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NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

FINANCIAL STATEMENTS

for the years ended

June 30, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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, 2010 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

August 19, 2010
Boulder, Colorado

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

as of June 30

ASSETS	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$ 345,898	\$ 253,242
Prepaid expenses	43,888	43,862
Investments at fair market value	<u>929,630</u>	<u>783,876</u>
Total current assets	1,319,416	1,080,980
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	120,285	120,285
Less accumulated depreciation	<u>(104,086)</u>	<u>(91,756)</u>
Net property and equipment	16,199	28,529
OTHER ASSETS		
Prepaid expenses	3,026	19,276
Long term investments	<u>183,853</u>	<u>183,853</u>
Total other assets	<u>186,879</u>	<u>203,129</u>
TOTAL ASSETS	<u><u>\$ 1,522,494</u></u>	<u><u>\$ 1,312,638</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 24,353	\$ 24,994
Deferred revenue	17,488	-
Accrued vacation payable	<u>9,345</u>	<u>16,005</u>
Total current liabilities	51,186	40,999
NET ASSETS		
Unrestricted net assets		
Unrestricted, undesignated	67,170	(120,838)
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	1,077,133	889,125
Temporarily restricted net assets		
Fellowship	93,560	99,660
Artistic development	<u>116,762</u>	<u>99,001</u>
Total Temporarily restricted net assets	210,322	198,661
Permanently restricted Endowment Fund	<u>183,853</u>	<u>183,853</u>
Total net assets	<u>1,471,308</u>	<u>1,271,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,522,494</u></u>	<u><u>\$ 1,312,638</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 ASSESTS**

for the years ended June 30

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE COLLECTED					
Conference fees	\$ 730,246			\$ 730,246	\$ 518,832
Exhibitor fees	173,600			173,600	153,964
Member dues	204,065			204,065	160,729
Events	18,945	\$ 33,332		52,277	40,750
Conference program advertising	10,000			10,000	19,617
China Symposium	-			-	162,133
Grants	-	33,000		33,000	-
Publications	54,643			54,643	65,680
Investment income	36,996			36,996	28,868
Contributions	5,685	14,372		20,057	3,870
Unrealized and realized gains	68,309			68,309	(414,506)
Assets released from restriction:					
Satisfaction of purpose restriction	69,043	(69,043)		-	-
TOTAL SUPPORT AND REVENUE	1,371,532	11,661	-	1,383,193	739,937
EXPENSES					
Program services					
Conference	605,354			605,354	500,951
Exhibitions	84,924			84,924	87,820
Publications	108,739			108,739	180,012
Other programs	147,523			147,523	576,727
Total program expenses	946,540			946,540	1,345,510
Supporting services					
General and administrative	70,254			70,254	31,955
Board expenses	166,730			166,730	108,574
Total supporting services	236,984			236,984	140,529
Total Expenses	1,183,524			1,183,524	1,486,039
CHANGE IN NET ASSETS	188,008	11,661	-	199,669	(746,102)
Net assets, beginning of year	889,125	198,661	183,853	1,271,639	2,017,741
Net assets, end of year	<u>\$1,077,133</u>	<u>\$ 210,322</u>	<u>\$ 183,853</u>	<u>\$1,471,308</u>	<u>\$1,271,639</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>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets		
Unrestricted	\$ 188,008	\$ (747,888)
Temporarily restricted	11,661	1,786
Permanently restricted	-	-
Items not effecting cash:		
Depreciation	12,330	10,034
Loss (gain) on investments	(68,309)	414,506
Increases (decreases) in operating assets:		
Prepaid expenses	16,224	(17,295)
Increases (decreases) in operating liabilities:		
Accounts payable	(641)	5,678
Deferred revenue	17,488	(90,820)
Accrued vacation payable	(6,660)	928
Net cash flows from operating activities	170,101	(423,071)
Cash flows from investing activities:		
Additions to furniture, fixtures and equipment	-	(27,837)
Changes in investments	(77,445)	314,380
Net cash flows from investing activities	(77,445)	286,543
NET INCREASE (DECREASE) IN CASH	92,656	(136,528)
Cash at beginning of period	<u>253,242</u>	<u>389,770</u>
Cash at June 30	<u>\$ 345,898</u>	<u>\$ 253,242</u>

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

for the years ended June 30

	2010									2009
	PROGRAM SERVICES					SUPPORT SERVICES			Total	Total
	Conference	Exhibitions	Publications	Other Programs	Total Program Services	General and Administrative Expenses	Board Expenses	Total Support		
Salaries	\$ 184,202	\$ 25,841	\$ 33,088	\$ 15,739	\$ 258,870	\$ 21,378	\$ 50,734	\$ 72,112	\$ 330,982	\$ 339,288
Payroll taxes	15,960	2,239	2,867	1,364	22,430	1,852	4,395	6,247	28,677	26,911
Employee benefits	28,351	3,977	5,093	2,422	39,843	3,290	7,809	11,099	50,942	44,495
Subgrant expense	-	-	-	10,000	10,000	-	-	-	10,000	-
Advertising	-	-	-	-	-	-	-	-	-	95,782
Awards	-	2,000	-	19,324	21,324	-	-	-	21,324	24,384
Bank and credit card fees	30,836	-	-	1,393	32,229	138	-	138	32,367	26,396
Conference facility	97,266	-	-	-	97,266	-	10,141	10,141	107,407	110,824
Contract services	64,119	3,000	-	80	67,199	10,661	-	10,661	77,860	22,108
Depreciation	-	-	-	12,331	12,331	-	-	-	12,331	10,033
Design, production & editing	-	6,076	31,054	10,777	47,907	-	-	-	47,907	63,771
Equipment	70,136	-	-	6,102	76,238	3,061	531	3,592	79,830	79,507
Honoraria	43,593	2,000	3,200	-	48,793	-	193	193	48,986	66,727
Insurance	-	-	-	-	-	1,612	2,346	3,958	3,958	3,724
Postage and shipping	19,755	11,722	10,585	3,554	45,616	1,220	54	1,274	46,890	55,744
Printing	1,498	19,156	18,187	1,541	40,382	34	1,853	1,887	42,269	99,694
Professional fees	-	-	-	18,786	18,786	18,745	46,672	65,417	84,203	84,977
Randall session	1,183	-	-	-	1,183	-	-	-	1,183	12,340
Rent	17,582	2,467	3,158	1,502	24,709	2,040	4,843	6,883	31,592	31,364
China Symposium travel	-	-	-	-	-	-	-	-	-	139,299
Special events	-	620	-	-	620	212	-	212	832	4,415
Supplies	13,876	580	714	13,439	28,609	2,140	547	2,687	31,296	32,415
Telephone	1,119	-	793	4,168	6,080	525	2,297	2,822	8,902	14,049
Travel	13,754	5,246	-	6,592	25,592	2,418	31,291	33,709	59,301	85,614
Other	2,124	-	-	18,409	20,533	928	3,024	3,952	24,485	12,178
TOTAL	<u>\$ 605,354</u>	<u>\$ 84,924</u>	<u>\$ 108,739</u>	<u>\$ 147,523</u>	<u>\$ 946,540</u>	<u>\$ 70,254</u>	<u>\$ 166,730</u>	<u>\$ 236,984</u>	<u>\$ 1,183,524</u>	<u>\$ 1,486,039</u>

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 2008 NCECA changed the basis for preparation of its financial statement from Modified Cash Basis to 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.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued)

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

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.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative Financial Information

The financial information shown for 2009 in the accompanying financial statement is included to provide a basis for comparison with 2010 and presents summarized totals only. Such information should be read in conjunction with NCECA's financial statements for the year ended June 30, 2009, 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.

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.

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: 2011 - \$2,500 and 2012 - \$2,500.

Note 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 19, 2010, the date which the financial statements were available to be issued.

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

DETAIL OF NET ASSETS BY FUND

for the year ended June 30, 2010

	<u>FELLOWSHIP</u>			<u>DEVELOPMENT</u>	<u>DEVELOPMENT</u>	<u>ENDOWMENT</u>			
	Unrestricted, Board		Temporarily	Temporarily	Unrestricted, Board	Unrestricted, Board		Temporarily	Unrestricted, Assets
	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>	<u>Restricted</u>	<u>Designated</u>	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>	<u>Undesignated</u>
Beginning Balance	\$ 3,226	\$ 99,660	102,886	\$ 99,001	\$ 102,590	\$ 904,147	\$ 183,853	\$ 1,088,000	\$ (120,838)
Additions:									
Revenue collected								-	
Events				33,332				-	1,345,611
Contributions	-	-	-	4,250	-	-	-	-	-
Total additions	-	-	-	37,582	-	-	-	-	1,345,611
Less expenses paid:									
Awards	-	6,100	6,100	13,224				-	2,000
Program expenses	-	-	-	6,597				-	918,619
Support service	-	-	-	-	-	-	-	-	236,984
Total expenses	-	6,100	6,100	19,821	-	-	-	-	1,157,603
Transfers	-	-	-	-	-	-	-	-	-
Net Change	-	(6,100)	(6,100)	17,761	-	-	-	-	188,008
Ending Balance	<u>\$ 3,226</u>	<u>\$ 93,560</u>	<u>\$ 96,786</u>	<u>\$116,762</u>	<u>\$ 102,590</u>	<u>\$ 904,147</u>	<u>\$ 183,853</u>	<u>\$ 1,088,000</u>	<u>\$ 67,170</u>