

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

Independent Auditor's Report and Financial Statements
For the Year Ended
December 31, 2014

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The American Museum of the Ceramic Art
Pomona, CA

We have audited the accompanying financial statements of The American Museum of the Ceramic Art (A California nonprofit corporation), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year 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.

Auditor's 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 auditor's 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.

Board of Directors
The American Museum of the Ceramic Art
Pomona, CA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Museum of the Ceramic Art as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Summarized Comparative Information

We have previously audited The American Museum of the Ceramic Art's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



VICENTI, LLOYD & STUTZMAN LLP
Glendora, CA
August 15, 2015

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
December 31, 2014
(With Comparative Totals as of December 31, 2013)

	2014	2013
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 349,913	\$ 377,804
Accounts receivable	454	920
Inventory	172,401	185,569
Investments	486,638	559,123
Land held for sale	69,000	-
Total current assets	1,078,406	1,123,415
Non-current Assets:		
Property and equipment, net	3,988,324	4,116,529
Other assets	18,336	3,803
Total non-current assets	4,006,660	4,120,333
Total Assets	\$ 5,085,066	\$ 5,243,748
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 35,351	\$ 48,966
Mortgage payable, current portion	48,167	46,281
Total current liabilities	83,518	95,247
Long-term Liabilities:		
Mortgage payable, net of current portion	2,284,160	2,330,616
Total Liabilities	2,367,678	2,425,863
Net Assets:		
Unrestricted net assets	2,717,388	2,817,885
Total net assets	2,717,388	2,817,885
Total Liabilities and Net Assets	\$ 5,085,066	\$ 5,243,748

The accompanying notes are an integral part of these financial statements.

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUE AND OTHER SUPPORT:		
Contributions and grants	\$ 632,639	\$ 563,940
Sales	73,569	89,779
Program revenue	222,999	234,502
Interest and dividends	25,650	23,744
Impairment loss on land held for sale	(11,000)	-
Realized/unrealized investment gain	51,131	(33,599)
Subtotal revenue and other support	994,988	878,366
Total revenue and other support	994,988	878,366
 EXPENSES:		
Program	872,710	739,343
Management and General	180,125	142,126
Fundraising	42,650	16,832
Total expenses	1,095,485	898,301
Change in unrestricted net assets	(100,497)	(19,935)
Net assets at beginning of year	2,817,885	2,837,820
Net assets at end of year	\$ 2,717,388	\$ 2,817,885

The accompanying notes are an integral part of these financial statements.

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	Program Services	Mangement and General	Fundraising	Total 2014	Total 2013
Salaries and wages	\$ 329,969	\$ 87,136	\$ 19,412	\$ 436,517	\$ 363,432
Benefits and payroll taxes	37,265	9,841	2,192	49,298	33,314
Cost of sales	6,642	-	-	6,642	2,711
Accounting expenses	14,089	1,658	828	16,575	9,925
Other fees for services	54,229	41,051	-	95,280	45,727
Advertising and promotion	-	-	-	-	86
Office expenses	49,936	5,875	2,937	58,748	25,420
Grant expenses	-	-	-	-	3,310
Occupancy expenses	101,764	11,972	5,986	119,722	118,948
Travel expenses	9,342	1,099	549	10,990	7,653
Interest expense	81,224	9,556	4,778	95,558	97,394
Depreciation expense	52,556	6,183	3,091	61,830	58,704
Insurance expense	36,334	4,275	2,137	42,746	22,263
Exhibit program expenses	86,785	-	-	86,785	101,329
Other expenses	12,575	1,479	740	14,794	8,086
Total 2014	<u>\$ 872,710</u>	<u>\$ 180,125</u>	<u>\$ 42,650</u>	<u>\$ 1,095,485</u>	
Total 2013	<u>\$ 739,343</u>	<u>\$ 142,126</u>	<u>\$ 16,832</u>		<u>\$ 898,301</u>

The accompanying notes are an integral part of these financial statements.

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(With Comparative Totals for the Year Ended December 31, 2013)

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in net assets	\$ (100,497)	\$ (19,935)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	61,830	58,704
Impairment loss on land held for sale	11,000	-
Realized/unrealized investment (gain)/loss	(51,131)	37,222
(Increase) decrease in operating assets:		
Accounts receivable	466	(920)
Inventory	13,168	(14,356)
Other assets	(14,533)	10,457
Increase in operating liabilities:		
Accrued expenses	(13,617)	37,717
Net cash flows from operating activities	(93,314)	108,889
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of property and equipment	(13,624)	(73,208)
Proceeds from sales of investments	383,922	45,000
Purchase of investments	(260,305)	(23,100)
Net cash flows from investing activities	109,993	(51,308)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payments on mortgage payable	(44,570)	(42,813)
Net cash flows from financing activities	(44,570)	(42,813)
Net change in cash and cash equivalents	(27,891)	14,768
Cash and cash equivalents at beginning of year	377,804	363,036
Cash and cash equivalents at end of year	\$ 349,913	\$ 377,804
<u>SUPPLEMENTAL CASH FLOW DISCLOSURE:</u>		
Cash paid for interest	\$ 95,558	\$ 97,394

The accompanying notes are an integral part of these financial statements.

THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

American Museum of Ceramic Art (“AMOCA”) was incorporated in 2003 and is a charitable, nonprofit organization. The mission of AMOCA is to educate by presenting, collecting, and preserving significant ceramic achievements of the world’s cultures from ancient times to the present and through aesthetic and technical study to develop a deeper understanding of cultural values and traditions. This is accomplished in part by operating a museum of ceramics in Pomona, California.

For the year ended December 31, 2014, contributions are approximately 59% of total support and revenue.

Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on AMOCA as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted and unrestricted.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they must be maintained permanently by AMOCA. Generally donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes. There are no permanently restricted net assets at December 31, 2014.

Temporarily Restricted – Net assets subject to donor-imposed stipulations that will be met by actions of AMOCA or the passage of time, including unrestricted pledges whose payments are structured over several fiscal periods. There are no temporarily restricted net assets at December 31, 2014.

Unrestricted - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period the pledge is made. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value.

THE AMERICAN MUSEUM OF CERAMIC ART
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Cash

For purposes of the statements of financial position and cash flows, cash includes cash on hand and on deposit.

Pledge Receivables

Unconditional promises to give (pledges) are recorded as receivables and revenues in the year the pledge is made. These are classified by net asset category in accordance with donor-imposed restrictions. Unrestricted pledges to be paid over a series of fiscal periods are classified as temporarily restricted as they are considered restricted by the passage of time. There are no pledge receivables as of December 31, 2014.

Inventory

Inventory consists of books and DVD's held for sale. Inventory is carried at lower of cost or market.

Investments

Investments in both equity securities and marketable debt securities are reported at fair value. Donated investments are recorded at the market value on the date of the donation and are thereafter carried in accordance with the above provision.

Property and Equipment

Property and equipment is stated at cost if purchased or at estimated fair market value if donated. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the asset. AMOCA capitalizes all expenditures for property and equipment in excess of \$1,000.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

Comparative Totals

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 AMOCA's financial statements for the year ended December 31, 2013, from which the summarized information was derived. Certain reclassifications have been made to the 2013 financial information to conform to the 2014 presentation.

THE AMERICAN MUSEUM OF CERAMIC ART
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes

AMOCA is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. AMOCA has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to AMOCA's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

AMOCA files informational returns in the U.S. federal jurisdiction and the State of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Collections

AMOCA maintains collections of ceramic art that are significant in relation to its total assets. AMOCA has adopted a policy of not capitalizing the collection of artwork in its financial statements. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received. AMOCA employs curators to ensure that the collections are protected and preserved. AMOCA holds its collections for public exhibition, education, and research rather than for financial gain. It protects, cares for, preserves, and keeps its collections unencumbered, subject to a policy that requires proceeds from sales of collection items to be used to purchase additional items for the collection.

Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and general and administrative expenses based on the estimated benefit received by each function.

Subsequent Events

AMOCA has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the statement of financial position date of December 31, 2014 through August 15, 2015, which is the date the financial statements were available to be issued.

THE AMERICAN MUSEUM OF CERAMIC ART
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 2 – CONCENTRATION OF CREDIT RISK:

AMOCA maintains all of its cash and cash equivalent deposits in several financial institutions. Since AMOCA needs to maintain certain balances in bank accounts to meet cash flow needs, at certain times during the year portions of these deposits exceed federally insured limits.

NOTE 3 – INVESTMENTS:

Investment income and gains for the year ended December 31, 2014 are composed of the following:

Dividends and interest	\$ 25,650
Net realized and unrealized losses	51,131
Fees	<u>(3,921)</u>
Total net investment loss	<u>\$ 72,860</u>

NOTE 4 – FAIR VALUE MEASUREMENTS:

Accounting standards require that certain assets and liabilities be measured at fair value. For each, the fair value level measurement is categorized as recurring or non-recurring, and classified as follows:

Level 1 – Quoted prices in an active market for identical assets.

Level 2 – Quoted prices for similar assets and market-corroborated inputs.

Level 3 – Quoted prices not readily available. Fair value based on best information, typically provided by the investment fund manager.

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Level 1</u>
Cash and cash alternatives	\$ 3,624
Exchange traded funds	173,280
Mutual funds	216,919
Stocks	<u>92,815</u>
Total investments	<u>\$ 486,638</u>

THE AMERICAN MUSEUM OF CERAMIC ART
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NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014

NOTE 5 – PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2014 consists of the following:

Land	\$ 2,470,000
Building and improvements	1,583,354
Furniture and fixtures	53,046
Computers and other equipment	<u>94,947</u>
Total property and equipment	4,201,347
Less: accumulated depreciation	<u>213,023</u>
Total	<u>\$ 3,988,324</u>

Depreciation expense for the year ended December 31, 2014 was \$61,830.

NOTE 6 – COMPENSATED ABSENCES:

Employees of AMOCA are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. AMOCA's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE 7 – LONG-TERM DEBT:

Interest expense for the year ended December 31, 2014 was \$95,558.

Long-term debt at December 31, 2014 consists of:

Mortgage note payable secured by real property at 399 N Garey Ave, Pomona, CA 91767. Payable monthly at \$11,667, which includes interest at 4%. Payable through February 2042.	\$ 2,332,327
Less: current portion	<u>48,167</u>
Mortgage payable, net of current portion	<u>\$ 2,284,160</u>

**THE AMERICAN MUSEUM OF CERAMIC ART
(A California Nonprofit Corporation)**

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2014**

NOTE 7 – LONG-TERM DEBT: (continued)

Future payments on AMOCA’s mortgage payable are as follows:

		<u>Future Principal Payments</u>	<u>Future Interest Payments</u>		<u>Total Future Payments</u>
2015	\$	48,167	\$ 91,961	\$	140,128
2016		50,129	89,999		140,128
2017		52,172	87,956		140,128
2018		54,297	85,831		140,128
2019		56,510	83,619		140,128
Thereafter		<u>2,071,052</u>	<u>1,054,585</u>		<u>3,125,637</u>
	\$	<u>2,332,327</u>	\$ <u>1,493,951</u>	\$	<u>3,826,278</u>

NOTE 8 – CONCENTRATION OF CONTRIBUTIONS:

For the year ended December 31, 2014, two donors provided approximately 60% of total contributions. One of these donors is the founder of AMOCA.

NOTE 9 – RELATED PARTY TRANSACTIONS:

As described in Note 8, the founder of AMOCA is a substantial donor. Contributions from the founder of AMOCA for the year ended December 31, 2014 totaled \$111,000.

NOTE 10 – OPERATING LEASE:

AMOCA has a lease agreement for the use of its facilities in Pomona, California. The extended lease term began on July 1, 2012 and will expire on June 30, 2015. The lease terms require monthly rent payments of \$11,530. Future minimum lease revenue for this lease is \$69,180.

NOTE 11 – SUBSEQUENT EVENTS:

In February 2015, AMOCA sold its property in Springville, California. As of December 31, 2014, this property was reported as held for sale on the statement of financial position.