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NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

FINANCIAL STATEMENTS

for the years ended

June 30, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 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 27, 2012
Boulder, Colorado

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION

as of June 30

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 445,834	\$ 84,352
Grant and accounts receivable	87,550	50,000
Prepaid expenses	5,759	22,783
Investments at fair market value	<u>1,182,722</u>	<u>1,169,779</u>
Total current assets	1,721,865	1,326,914
 PROPERTY AND EQUIPMENT		
Furniture, fixtures and equipment	123,163	122,514
Less accumulated depreciation	<u>(120,730)</u>	<u>(115,876)</u>
Net property and equipment	2,433	6,638
 OTHER ASSETS		
Prepaid expenses	14,500	3,976
Long term investments	<u>183,853</u>	<u>183,853</u>
Total other assets	<u>198,353</u>	<u>187,829</u>
TOTAL ASSETS	<u><u>\$ 1,922,651</u></u>	<u><u>\$ 1,521,381</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and awards payable	\$ 21,824	\$ 14,003
Deferred revenue	9,400	2,035
Accrued vacation payable	<u>19,760</u>	<u>11,576</u>
Total current liabilities	50,984	27,614
 NET ASSETS		
Unrestricted net assets		
Unrestricted, undesignated	376,593	91,620
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	1,386,556	1,101,583
Temporarily restricted net assets		
Fellowship	83,460	88,160
Artistic development	<u>217,798</u>	<u>120,171</u>
Total Temporarily restricted net assets	301,258	208,331
 Permanently restricted Endowment Fund	<u>183,853</u>	<u>183,853</u>
Total net assets	<u>1,871,667</u>	<u>1,493,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,922,651</u></u>	<u><u>\$ 1,521,381</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

	2012			2011	
	Unrestricted	Temporarily	Permanently	Total	Total
		Restricted	Restricted		
SUPPORT AND REVENUE COLLECTED					
Conference fees	\$ 732,889			\$ 732,889	\$ 457,847
Exhibitor fees	166,900			166,900	159,850
Member dues	188,058			188,058	148,996
Events	63,906	\$ 48,671		112,577	95,563
Conference program advertising	2,520			2,520	4,200
Grants	-	164,500		164,500	50,000
Publications	72,064			72,064	81,942
Investment income	31,085			31,085	35,471
Contributions	10,002	14,023		24,025	5,538
Unrealized and realized gains	(17,579)			(17,579)	205,944
Assets released from restriction:					
Satisfaction of purpose restriction	134,267	(134,267)		-	-
TOTAL SUPPORT AND REVENUE	1,384,112	92,927	-	1,477,039	1,245,351
EXPENSES					
Program services					
Conference	591,282			591,282	740,459
Exhibitions	170,866			170,866	135,009
Publications	80,299			80,299	134,743
Other programs	162,283			162,283	92,093
Total program expenses	1,004,730			1,004,730	1,102,304
Supporting services					
General and administrative	21,795			21,795	24,593
Board expenses	72,614			72,614	95,995
Total supporting services	94,409			94,409	120,588
Total Expenses	1,099,139			1,099,139	1,222,892
CHANGE IN NET ASSETS	284,973	92,927	-	377,900	22,459
Net assets, beginning of year	1,101,583	208,331	183,853	1,493,767	1,471,308
Net assets, end of year	<u>\$1,386,556</u>	<u>\$ 301,258</u>	<u>\$ 183,853</u>	<u>\$1,871,667</u>	<u>\$1,493,767</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>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets		
Unrestricted	\$ 284,973	\$ 24,450
Temporarily restricted	92,927	(1,991)
Permanently restricted	-	-
Items not effecting cash:		
Depreciation	4,854	11,790
Loss (gain) on investments	17,579	(205,944)
Increases (decreases) in operating assets:		
Grant receivable	(37,550)	(50,000)
Prepaid expenses	6,500	20,155
Increases (decreases) in operating liabilities:		
Accounts and awards payable	7,821	(10,350)
Deferred revenue	7,365	(15,453)
Accrued vacation payable	<u>8,184</u>	<u>2,231</u>
Net cash flows from operating activities	392,653	(225,112)
Cash flows from investing activities:		
Additions to furniture, fixtures and equipment	(649)	(2,229)
Changes in investments	<u>(30,522)</u>	<u>(34,205)</u>
Net cash flows from investing activities	<u>(31,171)</u>	<u>(36,434)</u>
NET INCREASE (DECREASE) IN CASH	361,482	(261,546)
Cash at beginning of period	<u>84,352</u>	<u>345,898</u>
Cash at June 30	<u>\$ 445,834</u>	<u>\$ 84,352</u>

NATIONAL COUNCIL ON EDUCATION FOR THE CERAMIC ARTS

(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

for the years ended June 30

	2012								2011	
	PROGRAM SERVICES				SUPPORT SERVICES				Total	Total
	Conference	Exhibitions	Publications	Other Programs	Total Program Services	General and Administrative Expenses	Board Expenses	Total Support		
Salaries	\$181,120	\$ 52,339	\$ 24,597	\$ 49,710	\$ 307,766	\$ 6,676	\$ 22,243	\$ 28,919	\$ 336,685	\$ 310,381
Payroll taxes	16,950	4,898	2,302	4,652	28,802	625	2,082	2,707	31,509	28,686
Employee benefits	28,799	8,322	3,911	7,904	48,936	1,062	3,537	4,599	53,535	50,922
Advertising	176	-	-	419	595	-	-	-	595	400
Awards		1,725	-	33,849	35,574	-	-	-	35,574	29,070
Bank and credit card fees	34,635	-	-	2,591	37,226	45	-	45	37,271	26,785
Facility	47,925	6,293	-	-	54,218	-	-	-	54,218	138,259
Contract services	33,854	11,199	-	-	45,053	-	-	-	45,053	34,163
Depreciation	-	-	-	4,854	4,854	-	-	-	4,854	11,789
Design, production & editing	10,250	5,300	14,205	-	29,755	-	-	-	29,755	56,048
Equipment	117,653	1,443	-	4,707	123,803	390	-	390	124,193	135,052
Honoraria	30,746	4,800	2,450	400	38,396	-	-	-	38,396	99,415
Insurance	-	-	-	3,530	3,530	1,635	2,507	4,142	7,672	4,359
Postage and shipping	16,383	17,446	7,548	5,300	46,677	694	107	801	47,478	39,627
Printing	1,455	23,350	22,173	1,900	48,878	97	-	97	48,975	48,030
Professional fees	-	-	-	7,266	7,266	8,394	-	8,394	15,660	22,154
Randall session	5,000	-	-	-	5,000	-	-	-	5,000	7,000
Rent	16,581	4,792	2,252	4,551	28,176	611	2,036	2,647	30,823	31,640
Special events	5,000	22,627	-	-	27,627	636	-	636	28,263	6,779
Supplies	14,950	106	270	9,754	25,080	607	81	688	25,768	25,090
Telephone and internet	2,705	-	591	8,072	11,368	-	636	636	12,004	5,712
Travel	23,743	6,226	-	4,609	34,578	54	37,303	37,357	71,935	96,436
Other	3,357	-	-	8,215	11,572	269	2,082	2,351	13,923	15,095
TOTAL	\$591,282	\$170,866	\$ 80,299	\$ 162,283	\$ 1,004,730	\$ 21,795	\$ 72,614	\$ 94,409	\$ 1,099,139	\$ 1,222,892

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 2011 in the accompanying financial statement is included to provide a basis for comparison with 2012 and presents summarized totals only. Such information should be read in conjunction with NCECA's financial statements for the year ended June 30, 2011, 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 \$7,300 in 2013.

Note 5 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 27, 2012, 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, 2012

	<u>FELLOWSHIP</u>			<u>DEVELOPMENT</u>	<u>DEVELOPMENT</u>	<u>ENDOWMENT</u>			<u>Unrestricted,</u>
	<u>Unrestricted,</u>	<u>Temporarily</u>		<u>Temporarily</u>	<u>Unrestricted,</u>	<u>Unrestricted,</u>	<u>Permanently</u>		<u>Assets</u>
	<u>Board</u>	<u>Restricted</u>	<u>Total</u>	<u>Restricted</u>	<u>Board</u>	<u>Board</u>	<u>Restricted</u>	<u>Total</u>	<u>Undesignated</u>
	<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	\$ 88,160	\$ 91,386	\$ 120,171	\$ 102,590	\$ 904,147	\$ 183,853	\$ 1,088,000	\$ 91,620
Additions:									
Revenue collected								-	1,175,937
Events				48,671				-	63,906
Grants				164,500				-	-
Contributions	-	700	700	13,323	-	-	-	-	10,002
Total additions	-	700	700	226,494	-	-	-	-	1,249,845
Less expenses paid:									
Awards	-	5,400	5,400	28,449				-	1,725
Program expenses	-	-	-	100,418				-	876,787
Support service	-	-	-	-				-	86,360
Total expenses	-	5,400	5,400	128,867	-	-	-	-	964,872
Transfers	-	-	-	-	-	-	-	-	-
Net Change	-	(4,700)	(4,700)	97,627	-	-	-	-	284,973
Ending Balance	<u>\$ 3,226</u>	<u>\$ 83,460</u>	<u>\$ 86,686</u>	<u>\$ 217,798</u>	<u>\$ 102,590</u>	<u>\$ 904,147</u>	<u>\$ 183,853</u>	<u>\$ 1,088,000</u>	<u>\$ 376,593</u>