
Temporarily restricted	1,786	14,462
Permanently restricted	-	-
Items not effecting cash:		
Depreciation	10,034	12,323
Loss on investments	414,506	90,049
Increases (decreases) in operating assets:		
Prepaid expenses	(17,295)	(19,599)
Increases (decreases) in operating liabilities:		
Accounts payable	5,678	(6,097)
Deferred revenue	(90,820)	90,820
Accrued vacation payable	<u>928</u>	<u>(271)</u>
Net cash flows from operating activities	(423,071)	47,130
Cash flows from investing activities:		
Additions to furniture, fixtures and equipment	(27,837)	(3,485)
Changes in investments	<u>314,380</u>	<u>(29,084)</u>
Net cash flows from investing activities	<u>286,543</u>	<u>(32,569)</u>
NET INCREASE (DECREASE) IN CASH	(136,528)	14,561
Cash at beginning of period	<u>389,770</u>	<u>375,209</u>
Cash at June 30	<u>\$ 253,242</u>	<u>\$ 389,770</u>

# NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

## STATEMENT OF FUNCTIONAL EXPENSES

for the years ended June 30

	2009								2008	
	PROGRAM SERVICES				SUPPORT SERVICES				Total	Total
	Conference	Exhibitions	Publications	Other Programs	Total Program Services	General and Administrative Expenses	Board Expenses	Total Support		
Salaries	\$ 114,376	\$ 20,050	\$ 41,100	\$ 131,677	\$ 307,203	\$ 7,296	\$ 24,789	\$ 32,085	\$ 339,288	\$ 268,496
Payroll taxes	9,072	1,590	3,260	10,444	24,366	579	1,966	2,545	26,911	21,908
Employee benefits	14,999	2,630	5,390	17,268	40,287	957	3,251	4,208	44,495	30,118
Advertising	-	-	-	95,757	95,757	25	-	25	95,782	20,967
Awards	-	8,075	-	16,210	24,285	-	99	99	24,384	21,454
Bank and credit card fees	22,325	-	-	3,849	26,174	222	-	222	26,396	28,132
Conference facility	110,824	-	-	-	110,824	-	-	-	110,824	101,640
Contract services	20,276	1,500	-	332	22,108	-	-	-	22,108	21,847
Depreciation	-	-	-	10,033	10,033	-	-	-	10,033	12,323
Design, production & editing	1,900	7,124	50,838	3,909	63,771	-	-	-	63,771	77,094
Equipment	69,450	-	-	7,165	76,615	1,624	1,268	2,892	79,507	75,908
Honoraria	51,400	3,100	2,150	10,059	66,709	-	18	18	66,727	55,961
Insurance	-	-	-	-	-	1,397	2,327	3,724	3,724	4,843
Postage and shipping	12,530	15,945	20,109	5,601	54,185	479	1,080	1,559	55,744	41,785
Printing	22,413	17,338	51,208	7,871	98,830	-	864	864	99,694	96,976
Professional fees	-	-	-	54,233	54,233	8,464	22,280	30,744	84,977	69,284
Randall session	12,340	-	-	-	12,340	-	-	-	12,340	10,000
Rent	10,573	1,854	3,799	12,172	28,398	674	2,292	2,966	31,364	30,855
China Symposium travel	-	-	-	139,299	139,299	-	-	-	139,299	-
Special events	-	3,317	-	-	3,317	893	205	1,098	4,415	3,568
Supplies	11,848	189	715	18,325	31,077	599	739	1,338	32,415	23,367
Telephone	1,961	60	144	3,042	5,207	7,632	1,210	8,842	14,049	12,358
Travel	11,507	5,048	1,299	23,999	41,853	386	43,375	43,761	85,614	76,326
Other	3,157	-	-	5,482	8,639	728	2,811	3,539	12,178	10,303
<b>TOTAL</b>	<b><u>\$500,951</u></b>	<b><u>\$ 87,820</u></b>	<b><u>\$ 180,012</u></b>	<b><u>\$ 576,727</u></b>	<b><u>\$ 1,345,510</u></b>	<b><u>\$ 31,955</u></b>	<b><u>\$ 108,574</u></b>	<b><u>\$ 140,529</u></b>	<b><u>\$ 1,486,039</u></b>	<b><u>\$ 1,115,513</u></b>

See Notes to Financial Statements

**NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the National Council on Education for the Ceramic Arts (NCECA) have been prepared on the accrual basis. During 2009 NCECA retroactively changed the basis for preparation of its financial statement from Modified Cash Basis to Accrual Basis. The effect of this change was to reduce Net Assets as of June 30, 2006 by \$11,475. The financial statements for the year ended June 30, 2008 have been restated using the accrual basis.

Purpose

The National Council on Education for the Ceramic Arts (NCECA) is a professional organization whose purpose is to stimulate, promote 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.

Use of Estimates

The preparation of financial statements requires the organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent asset 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.

Investments

Investments purchased by NCECA are initially recorded at their cost. Subsequent to their acquisition, investments in marketable securities with readily determinable fair values are adjusted to their fair values as of the date of the statement of position. Unrealized gains and losses are included in the change of net assets.

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, NCECA 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.

Promises to Give

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions

NCECA has adopted SFAS Number 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS Number 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Pledges for contributions are considered earned as received unless restricted for use in a future accounting period.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions



**NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

Permanently restricted net assets consist of principal in investments, the income of which can be used for program purposes in accordance with donor requirements.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, NCECA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Functional Expenses

NCECA allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several programs or support services are allocated based on various statistical relationships.

Credit Risk

Assets that potentially subject NCECA to concentrations of credit risk consist principally of investments. NCECA places its investments with high credit quality financial institutions and limits its amount of credit exposure to any one financial instrument; however, over 98% of its assets are invested with one investment brokerage firm. Also, from time to time NCECA has a balance in its bank that exceeds the Federal Deposit Insurance Corporation insurance limit.

Equipment

NCECA capitalizes all expenditures for equipment and furniture in excess of \$500. Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight line method over the estimated useful lives of the assets, which range from three to seven years. Costs of repairs and maintenance are charged to operating expense as they are incurred.

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 NCECA various committee assignments. The value of these services has not been recognized in these financial statements because the criteria for recognition under SFAS Number 116 have not been satisfied.

Advertising

NCECA follows a policy of charging the costs of advertising to expense as incurred.

Comparative Financial Information

The financial information shown for 2008 in the accompanying financial statement is included to provide a basis for comparison with 2009 and presents summarized totals only. Such information should be read in conjunction with NCECA's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Also, the financial statements for the year ended June 30, 2008 have been restated using the accrual basis.

Note 2 - INCOME TAXES

NCECA is exempt from Federal Income Taxes under Section 501(c) (3) of the United States Internal Revenue Code. NCECA is also exempt from State of Colorado Income Taxes. NCECA has also been classified as an entity that is not a private foundation.

**NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS  
NOTES TO FINANCIAL STATEMENTS**

**Note 3 – FUNDS**

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

Fellowship

The fellowship fund provides a financial award to undergraduate students pursuing education in the ceramic arts.

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 and from Board designated funds will be held permanently. Income from this fund will be used for the purposes described. In 1996 a benefit auction was held to provide initial monies for this fund.

Development

The Board of Directors has designated a certain portion of its unrestricted net assets as a development building fund for the establishment of a Residency Center in Erie, Colorado. This Center will provide a resource for both students and professionals to grow and extend beyond their available resources.

Artistic Development

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

**Note 4 – LEASES**

NCECA leases office and storage space on a month-to-month basis. It also leases office equipment under operating leases through 2012. Future minimum lease payments for the years ending June 30 are approximately: 2010 - \$3,000, 2011 - \$2,500, and 2012 - \$2,500.

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

(A Nonprofit Corporation)

**DETAIL OF NET ASSETS BY FUND**

for the year ended June 30, 2008

	FELLOWSHIP			ARTISTIC DEVELOPMENT		ARTISTIC DEVELOPMENT			ENDOWMENT			Unrestricted, Assets
	Unrestricted, Board Designated	Temporarily Restricted	Total	Temporarily Restricted	Unrestricted, Board Designated	Unrestricted, Board Designated	Permanently Restricted	Total	Unrestricted, Board Designated	Permanently Restricted	Total	Undesignated
Beginning Balance	\$ 3,226	\$ 105,060	108,286	\$ 91,815	\$ 102,590	\$ 904,147	\$ 183,853	\$ 1,088,000	\$ 904,147	\$ 183,853	\$ 1,088,000	\$ 627,050
Additions:												
Revenue collected												-
Events				32,242								707,695
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total additions	-	-	-	32,242	-	-	-	-	-	-	-	707,695
Less expenses paid:												
Awards	-	5,400	5,400	10,810								8,174
Program expens	-	-	-	14,246								1,317,419
Support service	-	-	-	-	-	-	-	-	-	-	-	129,990
Total expenses	-	5,400	5,400	25,056	-	-	-	-	-	-	-	1,455,583
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Net Change	-	(5,400)	(5,400)	7,186	-	-	-	-	-	-	-	(747,888)
Ending Balance	<u>\$ 3,226</u>	<u>\$ 99,660</u>	<u>\$ 102,886</u>	<u>\$ 99,001</u>	<u>\$ 102,590</u>	<u>\$ 904,147</u>	<u>\$ 183,853</u>	<u>\$ 1,088,000</u>	<u>\$ 904,147</u>	<u>\$ 183,853</u>	<u>\$ 1,088,000</u>	<u>\$ (120,838)</u>