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NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

FINANCIAL STATEMENTS

for the years ended

June 30, 2011 and 2010

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TABLE OF CONTENTS

Accountants Letter	2
Statement of Financial Position	3
Statement of Financial Activity	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7
Supplementary Information:	
Details of Net Assets by Fund	11

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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, 2011 and 2010, 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, 2011 and 2010, 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, 2011 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 31, 2011
Boulder, Colorado

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

as of June 30

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 84,352	\$ 345,898
Grant receivable	50,000	-
Prepaid expenses	22,783	43,888
Investments at fair market value	<u>1,169,779</u>	<u>929,630</u>
Total current assets	1,326,914	1,319,416
PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	122,514	120,285
Less accumulated depreciation	<u>(115,876)</u>	<u>(104,086)</u>
Net property and equipment	6,638	16,199
OTHER ASSETS		
Prepaid expenses	3,976	3,026
Long term investments	<u>183,853</u>	<u>183,853</u>
Total other assets	<u>187,829</u>	<u>186,879</u>
TOTAL ASSETS	<u><u>\$ 1,521,381</u></u>	<u><u>\$ 1,522,494</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and awards payable	\$ 14,003	\$ 24,353
Deferred revenue	2,035	17,488
Accrued vacation payable	<u>11,576</u>	<u>9,345</u>
Total current liabilities	27,614	51,186
NET ASSETS		
Unrestricted net assets		
Unrestricted, undesignated	91,620	67,170
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	1,101,583	1,077,133
Temporarily restricted net assets		
Fellowship	88,160	93,560
Artistic development	<u>120,171</u>	<u>116,762</u>
Total Temporarily restricted net assets	208,331	210,322
Permanently restricted Endowment Fund	<u>183,853</u>	<u>183,853</u>
Total net assets	<u>1,493,767</u>	<u>1,471,308</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,521,381</u></u>	<u><u>\$ 1,522,494</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

	2011			2010	
	Temporarily		Permanently	Total	Total
	Unrestricted	Restricted	Restricted		
SUPPORT AND REVENUE COLLECTED					
Conference fees	\$ 457,847			\$ 457,847	\$ 730,246
Exhibitor fees	159,850			159,850	173,600
Member dues	148,996			148,996	204,065
Events	70,843	\$ 24,720		95,563	52,277
Conference program advertising	4,200			4,200	10,000
Grants	-	50,000		50,000	33,000
Publications	81,942			81,942	54,643
Investment income	35,471			35,471	36,996
Contributions	5,038	500		5,538	20,057
Unrealized and realized gains	205,944			205,944	68,309
Assets released from restriction:					
Satisfaction of purpose restriction	<u>77,211</u>	<u>(77,211)</u>		<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	1,247,342	(1,991)	-	1,245,351	1,383,193
EXPENSES					
Program services					
Conference	740,459			740,459	605,354
Exhibitions	135,009			135,009	84,924
Publications	134,743			134,743	108,739
Other programs	<u>92,093</u>			<u>92,093</u>	<u>147,523</u>
Total program expenses	1,102,304			1,102,304	946,540
Supporting services					
General and administrative	24,593			24,593	70,254
Board expenses	<u>95,995</u>			<u>95,995</u>	<u>166,730</u>
Total supporting services	<u>120,588</u>			<u>120,588</u>	<u>236,984</u>
Total Expenses	<u>1,222,892</u>			<u>1,222,892</u>	<u>1,183,524</u>
CHANGE IN NET ASSETS	24,450	(1,991)	-	22,459	199,669
Net assets, beginning 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>
Net assets, end of year	<u><u>\$1,101,583</u></u>	<u><u>\$ 208,331</u></u>	<u><u>\$ 183,853</u></u>	<u><u>\$1,493,767</u></u>	<u><u>\$1,471,308</u></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>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets		
Unrestricted	\$ 24,450	\$ 188,008
Temporarily restricted	(1,991)	11,661
Permanently restricted	-	-
Items not effecting cash:		
Depreciation	11,790	12,330
Loss (gain) on investments	(205,944)	(68,309)
Increases (decreases) in operating assets:		
Grant receivable	(50,000)	-
Prepaid expenses	20,155	16,224
Increases (decreases) in operating liabilities:		
Accounts payable	(10,350)	(641)
Deferred revenue	(15,453)	17,488
Accrued vacation payable	<u>2,231</u>	<u>(6,660)</u>
Net cash flows from operating activities	(225,112)	170,101
Cash flows from investing activities:		
Additions to furniture, fixtures and equipment	(2,229)	-
Changes in investments	<u>(34,205)</u>	<u>(77,445)</u>
Net cash flows from investing activities	<u>(36,434)</u>	<u>(77,445)</u>
NET INCREASE (DECREASE) IN CASH	(261,546)	92,656
Cash at beginning of period	<u>345,898</u>	<u>253,242</u>
Cash at June 30	<u>\$ 84,352</u>	<u>\$ 345,898</u>

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

for the years ended June 30

	2011								2010	
	PROGRAM SERVICES				SUPPORT SERVICES			Total	Total	
	Conference	Exhibitions	Publications	Other Programs	Total Program Services	General and Administrative Expenses	Board Expenses	Total Support		
Salaries	\$ 191,454	\$ 30,090	\$ 38,935	\$ 15,058	\$ 275,537	\$ 7,106	\$ 27,738	\$ 34,844	\$ 310,381	\$ 330,982
Payroll taxes	17,695	2,781	3,598	1,392	25,466	657	2,563	3,220	28,686	28,677
Employee benefits	31,410	4,937	6,388	2,470	45,205	1,166	4,551	5,717	50,922	50,942
Subgrant expense	-	-	-	-	-	-	-	-	-	10,000
Advertising	400	-	-	-	400	-	-	-	400	-
Awards	1,200	8,501	-	19,369	29,070	-	-	-	29,070	21,324
Bank and credit card fees	26,582	-	-	178	26,760	25	-	25	26,785	32,367
Facility	125,347	12,912	-	-	138,259	-	-	-	138,259	107,407
Contract services	24,910	7,940	-	1,313	34,163	-	-	-	34,163	77,860
Depreciation	-	-	-	11,789	11,789	-	-	-	11,789	12,331
Design, production & editing	4,144	5,700	46,204	-	56,048	-	-	-	56,048	47,907
Equipment	123,152	3,436	-	5,779	132,367	2,605	80	2,685	135,052	79,830
Honoraria	85,165	9,650	4,600	-	99,415	-	-	-	99,415	48,986
Insurance	-	-	-	330	330	1,622	2,407	4,029	4,359	3,958
Postage and shipping	21,746	10,967	5,496	584	38,793	704	130	834	39,627	46,890
Printing	3,092	21,723	23,110	-	47,925	-	105	105	48,030	42,269
Professional fees	-	-	-	8,104	8,104	6,700	7,350	14,050	22,154	84,203
Randall session	7,000	-	-	-	7,000	-	-	-	7,000	1,183
Rent	19,517	3,067	3,969	1,535	28,088	724	2,828	3,552	31,640	31,592
Special events	-	6,000	-	-	6,000	779	-	779	6,779	832
Supplies	11,688	1,505	534	9,410	23,137	1,929	24	1,953	25,090	31,296
Telephone	7	-	478	4,339	4,824	6	882	888	5,712	8,902
Travel	43,265	5,300	1,431	32	50,028	314	46,094	46,408	96,436	59,301
Other	2,685	500	-	10,411	13,596	256	1,243	1,499	15,095	24,485
TOTAL	\$ 740,459	\$ 135,009	\$ 134,743	\$ 92,093	\$ 1,102,304	\$ 24,593	\$ 95,995	\$ 120,588	\$ 1,222,892	\$ 1,183,524

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.

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 2010 in the accompanying financial statement is included to provide a basis for comparison with 2011 and presents summarized totals only. Such information should be read in conjunction with NCECA's financial statements for the year ended June 30, 2010, 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.

**NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS
NOTES TO 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 storage space on a month-to-month basis. It also leases office space and equipment under operating leases through 2013. Future minimum lease payments for the years ending June 30 are approximately \$24,400 in 2012 and \$7,300 in 2013.

Note 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, 2011, 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, 2011

ARTISTIC

	<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	\$ 93,560	\$ 96,786	\$ 116,762	\$ 102,590	\$ 904,147	\$ 183,853	\$ 1,088,000	\$ 67,170
Additions:									
Revenue collected								-	-
Events				23,750				-	1,145,220
Contributions	-	-	-	-	-	-	-	-	70,843
Total additions	-	-	-	23,750	-	-	-	-	5,538
Less expenses paid:									
Awards	-	5,400	5,400	13,969				-	-
Program expens	-	-	-	6,372				-	9,701
Support service	-	-	-	-	-	-	-	-	1,066,862
Total expenses	-	5,400	5,400	20,341	-	-	-	-	120,588
Transfers	-	-	-	-	-	-	-	-	-
Net Change	-	(5,400)	(5,400)	3,409	-	-	-	-	24,450
Ending Balance	<u>\$ 3,226</u>	<u>\$ 88,160</u>	<u>\$ 91,386</u>	<u>\$ 120,171</u>	<u>\$ 102,590</u>	<u>\$ 904,147</u>	<u>\$ 183,853</u>	<u>\$ 1,088,000</u>	<u>\$ 91,620</u>