

AUDITED FINANCIAL STATEMENTS

SSPC: THE SOCIETY FOR PROTECTIVE COATINGS

December 31, 2010

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SSPC: THE SOCIETY FOR PROTECTIVE COATINGS

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INDEPENDENT AUDITOR'S REPORT

President  
Board of Governors  
SSPC: The Society For Protective Coatings  
Pittsburgh, Pennsylvania

We have audited the accompanying statement of financial position of SSPC: The Society For Protective Coatings as of December 31, 2010, and the related statements of activities, cash flow and changes in net assets for the twelve months ended December 31, 2010. These financial statements are the responsibility of the organization's management. 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 that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of SSPC: The Society For Protective Coatings as of December 31, 2010, and the changes in its net assets and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Russell E. Karleski  
Certified Public Accountant

Pittsburgh, Pennsylvania  
March 7, 2011

STATEMENT OF FINANCIAL POSITION  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
December 31, 2010

	TOTAL ALL FUNDS	GENERAL OPERATING FUND	RESERVE FUND
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$1,087,438	\$1,087,438	
Investments	6,270,896	3,108,891	\$3,162,005
Accounts Receivable	169,474	169,474	
Inventory	154,851	154,851	
	7,682,659	4,520,654	3,162,005
<u>FURNITURE, FIXTURES AND EQUIPMENT</u>			
Equipment, at cost	483,289	483,289	
Less: Accumulated Depreciation	<361,833>	<361,833>	-0-
	121,456	121,456	-0-
<u>OTHER ASSETS</u>			
Prepaid Expenses	406,811	406,811	-0-
TOTAL ASSETS	\$8,210,926	\$5,048,921	\$3,162,005
<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable - Trade	\$ 120,818	\$ 120,818	
Accrued Expenses	491,841	491,841	
Deferred Revenue	1,376,824	1,376,824	
TOTAL LIABILITIES	1,989,483	1,989,483	\$ -0-
<u>NET ASSETS - UNRESTRICTED</u>	6,221,443	3,059,438	3,162,005
TOTAL LIABILITIES AND NET ASSETS	\$8,210,926	\$5,048,921	\$3,162,005

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

STATEMENT OF ACTIVITIES  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
For the year ended December 31, 2010

	TOTAL ALL FUNDS	GENERAL OPERATING FUND	RESERVE FUND
<u>REVENUE</u>			
Membership	\$1,016,034	\$1,016,034	
Publication sales	565,901	565,901	
Exhibit and registration fees	499,100	499,100	
Training fees	1,116,384	1,116,384	
Individual certification fees	783,796	783,796	
Audit certification fees	1,446,272	1,446,272	
Royalties	82,555	82,555	
Interest income	640,456	267,762	\$ 372,694
Miscellaneous other income	1,106	1,106	
TOTAL REVENUE	6,151,604	5,778,910	372,694
Less: Discounts, refunds, etc.	<65,075>	<65,075>	
NET REVENUE	6,086,529	5,778,910	372,694
<u>OPERATING EXPENSES</u>			
Salaries	1,383,810	1,383,810	
Taxes and benefits	741,740	741,740	
Subcontract:			
Technology Publishing	148,096	148,096	
Printing services	156,370	156,370	
Consulting fees	455,418	455,418	
PCCP audit fees	258,611	258,611	
Computer services	51,351	51,351	
Mailing services	10,683	10,683	
Marketing and design	102,400	102,400	
Audio-visual	5,079	5,079	
Hotels, exhibit space fees	118,153	118,153	
Legal	4,921	4,921	
Pace expenses	421,982	421,982	
Supplies	243,342	243,342	
Postage, phone and rent	401,608	401,608	
Travel	99,720	99,720	
Minor equipment, parts, repairs	45,054	45,054	
Miscellaneous	67,993	67,993	
TOTAL OPERATING EXPENSES	4,716,331	4,716,331	-0-
EXCESS OF REVENUE OVER OPERATING EXPENSES	1,370,198	997,504	372,694
<u>NON-OPERATING EXPENSES</u>			
Depreciation	82,574	82,574	-0-
UNRESTRICTED CHANGE IN NET ASSETS FROM CURRENT OPERATIONS	\$1,287,624	\$ 914,930	\$ 372,694

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

STATEMENT OF CHANGE IN NET ASSETS  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
For the year ended December 31, 2010

	TOTAL ALL FUNDS	GENERAL OPERATING FUND	RESERVE FUND
Unrestricted net assets - December 31, 2009	\$4,933,819	\$2,552,508	\$2,381,311
Change in net assets as a result of current operations	1,287,624	914,930	372,694
Transfer from general operating fund to reserve fund		<408,000>	408,000
Unrestricted net assets - December 31, 2010	<u>\$6,221,443</u>	<u>\$3,059,438</u>	<u>\$3,162,005</u>

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

STATEMENT OF CASH FLOW  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
For the year ended December 31, 2010

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CASH FLOW FROM OPERATING ACTIVITIES

Net increase <decrease> in net assets from operations		\$1,287,624
Adjustments to reconcile net increase <decrease> in net assets to net cash used by activities:		
Depreciation	\$82,574	
Decrease in accounts receivable	183,453	
Increase in inventory	<17,898>	
Increase in prepaid expenses	<291,034>	
Increase in accounts payable	64,571	
Decrease in accrued expenses	<47,969>	
Increase in deferred revenue	775,216	<u>748,913</u>

CASH FLOW FROM INVESTING ACTIVITIES

Capital expenditures		<u>&lt;7,013&gt;</u>
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NET INCREASE <DECREASE> IN CASH		<u>\$2,029,524</u>
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Cash and cash equivalents at the beginning of the year		\$5,328,810
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Cash and cash equivalents at the end of the year		
Operating Fund cash and investments	\$4,196,329	
Reserve Fund cash and investments	<u>3,162,005</u>	<u>7,358,334</u>

INCREASE/<DECREASE> IN CASH & CASH EQUIVALENTS		<u>\$2,029,524</u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
December 31, 2010

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NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the significant accounting policies of SSPC: The Society for Protective Coatings:

SSPC: The Society for Protective Coatings is a Pennsylvania nonprofit membership corporation. The purposes of SSPC are to assess and advance the technology of surface preparation and coating of industrial structures by conducting research, developing industry standards, and to organize, and effectively communicate to the industry, information intended to further improve and make more effective the protection of industrial structures.

Assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting.

Inventories are carried on a specific cost basis totaling \$154,851 at December 31, 2010.

Fixed assets consisting of furniture and equipment are stated at cost, less accumulated depreciation. All fixed assets are depreciated over their estimated useful lives of from three to five years.

The preparation of financial statements in conformity with G.A.A.P. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, in particular deferred income, prepaid expenses and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates used, but not limited to, were depreciation, the need for an allowance for doubtful accounts and determination of slow moving and obsolete inventory.

SSPC is exempt from income tax pursuant to section 501 (c) (3) of the United States Internal Revenue Code and has been determined not to be a private foundation.

NOTE B - INVESTMENTS

Investments consist of highly liquid debt instruments with varying maturity dates. Included in the investment amounts are short-term investments, intermediate-term investments, bonds, and money market funds.

NOTE C - FIXED ASSETS

Fixed assets of SSPC at December 31, 2010:

Furniture and equipment	\$ 483,289
Less: Accumulated depreciation	<u>&lt;361,833&gt;</u>
Undepreciated value at 12/31/10	\$ 121,456

Depreciation charged off for the year ended December 31, 2010 was \$82,574.

NOTES TO FINANCIAL STATEMENTS  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
December 31, 2010

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NOTE D - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, SSPC paid fees and expenses to Technology Publishing Company, an entity related to SSPC through stock ownership and combined participation in certain activities. The net amount of the fees and expenses paid during the fiscal year ending December 31, 2010 was \$69,298.

NOTE E - DEFERRED FUNDS

The amount shown as deferred income is composed of advance payments for future training sessions, conferences, certification audits and also memberships. The deferred income will be recognized periodically, as follows:

Fiscal year ending 12-31-2011	\$1,376,824
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Amounts recognized each year might fluctuate especially related to the completion of some paint audits. This fluctuation would not be a significant change to the preceding list. All amounts shown are based on FASB 116 and 117 requirements.

NOTE F - LEASE

SSPC: The Society For Protective Coatings leases office space located at 40 24<sup>th</sup> Street, Pittsburgh, Pennsylvania, 15222 from 24<sup>th</sup> Street Associates. The current lease is for the 60 month period February 1, 2006 through January 31, 2011. The monthly payment is \$16,345.08 and future payment amounts are:

January 1, 2011 through January 31, 2011	\$16,345.08
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NOTE G - UNRESTRICTED FUNDS

All funds listed under the general operating fund category are unrestricted as to use. The funds listed under the reserve fund are restricted to use as designated by the Board of Governors.

NOTE H - LITIGATION

As of December 31, 2010, the organization is not a party to legal proceedings the results of which, in the opinion of the organization's administration, would have a material affect on the financial condition of SSPC as of December 31, 2010.

NOTES TO FINANCIAL STATEMENTS  
SSPC: THE SOCIETY FOR PROTECTIVE COATINGS  
December 31, 2010

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NOTE I - RETIREMENT PLAN

The SSPC Retirement Plan is a Defined Contribution Plan established by the Board of Governors and effective as of January 1, 1993. New employees are eligible for participation in the Plan upon the attainment of age 21 and the completion of 1000 hours of service within the twelve consecutive month period beginning on the date the employee performs an hour of service. Benefits are provided through fixed-dollar annuities issued by the Teachers Insurance and Annuity Association (TIAA) and through variable annuities offered by TIAA's companion organization, the College Retirement Equities Fund (CREF). The Plan operates under section 403 (b) of the Internal Revenue Code and uses TIAA and CREF Retirement Annuities to provide benefits.

All Plan contributions are made on a monthly basis at the rate of 8% of total compensation less any non-vested repurchased funds due to employee terminations. The cost expensed by SSPC for the fiscal year ended December 31, 2010 was \$148,041.

NOTE J - JOINT VENTURE AGREEMENT

During the fiscal year ended June 30, 2004, SSPC: The Society for Protective Coatings entered into a Joint Venture Agreement with the Painting and Decorating Contractors of America, both of whom are non-profit corporations who represent the coatings industry. The purpose of the Joint Venture was to execute a joint trade show each year throughout the United States. The term of the Joint Venture expired and was not renewed by agreement dated September 2010.

NOTE K - CONCENTRATIONS

The Board of Governors suggested that approximately two months of operating cash be available in an easy accessible account. Therefore, the organization maintains its cash balance in one financial institution located in Pittsburgh, Pennsylvania. The Federal Deposit Insurance Corporation insures up to \$250,000. At December 31, 2010, the organization had one bank account in excess of \$250,000.