



**THE POTTER'S HOUSE**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

August 31, 2013 and 2012

With Independent Auditor's Report



An Urban, Christ-Centered School



*Enhancing Trust*

# THE POTTER'S HOUSE

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
The Potter's House  
Grand Rapids, Michigan**

### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying consolidated financial statements of The Potter's House (a nonprofit organization), which consist of the consolidated statements of financial position as of August 31, 2013 and 2012, the related consolidated statements of activities, functional expenses and cash flows for the years then ended and the related notes to the consolidated financial statements.

JAMES H. QUIST CPA PLC

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

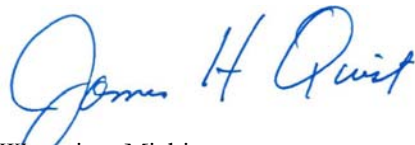
## **INDEPENDENT AUDITOR'S REPORT, continued**

### **Opinion**

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Potter's House as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matter**

My audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary data on pages 20 through 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in blue ink that reads "James H. Quist". The signature is written in a cursive style with a large initial "J".

Wyoming, Michigan  
January 31, 2014

# THE POTTER'S HOUSE

## Consolidated Statements of Financial Position

	August 31,	
	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 44,059	\$ 131,611
Accounts receivable, net of allowance of \$45,000 and \$30,000, respectively	132,290	103,539
Contributions receivable	100,000	-
Prepaid expenses	43,474	47,818
Inventory	-	6,693
Land contract receivable	4,664	9,197
Property held for sale	6,000	6,000
Investments held for long-term purposes	1,410,544	1,278,282
Property and equipment, net of accumulated depreciation	4,165,302	4,133,593
 Total Assets	 \$ 5,906,333	 \$ 5,716,733
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 76,672	\$ 58,931
Accrued salaries and wages	58,256	50,879
Flexible spending plan	338	534
Deferred revenue	117,939	124,737
Line of credit payable	50,000	-
Capitalized lease obligations	52,500	63,754
Land contract payable	73,554	-
 Total Liabilities	 429,259	 298,835
 Net Assets		
Unrestricted		
Undesignated	624,302	687,716
Designated	4,932	5,014
Net investment in property and equipment	4,091,748	4,133,593
	4,720,982	4,826,323
Temporarily restricted	756,092	591,575
 Total Net Assets	 5,477,074	 5,417,898
 Total Liabilities and Net Assets	 \$ 5,906,333	 \$ 5,716,733

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statements of Activities

For the Years Ended August 31,

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Tuition and fees	\$ 2,958,127	\$ -	\$ 2,958,127	\$ 2,958,127	\$ -	\$ 2,958,127
Less: tuition grants and discounts	(2,086,376)	-	(2,086,376)	(2,055,262)	-	(2,055,262)
	871,751	-	871,751	902,865	-	902,865
Contributions	2,558,166	337,744	2,895,910	2,630,503	275,690	2,906,193
Fund-raisers, net of expenses	137,700	-	137,700	110,356	-	110,356
Lunch program revenues	172,143	-	172,143	176,091	-	176,091
Campus program revenue	4,110	-	4,110	2,740	-	2,740
Sales, net of cost of sales	296	-	296	206	-	206
Investment income	91,372	54,206	145,578	52,909	45,458	98,367
Other income	10,271	-	10,271	13,105	-	13,105
<b>Total Support and Revenue</b>	<b>3,845,809</b>	<b>391,950</b>	<b>4,237,759</b>	<b>3,888,775</b>	<b>321,148</b>	<b>4,209,923</b>
<b>RECLASSIFICATIONS</b>						
Net assets released for satisfaction of purpose restrictions	227,433	(227,433)	-	288,715	(288,715)	-
<b>EXPENSES</b>						
<b>Program Services</b>						
Instructional	3,101,222	-	3,101,222	2,996,374	-	2,996,374
Auxiliary	232,054	-	232,054	209,232	-	209,232
Extra-curricular	101,535	-	101,535	92,369	-	92,369
<b>Total Program Services</b>	<b>3,434,811</b>	<b>-</b>	<b>3,434,811</b>	<b>3,297,975</b>	<b>-</b>	<b>3,297,975</b>
<b>Supporting Activities</b>						
Management and general	493,009	-	493,009	498,377	-	498,377
Fund-raising	250,763	-	250,763	213,706	-	213,706
<b>Total Supporting Activities</b>	<b>743,772</b>	<b>-</b>	<b>743,772</b>	<b>712,083</b>	<b>-</b>	<b>712,083</b>
<b>Total Expenses</b>	<b>4,178,583</b>	<b>-</b>	<b>4,178,583</b>	<b>4,010,058</b>	<b>-</b>	<b>4,010,058</b>
Change in Net Assets	(105,341)	164,517	59,176	167,432	32,433	199,865
Net Assets, Beginning of Year	4,826,323	591,575	5,417,898	4,658,891	559,142	5,218,033
Net Assets, End of Year	\$ 4,720,982	\$ 756,092	\$ 5,477,074	\$ 4,826,323	\$ 591,575	\$ 5,417,898

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2013

	Instructional	Auxiliary	Extra-Curricular	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Totals
Salaries and wages	\$ 1,901,418	\$ 52,315	\$ 52,377	\$ 2,006,110	\$ 313,887	\$ 137,058	\$ 450,945	\$ 2,457,055
Other employee benefits	353,879	62	66	354,007	32,738	10,097	42,835	396,842
Payroll taxes	143,450	939	3,901	148,290	17,559	6,838	24,397	172,687
Professional services - management	-	-	-	-	6,021	-	6,021	6,021
Professional services - accounting	-	-	-	-	8,462	-	8,462	8,462
Professional services - other	116,648	135,967	-	252,615	16,380	-	16,380	268,995
Advertising and promotion	-	-	-	-	1,646	14,601	16,247	16,247
Office	9,947	112	-	10,059	54,297	13,497	67,794	77,853
Information technology	7,646	310	-	7,956	5,640	1,180	6,820	14,776
Occupancy	212,627	8,806	-	221,433	7,814	265	8,079	229,512
Travel	1,187	17,830	-	19,017	816	816	1,632	20,649
Conferences, conventions and meetings	-	-	-	-	8,891	-	8,891	8,891
Interest	-	-	-	-	2,869	-	2,869	2,869
Depreciation	131,045	1,431	-	132,476	6,897	-	6,897	139,373
Insurance	20,439	-	-	20,439	413	-	413	20,852
Instructional	197,500	-	14,712	212,212	-	-	-	212,212
Athletics	-	-	30,479	30,479	-	-	-	30,479
Lunch program	-	3,360	-	3,360	-	-	-	3,360
Alumni and donor relations	-	-	-	-	4,684	66,411	71,095	71,095
Parent and booster clubs	-	10,922	-	10,922	-	-	-	10,922
Accreditation and memberships	5,436.00	-	-	5,436	3,995	-	3,995	9,431
<b>Total Expenses</b>	<b>\$ 3,101,222</b>	<b>\$ 232,054</b>	<b>\$ 101,535</b>	<b>\$ 3,434,811</b>	<b>\$ 493,009</b>	<b>\$ 250,763</b>	<b>\$ 743,772</b>	<b>\$ 4,178,583</b>

See accompanying notes to consolidated financial statements



# THE POTTER'S HOUSE

## Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2012

	Instructional	Auxiliary	Extra-Curricular	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Totals
Salaries and wages	\$ 1,795,300	\$ 42,086	\$ 46,733	\$ 1,884,119	\$ 312,453	\$ 135,256	\$ 447,709	\$ 2,331,828
Other employee benefits	312,380	42	52	312,474	37,100	11,197	48,297	360,771
Payroll taxes	154,548	1,063	3,798	159,409	20,983	8,232	29,215	188,624
Professional services - management	-	-	-	-	1,601	-	1,601	1,601
Professional services - accounting	-	-	-	-	8,189	-	8,189	8,189
Professional services - other	108,037	141,372	-	249,409	4,839	-	4,839	254,248
Advertising and promotion	-	-	-	-	32	4,391	4,423	4,423
Office	9,226	88	-	9,314	72,499	14,637	87,136	96,450
Information technology	6,427	310	-	6,737	4,556	806	5,362	12,099
Occupancy	183,748	4,240	-	187,988	12,939	291	13,230	201,218
Travel	1,099	11,522	-	12,621	2,571	2,572	5,143	17,764
Conferences, conventions and meetings	-	-	-	-	7,881	-	7,881	7,881
Interest	-	-	-	-	584	-	584	584
Depreciation	137,067	1,431	-	138,498	7,214	-	7,214	145,712
Insurance	15,491	-	-	15,491	334	-	334	15,825
Instructional	266,116	-	12,035	278,151	-	-	-	278,151
Athletics	-	-	29,751	29,751	-	-	-	29,751
Lunch program	-	1,957	-	1,957	-	-	-	1,957
Alumni and donor relations	-	-	-	-	2,868	36,324	39,192	39,192
Parent and booster clubs	-	5,121.00	-	5,121	-	-	-	5,121
Accreditation and memberships	6,935	-	-	6,935	1,734	-	1,734	8,669
<b>Total Expenses</b>	<b>\$ 2,996,374</b>	<b>\$ 209,232</b>	<b>\$ 92,369</b>	<b>\$ 3,297,975</b>	<b>\$ 498,377</b>	<b>\$ 213,706</b>	<b>\$ 712,083</b>	<b>\$ 4,010,058</b>

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statements of Cash Flow

	For the Years Ended August 31,	
	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 59,176	\$ 199,865
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Increase in allowance for doubtful accounts	15,000	-
Depreciation	139,373	145,712
Gains on sales of land held for sale and investments	(108,051)	(65,667)
Change in:		
Accounts receivable	(43,751)	(23,495)
Contributions receivable	(100,000)	-
Prepaid expenses	4,344	18,213
Inventory	6,693	518
Accounts payable	17,741	(54,692)
Accrued salaries and wages	7,377	(20,492)
Accrued payroll taxes and withholdings	-	(5,605)
Flexible spending plan	(196)	(1,716)
Deferred revenue	(6,798)	13,443
	(9,092)	206,084
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of land and investments	316,897	424,292
Purchase of investments	(341,108)	(551,926)
Purchase of property and equipment	(171,082)	(42,450)
	(195,293)	(170,084)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments received on land contract	4,533	4,404
Proceeds from line of credit	310,000	160,000
Payments on line of credit	(260,000)	(160,000)
Principal payments under capital lease obligations	(11,254)	(1,790)
Proceeds from land contract	80,000	-
Payments on land contract	(6,446)	-
	116,833	2,614
Change in Cash and Cash Equivalents	(87,552)	38,614
Cash and Cash Equivalents, Beginning of Period	131,611	92,997
Cash and Cash Equivalents, End of Period	\$ 44,059	\$ 131,611
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid on line of credit and land contract	\$ 2,869	\$ 584

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 1. NATURE OF ORGANIZATION

The mission of The Potter's House (TPH) is to provide a Christ-centered education to children of all ethnic heritages and income levels, equipping them to serve God and society to their fullest potential. TPH offers an excellent academic program in an urban environment. Rooted in Biblical principles and values, TPH encourages students to reach their full potential by maintaining a healthy spiritual, physical, social and emotional life. TPH challenges students and their families to grow in their personal relationship with Jesus Christ. TPH promotes unity and reconciliation in the Roosevelt Park Community.

In existence since 1981, TPH offers grades K-12 as well as preschool to families throughout Grand Rapids, Michigan and its surrounding communities. Its facilities are located on two campuses, the preschool through eighth grade in the Roosevelt Park community of Grand Rapids and the high school in Wyoming. Its operations are financed primarily from contributions, tuition and fees. TPH also provides for the feeding of students on a fee basis. The costs for various program and extra-curricular activities are also financed by fees, fund-raising efforts and ticket sales.

TPH is a nonprofit organization incorporated in Michigan and is exempt from federal income taxes under section 501(c)(3) of the United States Internal Revenue Code and comparable state law, and has been classified as a publicly supported organization that is not a private foundation under section 509(a) of the code. Contributions to TPH are tax deductible within the limits prescribed by the Code.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The consolidated financial statements of TPH are prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The significant accounting policies that have been adopted by TPH are described below.

#### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of The Potter's House include the combined financial resources and activities of The Potter's House Foundation (Foundation), a Michigan nonprofit corporation that exists solely for the financial support of The Potter's House. All inter-organization balances and transactions have been eliminated in the consolidation.

#### CASH, CASH EQUIVALENTS AND CONCENTRATION OF CREDIT RISK

Cash and cash equivalents includes checking, money market and other highly liquid investment accounts which are not included in the holdings of the managed portfolio for investments held for long-term purposes. While balances in these accounts may at times exceed federally insured limits, TPH has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on these accounts.

At August 31, 2013, the balance of non-endowment temporarily restricted net assets exceeded the balance of cash and cash equivalents. However, TPH can borrow against its line of credit (Note 6) if such would be necessary to fulfill the purpose restrictions of temporarily restricted net assets. Cash required to fulfill the purpose restrictions of endowment temporarily restricted net assets would be withdrawn from investments held for long-term purposes.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### ACCOUNTS RECEIVABLE

Accounts receivable, consisting primarily of unpaid tuition and fee charges, are reported net of any anticipated losses due to uncollectible accounts. TPH considers an account to be past due when items billed on the account have not been paid by the due date. All outstanding balances at August 31, 2013 are considered past due. Past due accounts are subject to internal collection efforts but remain classified as active accounts until graduation or withdrawal from the school. A late fee of 1 percent per month is assessed on past due accounts, but are not assessed on accounts sent to collection. At August 31, 2013 and 2012, \$31,762 and \$28,067 of receivables had been sent to collection, respectively. Uncollectible accounts are recognized as additions to bad debt expense in the period it is determined the amounts could become uncollectible. The allowance for doubtful accounts is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, payment patterns and general economic conditions. The allowance is maintained at a level that, in management's judgment, is adequate to absorb potential losses inherent in the receivables portfolio.

#### CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Those expected to be collected within one year are reported at net realizable value and those expected to be collected in future years are reported at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are expected to be received. This discount rate is based on yields of the various U.S. treasury bills corresponding to the timing of the promises to give. Amortization of the discount is included in contributions revenue.

Conditional promises to give are recognized as income when the conditions are met. Uncollectible promises to give are reported as an allowance for doubtful accounts when it is determined the amounts could become uncollectible.

#### INVENTORY

Inventory consisted of books written as a multi-disciplinary educational project by the first grade class. During the year ended August 31, 2013, management concluded that future sales would be nominal and expensed the cost of the remaining inventory to the development office for promotional use.

#### LAND CONTRACT RECEIVABLE

TPH sold property during the year ended August 31, 2010 for \$28,144 under a land contract, which required a down payment of \$6,000 and five annual payments of \$4,800. The land contract bears interest of 2.87 percent per annum and is secured by the subject property. While payments of principal and interest total \$30,000 only if the loan is paid over the entire five-year term, the purchaser has committed to paying \$30,000 even if the land contract is paid-off early.

The land contract receivable is carried at its unpaid principal balance. Management considers this land contract to be fully collectible; therefore, no allowance for losses has been established.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### PROPERTY HELD FOR SALE

Property held for sale consists of land and residential real estate received as contributions. TPH initially records such investments at the fair value as of the dates these investments are donated to the organization and thereafter utilizes the market approach technique for determining current estimated values, based on sales of comparable properties in the area where the property is located (Level 2 measurements).

#### INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are classified as held for sale and are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the statements of financial position. For purposes of determining gross realized gains and losses, the cost of securities sold is based on specific identification. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies.

#### PROPERTY AND EQUIPMENT

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost when purchased. Donated items are reported at their estimated fair market values as of the date of the gifts were received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Depreciation expense was \$139,373 and \$145,712 for the years ended August 31, 2013 and 2012, respectively.

#### DEFERRED REVENUE

Deferred revenue results primarily from deposits received and credit balances carried forward for fall enrollment.

#### NET ASSETS

The consolidated financial statements report amounts separately by classes of net assets.

UNRESTRICTED NET ASSETS are those available for current purposes under the direction of the Board (undesignated net assets), those designated by the Board for specific uses and those invested in capitalized property and equipment less related debt.

TEMPORARILY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations that may or will be met either by actions of TPH or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

PERMANENTLY RESTRICTED NET ASSETS are those subject to donor-imposed stipulations to be maintained permanently by an organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. To date, TPH has received no permanently restricted contributions.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### SUPPORT AND REVENUE

Contributions are recognized when cash is received, unconditional promises are made or ownership of donated assets are transferred. Contributions received are reported as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. 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 consolidated statements of activities as net assets released from restrictions.

Contributions of assets other than cash are reported at their estimated fair value. TPH reports donations of property and equipment as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment donated with restrictions regarding their use and contributions of cash to acquire property are reported as restricted support. Absent any donor stipulations, these restrictions expire when the asset is acquired and placed in service, and a reclassification is made from temporarily restricted net assets to unrestricted net assets at that time.

Tuition revenues are reported net of discounts, which are determined based on household income and the total number of children in the household. Parents also receive a discount for fulfilling a specified amount of volunteer hours at the school.

Sales revenue and cost of sales are reported net of discounts.

All other revenues are reported when earned.

#### GIFTS-IN-KIND

Donated goods and services are reflected as contributions at their fair market value on the date of donation. There were no in-kind contributions received during the years ended August 31, 2013 and 2012.

#### CONTRIBUTED SERVICES

During the years ended August 31, 2013 and 2012, 225 and 234 individuals provided over 6,000 and 5,700 hours of volunteer support to TPH, respectively. For the years ended August 31, 2013 and 2012, management estimates the total value of volunteer services to be approximately \$90,000 and \$85,000, respectively. However, the value of these services is not reflected in the consolidated financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteer positions consist of student tutors, student mentors and office assistants, cleaning, carpentry and various work projects.

#### FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported as incurred. The costs of providing the various program services and supporting activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefitting from those expenditures. TPH incurred no joint costs during the years ended August 31, 2013 and 2012.

#### ADVERTISING

TPH expenses advertising costs as they are incurred. Advertising costs totaled \$8,971 and \$1,335 for the years ended August 31, 2013 and 2012, respectively.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 3. INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments held for long-term purposes are reported at fair value and consist of the following:

	August 31,	
	2013	2012
Cash and cash equivalents	\$ 117,308	\$ 125,385
Marketable equity securities	204,097	175,671
Marketable preferred equity securities	95,903	113,373
Marketable corporate and government bonds	90,791	74,269
Mutual funds	902,445	789,584
	<u>\$ 1,410,544</u>	<u>\$ 1,278,282</u>

Investment income consists of the following:

	Year Ended August 31, 2013		
	School	Foundation	Total
Interest and dividends	\$ -	\$ 37,527	\$ 37,527
Realized gains	-	8,593	8,593
Unrealized gains	-	99,458	99,458
	<u>\$ -</u>	<u>\$ 145,578</u>	<u>\$ 145,578</u>

	Year Ended August 31, 2012		
	School	Foundation	Total
Interest and dividends	\$ 1	32,699	\$ 32,700
Realized losses	-	(3,480)	(3,480)
Unrealized gains	-	69,147	69,147
	<u>\$ 1</u>	<u>\$ 98,366</u>	<u>\$ 98,367</u>

TPH accounts for investments under fair value accounting standards. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The financial accounting standards have established a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Under the standards, three levels of inputs that may be used to measure fair value are:

LEVEL 1 - In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that TPH has the ability to access.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 3. INVESTMENTS HELD FOR LONG-TERM PURPOSES, continued

LEVEL 2 - Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

LEVEL 3 - Level 3 inputs are unobservable inputs including inputs that are available in situations where there is little, if any, market activity for the related asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. TPH's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

All investments are held in an account at an unrelated financial institution and managed by consent of the The Foundation board. Fair values are determined utilizing Level 1 measurement inputs for all holdings.

### 4. ENDOWMENT

The Foundation has six individual funds established for student scholarships, property maintenance and general operations. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation Board has interpreted Michigan Prudent Management of Institutional Funds Act (MI-PMIFA) as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation would classify as permanently restricted net assets

- (1) the original value of gifts donated to the permanent endowment,
- (2) the original value of subsequent gifts to the permanent endowment and
- (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The Foundation has at the present time no endowments that would be classified as permanently restricted. Therefore, all donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MI-PMIFA. In accordance with MI-PMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund;
- (2) the purposes of the organization and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the organization;
- (7) the investment policies of the organization.



# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 4. ENDOWMENT, continued

#### ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND

	August 31,	
	2013	2012
Unrestricted endowment funds	\$ 860,096	\$ 768,984
Temporarily restricted endowment funds	576,176	537,892
Total funds	\$ 1,436,272	\$ 1,306,876

#### CHANGES IN ENDOWMENT NET ASSETS

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, August 31, 2011	\$ 603,265	\$ 522,273	\$ 1,125,538
Investment return			
Investment income	17,685	15,014	32,699
Realized (losses) gains	(5,024)	1,544	(3,480)
Unrealized gains	40,247	28,900	69,147
Total investment return	52,908	45,458	98,366
Contributions	-	22,000	22,000
Appropriation of endowment assets for expenditure	(46,917)	(51,839)	(98,756)
Other changes			
Transfers to create board-designated endowment funds	159,728	-	159,728
Endowment net assets, August 31, 2012	768,984	537,892	1,306,876
Investment return			
Investment income	22,769	14,758	37,527
Realized gains	1,928	6,665	8,593
Unrealized gains	66,675	32,783	99,458
Total investment return	91,372	54,206	145,578
Contributions	-	37,425	37,425
Appropriation of endowment assets for expenditure	(57,893)	(53,347)	(111,240)
Other changes			
Transfers to create board-designated endowment funds	57,633	-	57,633
Endowment net assets, August 31, 2013	\$ 860,096	\$ 576,176	\$ 1,436,272

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 4. ENDOWMENT, continued

#### FUNDS WITH DEFICIENCIES

Because the Foundation has no endowments with perpetual duration, any reductions in the fair value of assets associated with individual donor restricted endowment funds caused by unfavorable market fluctuations are reported as reductions to the individual donor restricted endowments.

#### RETURN OBJECTIVES AND RISK PARAMETERS

The investment objectives of the Foundation are:

- (1) to preserve the principal value of the Foundation funds;
- (2) to provide growth and income by earning a reasonable return on Foundation investments and
- (3) to invest Foundation funds in a manner which is consistent with the needs and circumstances of donors and beneficiaries.

The long-term investment goal is to provide a long-term rate of return on an annualized basis of 3 percent in excess of the rate of inflation as measured by the Consumer Price Index. Actual returns in any given year may vary from this amount.

#### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy of appropriating for distribution each year 5 percent of the average fair value of the endowment fund over the prior 16 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held for donor-specified purposes as well as to provide additional real growth through new gifts and investment return.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	August 31,	
	2013	2012
Land - Note 7	\$ 551,422	\$ 526,422
Land improvements	5,667	1,529
Buildings and improvements - Note 6	4,344,580	4,275,245
Furniture and equipment	389,426	407,650
Computers and software	171,314	267,875
Vehicles	62,419	62,419
Website development costs	28,765	28,765
Construction in Process	80,660	-
	<u>5,634,253</u>	<u>5,569,905</u>
Less accumulated depreciation	<u>(1,468,951)</u>	<u>(1,436,312)</u>
	<u>\$ 4,165,302</u>	<u>\$ 4,133,593</u>

### 6. NOTES PAYABLE

TPH has a \$330,000 bank line of credit due in January 2014. The line is secured by the high school real estate. Amounts borrowed under this agreement bear interest at the bank's prime rate (which equates to 3.75 percent and 4.5 percent at August 31, 2013 and 2012, respectively). Interest is payable monthly. \$310,000 and \$160,000 was borrowed from the line of credit during the years ended August 31, 2013 and 2012, respectively.

Total interest expense for the years ended August 31, 2013 and 2012 is as follows:

	Years Ended August 31,	
	2013	2012
Line of credit	\$ 1,133	\$ 584
Land contract payable	1,736	-
	<u>\$ 2,869</u>	<u>\$ 584</u>

### 7. LAND CONTRACT PAYABLE

In October 2012, TPH purchased property for \$80,000 from Roosevelt Park Community Christian Reformed Church. The purchase was financed by an initial deposit of \$5,000 and a land contract for \$75,000 at a rate of 4 percent per annum, requiring 84 monthly payments of \$454 and a balloon payment of the remaining balance in January 2020. There is no penalty for prepayment. Total interest expense for the year ended August 31, 2013 was \$1,736.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

7. LAND CONTRACT PAYABLE, continued

The future scheduled maturities of long-term debt are as follows:

Year Ending August 31,	Principal
2014	\$ 2,558
2015	2,663
2016	2,771
2017	2,884
2018	3,001
Thereafter	59,677
Total	\$ 73,554

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	August 31,	
	2013	2012
School		
Birthday club	\$ 1,284	\$ 2,818
Bowling for books	10,521	14,966
College scholarships	7,120	8,620
High school diversity training	-	571
High school media center	5,404	6,418
Jesus Year	4,314	-
N2N Outreach	-	2,400
Parsonage	-	14,861
Refugee students	-	2,170
Superintendent mentorship	150,149	
Technology	654	654
Wilderness camp	470	-
Other	-	205
	179,916	53,683
Foundation Endowments		
Eighth grade Washington, D.C. class trip	92,223	89,152
Student tuition assistance	483,953	448,740
	576,176	537,892
	\$ 756,092	\$ 591,575

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 9. LEASES

TPH leased office equipment under three operating lease arrangements. The first lease was for a term of 60 months, requiring monthly payments of \$830. The second lease was for a term of 60 months, requiring quarterly payments of \$192. The third lease was for a term of 58 months, requiring monthly payments of \$51.

The first lease agreement was replaced during the year ended August 31, 2012 with a new equipment lease. Financial accounting standards require the capitalization of this lease because it provides for a purchase of the equipment as of the end of the contract period for one dollar. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense for the fiscal years ended August 31, 2013 and 2012.

The following is a summary of property held under capital leases:

	August 31,	
	2013	2012
Equipment	\$ 65,554	\$ 65,554
Accumulated amortization	(14,047)	(787)
	<u>\$ 51,507</u>	<u>\$ 64,767</u>

Minimum future lease payments under the capital lease agreement as of August 31, 2013 are as follows:

<u>Year Ending August 31,</u>	
2014	\$ 15,948
2015	15,948
2016	15,948
2017	13,290
	<u>61,134</u>
Net minimum lease payments	61,134
Amount representing interest	<u>(8,634)</u>
	<u>\$ 52,500</u>

The interest rate on the capitalized lease agreement is 8 percent and is imputed based on the lower of TPH's estimated incremental borrowing rate at the inception of the lease or the lessor's implicit rate of return.

Total lease payments made during the fiscal years ended August 31, 2013 and 2012 were \$17,331 and \$12,950, respectively.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

August 31, 2013 and 2012

### 9. LEASES, continued

Minimum future lease payments under operating lease agreements as of August 31, 2013 are as follows:

<u>Year Ending August 31,</u>		
2014	\$	1,384
2015		1,384
2016		1,000
2017		<u>513</u>
	\$	<u><u>4,281</u></u>

### 10. CONCENTRATION

TPH received 21 percent of total contributions from two donors during both years ended August 31, 2013 and 2012, respectively.

### 11. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 31, 2014, which is the date the financial statements were available to be issued.

TPH entered into a lease agreement in September 2013 for two additional copy machines. Financial accounting standards require the capitalization of this lease because it provides for a purchase of the equipment at the end of the contract period for one dollar. The lease requires 60 monthly payments of \$99. The equipment will be capitalized at its fair value of \$4,410 at the inception of the lease.

Effective February 1, 2014, the limit on the line of credit increases from \$330,000 to \$400,000.

## **SUPPLEMENTARY DATA**

# THE POTTER'S HOUSE

## Consolidating Statements of Financial Position

	August 31,							
	2013				2012			
	The Potter's House	The Potter's House Foundation	Eliminations	Totals	The Potter's House	The Potter's House Foundation	Eliminations	Totals
<b>ASSETS</b>								
Cash and cash equivalents	\$ 28,944	\$ 15,115	\$ -	\$ 44,059	\$ 115,807	\$ 15,804	\$ -	\$ 131,611
Accounts receivable, net of allowance of \$45,000 and \$30,000 respectively	132,341	-	(51)	132,290	105,946	-	(2,407)	103,539
Contributions receivable	100,000	-	-	100,000	-	-	-	-
Prepaid expenses	43,474	-	-	43,474	47,818	-	-	47,818
Inventory	-	-	-	-	6,693	-	-	6,693
Land contract receivable	-	4,664	-	4,664	-	9,197	-	9,197
Property held for sale	-	6,000	-	6,000	-	6,000	-	6,000
Investments held for long-term purposes	-	1,410,544	-	1,410,544	-	1,278,282	-	1,278,282
Property and equipment, net of accumulated depreciation	4,165,302	-	-	4,165,302	4,133,593	-	-	4,133,593
<b>Total Assets</b>	<b>\$ 4,470,061</b>	<b>\$ 1,436,323</b>	<b>\$ (51)</b>	<b>\$ 5,906,333</b>	<b>\$ 4,409,857</b>	<b>\$ 1,309,283</b>	<b>\$ (2,407)</b>	<b>\$ 5,716,733</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Liabilities</b>								
Accounts payable	\$ 76,672	\$ 51	\$ (51)	\$ 76,672	\$ 58,931	\$ 2,407	\$ (2,407)	\$ 58,931
Accrued salaries and wages	58,256	-	-	58,256	50,879	-	-	50,879
Flexible spending plan	338	-	-	338	534	-	-	534
Deferred revenue	117,939	-	-	117,939	124,737	-	-	124,737
Line of credit payable	50,000	-	-	50,000	-	-	-	-
Capitalized lease obligations	52,500	-	-	52,500	63,754	-	-	63,754
Land contract payable	73,554	-	-	73,554	-	-	-	-
<b>Total Liabilities</b>	<b>429,259</b>	<b>51</b>	<b>(51)</b>	<b>429,259</b>	<b>298,835</b>	<b>2,407</b>	<b>(2,407)</b>	<b>298,835</b>
<b>Net Assets</b>								
<b>Unrestricted</b>								
Undesignated	(235,794)	860,096	-	624,302	(81,268)	768,984	-	687,716
Designated	4,932	-	-	4,932	5,014	-	-	5,014
Net investments in property and equipment	4,091,748	-	-	4,091,748	4,133,593	-	-	4,133,593
	3,860,886	860,096	-	4,720,982	4,057,339	768,984	-	4,826,323
Temporarily restricted	179,916	576,176	-	756,092	53,683	537,892	-	591,575
<b>Total Net Assets</b>	<b>4,040,802</b>	<b>1,436,272</b>	<b>-</b>	<b>5,477,074</b>	<b>4,111,022</b>	<b>1,306,876</b>	<b>-</b>	<b>5,417,898</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,470,061</b>	<b>\$ 1,436,323</b>	<b>\$ (51)</b>	<b>\$ 5,906,333</b>	<b>\$ 4,409,857</b>	<b>\$ 1,309,283</b>	<b>\$ (2,407)</b>	<b>\$ 5,716,733</b>



# THE POTTER'S HOUSE

## Consolidating Statement of Activities

For the Year Ended August 31, 2013

	The Potter's House			The Potter's House Foundation			Eliminations	Totals
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>SUPPORT AND REVENUE</b>								
Tuition and fees	\$ 2,958,127	\$ -	\$ 2,958,127	\$ -	\$ -	\$ -	\$ -	\$ 2,958,127
Less: tuition grants and discounts	(2,086,376)	-	(2,086,376)	-	-	-	-	(2,086,376)
	871,751	-	871,751	-	-	-	-	871,751
Contributions	2,584,393	300,319	2,884,712	47,248	37,425	84,673	(73,475)	2,895,910
Fund-raisers, net of expenses	127,315	-	127,315	10,385	-	10,385	-	137,700
Lunch program revenues	172,143	-	172,143	-	-	-	-	172,143
Campus program revenue	4,110	-	4,110	-	-	-	-	4,110
Sales, net of cost of sales of \$148	296	-	296	-	-	-	-	296
Investment income	-	-	-	91,372	54,206	145,578	-	145,578
Other income	10,271	-	10,271	-	-	-	-	10,271
<b>Total Support and Revenue</b>	<b>3,770,279</b>	<b>300,319</b>	<b>4,070,598</b>	<b>149,005</b>	<b>91,631</b>	<b>240,636</b>	<b>(73,475)</b>	<b>4,237,759</b>
<b>RECLASSIFICATIONS</b>								
Net assets released for satisfaction of purpose restrictions	174,086	(174,086)	-	53,347	(53,347)	-	-	-
<b>EXPENSES</b>								
<b>Program Services</b>								
Instructional	3,101,222	-	3,101,222	-	-	-	-	3,101,222
Auxiliary	232,054	-	232,054	-	-	-	-	232,054
Extra-curricular	101,535	-	101,535	-	-	-	-	101,535
Grants to The Potter's House	-	-	-	73,475	-	73,475	(73,475)	-
<b>Total Program Services</b>	<b>3,434,811</b>	<b>-</b>	<b>3,434,811</b>	<b>73,475</b>	<b>-</b>	<b>73,475</b>	<b>(73,475)</b>	<b>3,434,811</b>
<b>Supporting Activities</b>								
Management and general	477,059	-	477,059	15,950	-	15,950	-	493,009
Fund-raising	228,948	-	228,948	21,815	-	21,815	-	250,763
<b>Total Supporting Activities</b>	<b>706,007</b>	<b>-</b>	<b>706,007</b>	<b>37,765</b>	<b>-</b>	<b>37,765</b>	<b>-</b>	<b>743,772</b>
<b>Total Expenses</b>	<b>4,140,818</b>	<b>-</b>	<b>4,140,818</b>	<b>111,240</b>	<b>-</b>	<b>111,240</b>	<b>(73,475)</b>	<b>4,178,583</b>
Change in Net Assets	(196,453)	126,233	(70,220)	91,112	38,284	129,396	-	59,176
Net Assets, Beginning of Year	4,057,339	53,683	4,111,022	768,984	537,892	1,306,876	-	5,417,898
<b>Net Assets, End of Year</b>	<b>\$ 3,860,886</b>	<b>\$ 179,916</b>	<b>\$ 4,040,802</b>	<b>\$ 860,096</b>	<b>\$ 576,176</b>	<b>\$ 1,436,272</b>	<b>\$ -</b>	<b>\$ 5,477,074</b>

# THE POTTER'S HOUSE

## Consolidating Statement of Activities

For the Year Ended August 31, 2012

	The Potter's House			The Potter's House Foundation			Eliminations	Totals
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total		
<b>SUPPORT AND REVENUE</b>								
Tuition and fees	\$ 2,958,127	\$ -	\$ 2,958,127	\$ -	\$ -	\$ -	\$ -	\$ 2,958,127
Less: tuition grants and discounts	(2,055,262)	-	(2,055,262)	-	-	-	-	(2,055,262)
	902,865	-	902,865	-	-	-	-	902,865
Contributions	2,550,479	253,690	2,804,169	148,693	22,000	170,693	(68,669)	2,906,193
Fund-raisers, net of expenses	99,322	-	99,322	11,034	-	11,034	-	110,356
Lunch program revenues	176,091	-	176,091	-	-	-	-	176,091
Campus program revenue	2,740	-	2,740	-	-	-	-	2,740
Sales, net of cost of sales of \$518	206	-	206	-	-	-	-	206
Investment income	1	-	1	52,908	45,458	98,366	-	98,367
Other income	13,105	-	13,105	-	-	-	-	13,105
	<u>3,744,809</u>	<u>253,690</u>	<u>3,998,499</u>	<u>212,635</u>	<u>67,458</u>	<u>280,093</u>	<u>(68,669)</u>	<u>4,209,923</u>
<b>RECLASSIFICATIONS</b>								
Net assets released for satisfaction of purpose restrictions	236,876	(236,876)	-	51,839	(51,839)	-	-	-
<b>EXPENSES</b>								
<b>Program Services</b>								
Instructional	2,996,374	-	2,996,374	-	-	-	-	2,996,374
Auxiliary	209,232	-	209,232	-	-	-	-	209,232
Extra-curricular	92,369	-	92,369	-	-	-	-	92,369
Grants to The Potter's House	-	-	-	68,669	-	68,669	(68,669)	-
Total Program Services	<u>3,297,975</u>	<u>-</u>	<u>3,297,975</u>	<u>68,669</u>	<u>-</u>	<u>68,669</u>	<u>(68,669)</u>	<u>3,297,975</u>
<b>Supporting Activities</b>								
Management and general	483,342	-	483,342	15,035	-	15,035	-	498,377
Fund-raising	198,655	-	198,655	15,051	-	15,051	-	213,706
Total Supporting Activities	<u>681,997</u>	<u>-</u>	<u>681,997</u>	<u>30,086</u>	<u>-</u>	<u>30,086</u>	<u>-</u>	<u>712,083</u>
Total Expenses	<u>3,979,972</u>	<u>-</u>	<u>3,979,972</u>	<u>98,755</u>	<u>-</u>	<u>98,755</u>	<u>(68,669)</u>	<u>4,010,058</u>
Change in Net Assets	1,713	16,814	18,527	165,719	15,619	181,338	-	199,865
Net Assets, Beginning of Year	4,055,626	36,869	4,092,495	603,265	522,273	1,125,538	-	5,218,033
Net Assets, End of Year	<u>\$ 4,057,339</u>	<u>\$ 53,683</u>	<u>\$ 4,111,022</u>	<u>\$ 768,984</u>	<u>\$ 537,892</u>	<u>\$ 1,306,876</u>	<u>\$ -</u>	<u>\$ 5,417,898</u>

# THE POTTER'S HOUSE

## Consolidating Statement of Functional Expenses

For the Year Ended August 31, 2013

	Instructional	Auxiliary	Extra-Curricular	Grants	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Eliminations	Totals
Salaries and wages	\$ 1,901,418	\$ 52,315	\$ 52,377	\$ -	\$ 2,006,110	\$ 313,887	\$ 137,058	\$ 450,945	\$ -	\$ 2,457,055
Other employee benefits	353,879	62	66	-	354,007	32,738	10,097	42,835	-	396,842
Payroll taxes	143,450	939	3,901	-	148,290	17,559	6,838	24,397	-	172,687
Professional services - management	-	-	-	-	-	6,021	-	6,021	-	6,021
Professional services - accounting	-	-	-	-	-	8,462	-	8,462	-	8,462
Professional services - other	116,648	135,967	-	-	252,615	16,380	-	16,380	-	268,995
Advertising and promotion	-	-	-	-	-	1,646	14,601	16,247	-	16,247
Office	9,947	112	-	-	10,059	54,297	13,497	67,794	-	77,853
Information technology	7,646	310	-	-	7,956	5,640	1,180	6,820	-	14,776
Occupancy	212,627	8,806	-	-	221,433	7,814	265	8,079	-	229,512
Travel	1,187	17,830	-	-	19,017	816	816	1,632	-	20,649
Conferences, conventions and meetings	-	-	-	-	-	8,891	-	8,891	-	8,891
Interest	-	-	-	-	-	2,869	-	2,869	-	2,869
Payments to affiliates	-	-	-	73,475	73,475	-	-	-	(73,475)	-
Depreciation	131,045	1,431	-	-	132,476	6,897	-	6,897	-	139,373
Insurance	20,439	-	-	-	20,439	413	-	413	-	20,852
Instructional	197,500	-	14,712	-	212,212	-	-	-	-	212,212
Athletics	-	-	30,479	-	30,479	-	-	-	-	30,479
Lunch program	-	3,360	-	-	3,360	-	-	-	-	3,360
Alumni and donor relations	-	-	-	-	-	4,684	66,411	71,095	-	71,095
Parent and booster clubs	-	10,922	-	-	10,922	-	-	-	-	10,922
Accreditation and memberships	5,436	-	-	-	5,436	3,995	-	3,995	-	9,431
<b>Total Expenses</b>	<b>\$ 3,101,222</b>	<b>\$ 232,054</b>	<b>\$ 101,535</b>	<b>\$ 73,475</b>	<b>\$ 3,508,286</b>	<b>\$ 493,009</b>	<b>\$ 250,763</b>	<b>\$ 743,772</b>	<b>\$ (73,475)</b>	<b>\$ 4,178,583</b>

# THE POTTER'S HOUSE

## Consolidating Statement of Functional Expenses

For the Year Ended August 31, 2012

	Instructional	Auxiliary	Extra-Curricular	Grants	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Eliminations	Totals
Salaries and wages	\$ 1,795,300	\$ 42,086	\$ 46,733	\$ -	\$ 1,884,119	\$ 312,453	\$ 135,256	\$ 447,709	-	\$ 2,331,828
Other employee benefits	312,380	42	52	-	312,474	37,100	11,197	48,297	-	360,771
Payroll taxes	154,548	1,063	3,798	-	159,409	20,983	8,232	29,215	-	188,624
Professional services - management	-	-	-	-	-	1,601	-	1,601	-	1,601
Professional services - accounting	-	-	-	-	-	8,189	-	8,189	-	8,189
Professional services - other	108,037	141,372	-	-	249,409	4,839	-	4,839	-	254,248
Advertising and promotion	-	-	-	-	-	32	4,391	4,423	-	4,423
Office	9,226	88	-	-	9,314	72,499	14,637	87,136	-	96,450
Information technology	6,427	310	-	-	6,737	4,556	806	5,362	-	12,099
Occupancy	183,748	4,240	-	-	187,988	12,939	291	13,230	-	201,218
Travel	1,099	11,522	-	-	12,621	2,571	2,572	5,143	-	17,764
Conferences, conventions and meetings	-	-	-	-	-	7,881	-	7,881	-	7,881
Interest	-	-	-	-	-	584	-	584	-	584
Payments to affiliates	-	-	-	68,669	68,669	-	-	-	(68,669)	-
Depreciation	137,067	1,431	-	-	138,498	7,214	-	7,214	-	145,712
Insurance	15,491	-	-	-	15,491	334	-	334	-	15,825
Instructional	266,116	-	12,035	-	278,151	-	-	-	-	278,151
Athletics	-	-	29,751	-	29,751	-	-	-	-	29,751
Lunch program	-	1,957	-	-	1,957	-	-	-	-	1,957
Alumni and donor relations	-	-	-	-	-	2,868	36,324	39,192	-	39,192
Parent and booster clubs	-	5,121	-	-	5,121	-	-	-	-	5,121
Accreditation and memberships	6,935	-	-	-	6,935	1,734	-	1,734	-	8,669
<b>Total Expenses</b>	<b>\$ 2,996,374</b>	<b>\$ 209,232</b>	<b>\$ 92,369</b>	<b>\$ 68,669</b>	<b>\$ 3,366,644</b>	<b>\$ 498,377</b>	<b>\$ 213,706</b>	<b>\$ 712,083</b>	<b>\$ (68,669)</b>	<b>\$ 4,010,058</b>