

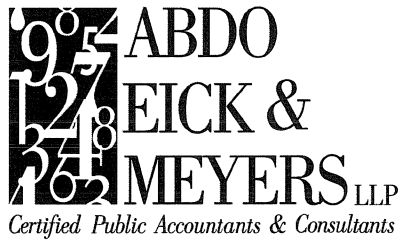
RED WING COLLECTORS SOCIETY, INC.
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

YEAR ENDED
DECEMBER 31, 2006

RED WING COLLECTORS SOCIETY, INC.
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Red Wing Collectors Society, Inc.
Red Wing, Minnesota

We have audited the accompanying statement of financial position of Red Wing Collectors Society, Inc. (the Corporation), a Minnesota nonprofit corporation, as of December 31, 2006 and the related statements of activities, functional expense and cash flows for the year then ended. These financial statements are the responsibility of the Corporation'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 audits 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 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 above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Abdo, Eick & Meyers, LLP

July 12, 2007
Apple Valley, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

RED WING COLLECTORS SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 428,666
Prepaid expenses	<u>11,000</u>
TOTAL CURRENT ASSETS	439,666
FIXED ASSETS	
Collections (Note 3)	<u>-</u>
TOTAL ASSETS	<u>\$ 439,666</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Deferred revenue	\$ 11,500
Accrued payroll and withholding	<u>751</u>
TOTAL LIABILITIES	12,251
NET ASSETS	
Unrestricted	<u>427,415</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 439,666</u>

See Independent Auditor's Report and Notes to Financial Statements.

RED WING COLLECTORS SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

UNRESTRICTED REVENUE AND GAINS	
Program income	\$ 164,162
Commemorative sales	196,968
Auction sales	146,606
Contributions	45
Interest	15,062
Other	<u>186</u>
 TOTAL UNRESTRICTED REVENUE AND GAINS	 <u>523,029</u>
 EXPENSES	
Program services	145,350
Management and general	142,328
Fundraising	<u>254,757</u>
 TOTAL EXPENSES	 <u>542,435</u>
 DECREASE IN NET ASSETS	 (19,406)
 PRIOR PERIOD ADJUSTMENT (Note 6)	 10,000
 NET ASSETS, JANUARY 1	 <u>436,821</u>
 NET ASSETS, DECEMBER 31	 <u><u>\$ 427,415</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

RED WING COLLECTORS SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2006

	Program Services	Management and General	Fundraising	Total Expenses
EXPENSES				
Salaries and wages	\$ 8,775	\$ 61,273	\$ 6,425	\$ 76,473
Professional fees	4,544	2,730	2,887	10,161
Supplies	13,542	2,473	709	16,724
Telephone	-	2,911	6	2,917
Postage and shipping	-	1,863	12,910	14,773
Occupancy	23,256	5,534	600	29,390
Office expense	2,169	25,919	1,851	29,939
Travel and meetings	1,282	20,673	971	22,926
Advertising	12	173	-	185
Printing and publications	85,631	-	1,294	86,925
Insurance	-	5,193	300	5,493
Staff development	750	4,813	-	5,563
Equipment rental	4,560	-	-	4,560
Membership expense	829	-	-	829
Commeratives expense	-	-	97,334	97,334
Auction expense	-	-	129,470	129,470
Donations	-	8,408	-	8,408
Miscellaneous	-	365	-	365
	<u>\$ 145,350</u>	<u>\$ 142,328</u>	<u>\$ 254,757</u>	<u>\$ 542,435</u>
TOTAL EXPENSES				

See Independent Auditor's Report and Notes to Financial Statements.

RED WING COLLECTORS SOCIETY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (19,406)
Adjustment to reconcile decrease in net assets to net cash used by operating activities:	
(Increase) decrease in assets:	
Prepaid expenses	(988)
Increase (decrease) in liabilities:	
Deferred revenue	8,240
Accrued payroll and withholding	<u>(145)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(12,299)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(12,299)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>440,965</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 428,666</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid during the year for:	
Interest	<u><u>\$ -</u></u>
Income taxes	<u><u>\$ -</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

RED WING COLLECTORS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Red Wing Collectors Society, Inc. (the Corporation) was founded in 1977 and was organized as a Minnesota nonprofit corporation in 1979. The Corporation is headquartered in Red Wing, Minnesota and has over 5,000 members located throughout the United States. The Corporation is dedicated to the collection and preservation of Red Wing and other American stoneware and pottery. The Corporation's goals are to research the history of pottery in America, to share that information, to establish a network of collectors, to bring collectors together at a semi-annual convention and to encourage the buying, selling and trading of stoneware and pottery.

B. Statement Presentation

The accompanying financial statements include the assets, net assets and financial activities of the Corporation in accordance with Statement of Financial Accounting Standards No. 117 (SFAS 117). This statement requires that the organization report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

The Corporation reports 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.

All of the Corporation's net assets are unrestricted.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

D. Functional Allocation of Expenses

The costs of providing the Corporation's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

E. Income Taxes

The Corporation is exempt from income tax under section 501(c)(7) of the Internal Revenue Code.

F. Concentration of Credit Risk

The Corporation maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

RED WING COLLECTORS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 2: LEASES - OPERATING

The Corporation leases office space in Red Wing, Minnesota. The office is under a 57 month lease which expires on September 30, 2010 and with monthly rent at \$400. Also, the Corporation leases storage space in Red Wing, Minnesota. The storage space is on a month-to-month lease with monthly rent at \$60. During 2006, the Corporation signed a lease agreement for the site of the annual convention held in Red Wing, Minnesota. The Lease commences on January 1, 2007 and expires December 31, 2007. Occupancy is limited to a maximum of seven days that must be in the month of July. Rent is due on the first day of July each year of the lease. The occupancy charge under the lease is \$14,100 in 2007 with the amount increasing by \$600 each year thereafter through the length of the lease.

Future minimum lease payments are as follows:

Year Ended	Amount
2007	\$ 18,900
2008	19,500
2009	20,100
2010	19,500
2011	16,500
Total	\$ 94,500

Note 3: COLLECTIONS

The Corporation owns a collection of limited-edition stoneware commemoratives produced by the Corporation and various state chapters, which are replicas of original Red Wing stoneware pieces. The commemoratives are on display to the public at their headquarters in Red Wing, Minnesota. At December 31, 2006, the collection had an insured value of \$116,165. It is the Corporation's practice not to capitalize their collection of commemoratives, under SFAS 116, paragraph 11. SFAS 116, paragraph 11 states a nonprofit organization is not required to capitalize items that are part of a collection as long as the following three criteria are met: a) are held for exhibition to the public, for educational purposes, or for research in furtherance of public service and not financial gain b) Are protected, cared for and preserved c) Are subject to a policy requiring any proceeds from the sale of collection items to be reinvested in other collection items.

Note 4: DONATED SERVICES

The Corporation receives donated services from a variety of unpaid members. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

Note 5: OCCUPANCY

During 2006, the Corporation paid \$13,500 in facility charges related to rent of the site of the annual convention. For the year ended December 31, 2006, the Corporation paid \$9,756 in facility charges related to rent of the site of the mid-winter convention. Total occupancy allocated to program services is \$23,256 for the year ended December 31, 2006.

As discussed in Note 3, the Corporation paid \$4,800 for its lease of its office space and \$734 for its storage space for the year ended December 31, 2006. Total occupancy allocated to management and general expense is \$5,534 for the year ended December 31, 2006.

During 2006, the Corporation paid \$600 for the storage of the commemoratives prior to distribution, which equaled the total occupancy allocated to fundraising for 2006.

RED WING COLLECTORS SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 6: PRIOR PERIOD ADJUSTMENT

In 2004, the Corporation prepaid \$10,000 for the 2005 convention site, but was this immediately expensed as a convention expense on the 2004 financial statements resulting in convention expenses for 2004 to be overstated and understated for 2005. In 2005, the Corporation prepaid \$10,000 for the 2006 convention site and again immediately expensed it as convention expense on the 2005 financial statements resulting in convention expenses for 2005 to be overstated in 2005 and understated for 2006. The net effect of the incorrect accounting resulted in 2004 convention expenses being overstated by \$10,000, 2005 convention expenses being appropriately stated and 2006 convention expenses being understated by \$10,000. The \$10,000 understatement was recorded in program services expense at December 31, 2006.