

THE POTTER'S HOUSE

**CONSOLIDATED
FINANCIAL STATEMENTS**

August 31, 2014 and 2013

With Independent Auditor's Report

**The  Potter's
HouseSM**

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, 2014 and 2013, 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.



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.

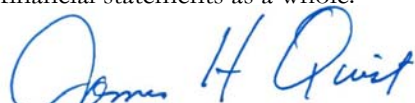
INDEPENDENT AUDITOR'S REPORT, continued

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, 2014 and 2013, 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 19 through 23 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.



Wyoming, Michigan
January 22, 2015

THE POTTER'S HOUSE

Consolidated Statements of Financial Position

| | August 31, | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| ASSETS | | |
| Cash and cash equivalents | \$ 118,524 | \$ 44,059 |
| Accounts receivable, net of allowance of \$45,000 | 93,084 | 132,290 |
| Contributions receivable | 50,000 | 100,000 |
| Prepaid expenses | 46,018 | 43,474 |
| Land contract receivable | - | 4,664 |
| Property held for sale | 1,640,776 | 6,000 |
| Investments held for long-term purposes | 1,595,292 | 1,410,544 |
| Property and equipment, net of accumulated depreciation | 4,161,353 | 4,165,302 |
| Total Assets | \$ 7,705,047 | \$ 5,906,333 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 50,912 | \$ 76,672 |
| Accrued salaries and wages | 62,244 | 58,256 |
| Flexible spending plan | 129 | 338 |
| Deferred revenue | 106,468 | 117,939 |
| Line of credit payable | 300,000 | 50,000 |
| Capitalized lease obligations | 40,311 | 52,500 |
| Land contract payable | 70,996 | 73,554 |
| Total Liabilities | 631,060 | 429,259 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 625,290 | 624,302 |
| Designated | 6,437 | 4,932 |
| Net investment in property and equipment | 4,090,357 | 4,091,748 |
| | 4,722,084 | 4,720,982 |
| Temporarily restricted | 2,351,903 | 756,092 |
| Total Net Assets | 7,073,987 | 5,477,074 |
| Total Liabilities and Net Assets | \$ 7,705,047 | \$ 5,906,333 |

See accompanying notes to consolidated financial statements

THE POTTER'S HOUSE

Consolidated Statements of Activities

For the Years Ended August 31,

| | 2014 | | | 2013 | | |
|--|---------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| SUPPORT AND REVENUE | | | | | | |
| Tuition and fees | \$ 3,160,757 | \$ - | \$ 3,160,757 | \$ 2,958,127 | \$ - | \$ 2,958,127 |
| Less: tuition grants and discounts | (2,250,759) | - | (2,250,759) | (2,086,376) | - | (2,086,376) |
| | 909,998 | - | 909,998 | 871,751 | - | 871,751 |
| Contributions | 2,916,051 | 1,814,383 | 4,730,434 | 2,558,166 | 337,744 | 2,895,910 |
| Fund-raisers, net of expenses | 211,515 | - | 211,515 | 137,700 | - | 137,700 |
| Lunch program revenues | 167,269 | - | 167,269 | 172,143 | - | 172,143 |
| Campus program revenue | 2,774 | - | 2,774 | 4,110 | - | 4,110 |
| Sales, net of cost of sales | 71 | - | 71 | 296 | - | 296 |
| Investment income | 139,246 | 95,343 | 234,589 | 91,372 | 54,206 | 145,578 |
| Other income | 9,686 | - | 9,686 | 10,271 | - | 10,271 |
| Total Support and Revenue | 4,356,610 | 1,909,726 | 6,266,336 | 3,845,809 | 391,950 | 4,237,759 |
| RECLASSIFICATIONS | | | | | | |
| Net assets released for satisfaction of purpose restrictions | 313,915 | (313,915) | - | 227,433 | (227,433) | - |
| EXPENSES | | | | | | |
| Program Services | | | | | | |
| Instructional | 3,312,294 | - | 3,312,294 | 3,101,222 | - | 3,101,222 |
| Auxiliary | 280,526 | - | 280,526 | 232,054 | - | 232,054 |
| Extra-curricular | 110,219 | - | 110,219 | 101,535 | - | 101,535 |
| Total Program Services | 3,703,039 | - | 3,703,039 | 3,434,811 | - | 3,434,811 |
| Supporting Activities | | | | | | |
| Management and general | 645,407 | - | 645,407 | 493,009 | - | 493,009 |
| Fund-raising | 320,977 | - | 320,977 | 250,763 | - | 250,763 |
| Total Supporting Activities | 966,384 | - | 966,384 | 743,772 | - | 743,772 |
| Total Expenses | 4,669,423 | - | 4,669,423 | 4,178,583 | - | 4,178,583 |
| Change in Net Assets | 1,102 | 1,595,811 | 1,596,913 | (105,341) | 164,517 | 59,176 |
| Net Assets, Beginning of Year | 4,720,982 | 756,092 | 5,477,074 | 4,826,323 | 591,575 | 5,417,898 |
| Net Assets, End of Year | \$ 4,722,084 | \$ 2,351,903 | \$ 7,073,987 | \$ 4,720,982 | \$ 756,092 | \$ 5,477,074 |

See accompanying notes to consolidated financial statements

THE POTTER'S HOUSE

Consolidated Statement of Functional Expenses

For the Year Ended August 31, 2014

| | Instructional | Auxiliary | Extra- Curricular | Total Program Services | Management and General | Fund- Raising | Total Supporting Activities | Totals |
|---------------------------------------|---------------------|-------------------|----------------------|------------------------------|------------------------------|-------------------|-----------------------------------|---------------------|
| Salaries and wages | \$ 2,024,358 | \$ 58,966 | \$ 56,094 | \$ 2,139,418 | \$ 358,034 | \$ 190,506 | \$ 548,540 | \$ 2,687,958 |
| Other employee benefits | 403,020 | 81 | 77 | 403,178 | 40,361 | 20,996 | 61,357 | 464,535 |
| Payroll taxes | 152,183 | 961 | 4,179 | 157,323 | 20,180 | 9,851 | 30,031 | 187,354 |
| Professional services - management | - | - | - | - | 9,694 | - | 9,694 | 9,694 |
| Professional services - accounting | - | - | - | - | 8,302 | - | 8,302 | 8,302 |
| Professional services - other | 123,014 | 137,444 | - | 260,458 | 9,891 | - | 9,891 | 270,349 |
| Advertising and promotion | - | - | - | - | 516 | 3,026 | 3,542 | 3,542 |
| Office | 9,983 | 47 | - | 10,030 | 130,460 | 16,697 | 147,157 | 157,187 |
| Information technology | 9,530 | 310 | - | 9,840 | 5,124 | 871 | 5,995 | 15,835 |
| Occupancy | 206,505 | 46,201 | - | 252,706 | 24,631 | 4,287 | 28,918 | 281,624 |
| Travel | 1,349 | 25,651 | - | 27,000 | 698 | 698 | 1,396 | 28,396 |
| Conferences, conventions and meetings | - | - | - | - | 9,512 | - | 9,512 | 9,512 |
| Interest | - | - | - | - | 10,273 | - | 10,273 | 10,273 |
| Depreciation | 126,268 | - | - | 126,268 | 6,646 | - | 6,646 | 132,914 |
| Insurance | 14,900 | - | - | 14,900 | 1,218 | - | 1,218 | 16,118 |
| Instructional | 234,721 | - | 9,919 | 244,640 | - | - | - | 244,640 |
| Athletics | - | - | 39,950 | 39,950 | - | - | - | 39,950 |
| Lunch program | - | 2,749 | - | 2,749 | - | - | - | 2,749 |
| Alumni and donor relations | - | 3,077 | - | 3,077 | 7,401 | 74,045 | 81,446 | 84,523 |
| Parent and booster clubs | - | 5,039 | - | 5,039 | - | - | - | 5,039 |
| Accreditation and memberships | 6,463.00 | - | - | 6,463 | 2,466 | - | 2,466 | 8,929 |
| Total Expenses | \$ 3,312,294 | \$ 280,526 | \$ 110,219 | \$ 3,703,039 | \$ 645,407 | \$ 320,977 | \$ 966,384 | \$ 4,669,423 |

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 | - | 10,922.00 | - | 10,922 | - | - | - | 10,922 |
| Accreditation and memberships | 5,436 | - | - | 5,436 | 3,995 | - | 3,995 | 9,431 |
| Total Expenses | \$ 3,101,222 | \$ 232,054 | \$ 101,535 | \$ 3,434,811 | \$ 493,009 | \$ 250,763 | \$ 743,772 | \$ 4,178,583 |

See accompanying notes to consolidated financial statements

THE POTTER'S HOUSE

Consolidated Statements of Cash Flow

| | For the Years Ended August 31, | |
|---|---------------------------------------|------------------|
| | 2014 | 2013 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,596,913 | \$ 59,176 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Increase in allowance for doubtful accounts | - | 15,000 |
| Contribution of real estate | (1,640,776) | - |
| Depreciation | 132,914 | 139,373 |
| Net gains from property held for sale and investments | (197,395) | (108,051) |
| Change in: | | |
| Accounts receivable | 39,206 | (43,751) |
| Contributions receivable | 50,000 | (100,000) |
| Prepaid expenses | (2,544) | 4,344 |
| Inventory | - | 6,693 |
| Accounts payable | (25,760) | 17,741 |
| Accrued salaries and wages | 3,988 | 7,377 |
| Flexible spending plan | (209) | (196) |
| Deferred revenue | (11,471) | (6,798) |
| Net Cash Used by Operating Activities | (55,134) | (9,092) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 342,287 | 316,897 |
| Purchases of investments | (323,640) | (341,108) |
| Purchases of property and equipment | (128,965) | (171,082) |
| Net Cash Used by Investing Activities | (110,318) | (195,293) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments received on land contract | 4,664 | 4,533 |
| Proceeds from line of credit | 935,000 | 310,000 |
| Payments on line of credit | (685,000) | (260,000) |
| Principal payments under capital lease obligations | (12,189) | (11,254) |
| Proceeds from land contract | - | 80,000 |
| Payments on land contract | (2,558) | (6,446) |
| Net Cash Provided by Financing Activities | 239,917 | 116,833 |
| Change in Cash and Cash Equivalents | 74,465 | (87,552) |
| Cash and Cash Equivalents, Beginning of Period | 44,059 | 131,611 |
| Cash and Cash Equivalents, End of Period | \$ 118,524 | \$ 44,059 |
| SUPPLEMENTAL INFORMATION | | |
| Interest paid on line of credit and land contract | \$ 10,273 | \$ 2,869 |
| NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Campaign contribution of real estate held for sale | \$ 1,640,776 | - |

See accompanying notes to consolidated financial statements

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

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, 2014 and 2013, the balance of non-endowment temporarily restricted net assets less the capital campaign contribution 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, 2014 and 2013

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, 2014 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, 2014 and 2013, \$37,239 and \$31,762 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.

Contributions receivable at August 31, 2014 are deemed by management to be fully collectible and expected to be paid within one year.

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. The land contract was paid-off during the year ended August 31, 2014.

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). The value of a contribution of real estate received during the year ended August 31, 2014 was determined based on the proceeds of approximately \$1.6 million received from the sale of the property subsequent to August 31, 2014.

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued

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 \$132,914 and \$139,373 for the years ended August 31, 2014 and 2013, 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.

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.

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

2. SIGNIFICANT ACCOUNTING POLICIES, continued

SUPPORT AND REVENUE, continued

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, 2014 and 2013.

CONTRIBUTED SERVICES

During the years ended August 31, 2014 and 2013, 204 and 225 individuals provided over 6,450 and 6,000 hours of volunteer support to TPH, respectively. For the years ended August 31, 2014 and 2013, management estimates the total value of volunteer services to be approximately \$97,000 and \$90,000, 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, 2014 and 2013.

ADVERTISING

TPH expenses advertising costs as they are incurred. Advertising costs totaled \$3,542 and \$8,823 for the years ended August 31, 2014 and 2013, respectively.

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

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, | |
|---|---------------------|---------------------|
| | 2014 | 2013 |
| Cash and cash equivalents | \$ 118,759 | \$ 117,308 |
| Marketable corporate and government bonds | 96,597 | 90,791 |
| Marketable equity securities | 245,248 | 204,097 |
| Marketable preferred equity securities | 124,742 | 95,903 |
| Mutual funds | 1,009,946 | 902,445 |
| | <u>\$ 1,595,292</u> | <u>\$ 1,410,544</u> |

Investment income is attributable entirely to the Foundation and consists of the following:

| | Years Ended August 31, | |
|------------------------|------------------------|-------------------|
| | 2014 | 2013 |
| Interest and dividends | \$ 37,194 | \$ 37,527 |
| Realized gains | 49,427 | 8,593 |
| Unrealized gains | 147,968 | 99,458 |
| | <u>\$ 234,589</u> | <u>\$ 145,578</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.

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.

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

3. INVESTMENTS HELD FOR LONG-TERM PURPOSES, continued

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.

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND

| | August 31, | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Unrestricted endowment funds | \$ 999,440 | \$ 860,096 |
| Temporarily restricted endowment funds | 612,696 | 576,176 |
| Total funds | <u>\$ 1,612,136</u> | <u>\$ 1,436,272</u> |

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

4. ENDOWMENT, continued

CHANGES IN ENDOWMENT NET ASSETS

| | Unrestricted | Temporarily Restricted | Total |
|---|-------------------|---------------------------|---------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| 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 | <u>91,372</u> | <u>54,206</u> | <u>145,578</u> |
| 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 | <u>57,633</u> | <u>-</u> | <u>57,633</u> |
| Endowment net assets, August 31, 2013 | <u>860,096</u> | <u>576,176</u> | <u>1,436,272</u> |
| Investment return | | | |
| Investment income | 22,009 | 15,185 | 37,194 |
| Realized gains | 26,774 | 22,653 | 49,427 |
| Unrealized gains | 90,851 | 57,117 | 147,968 |
| Total investment return | <u>139,634</u> | <u>94,955</u> | <u>234,589</u> |
| Contributions | 57,314 | 2,000 | 59,314 |
| Appropriation of endowment assets for expenditure | (57,604) | (60,435) | (118,039) |
| Other changes | | | |
| Transfers to create board-designated endowment funds | <u>-</u> | <u>-</u> | <u>-</u> |
| Endowment net assets, August 31, 2014 | <u>\$ 999,440</u> | <u>\$ 612,696</u> | <u>\$ 1,612,136</u> |

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 POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

4. ENDOWMENT, continued

RETURN OBJECTIVES AND RISK PARAMETERS, continued

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.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

| | August 31, | |
|--|---------------------|---------------------|
| | 2014 | 2013 |
| Land - Notes 6 and 7 | \$ 551,422 | \$ 551,422 |
| Land improvements | 5,667 | 5,667 |
| Buildings and improvements - Notes 6 and 7 | 4,344,580 | 4,344,580 |
| Furniture and equipment | 395,850 | 389,426 |
| Computers and software | 171,314 | 171,314 |
| Vehicles | 62,419 | 62,419 |
| Website development costs | 28,765 | 28,765 |
| Construction in progress | 203,201 | 80,660 |
| | <u>5,763,218</u> | <u>5,634,253</u> |
| Less accumulated depreciation | <u>(1,601,865)</u> | <u>(1,468,951)</u> |
| | <u>\$ 4,161,353</u> | <u>\$ 4,165,302</u> |

6. NOTES PAYABLE

TPH has a \$400,000 bank line of credit due in January 2015. 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 August 31, 2014 and 2013). Interest is payable monthly. \$935,000 and \$310,000 was borrowed from the line of credit during the years ended August 31, 2014 and 2013, respectively and TPH repaid \$685,000 and \$260,000 during the years ended August 31, 2014 and 2013, respectively.

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

6. NOTES PAYABLE, continued

Total interest expense for the years ended August 31, 2014 and 2013 is as follows:

| | Years Ended August 31, | |
|-----------------------|------------------------|-----------------|
| | 2014 | 2013 |
| Line of credit | \$ 7,377 | \$ 1,133 |
| Land contract payable | 2,896 | 1,736 |
| | <u>\$ 10,273</u> | <u>\$ 2,869</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 years ended August 31, 2014 and 2013 was \$2,896 and \$1,736, respectively.

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

| <u>Year Ending August 31,</u> | <u>Principal</u> |
|-------------------------------|------------------|
| 2015 | \$ 2,663 |
| 2016 | 2,771 |
| 2017 | 2,884 |
| 2018 | 3,001 |
| 2019 | 3,124 |
| Thereafter | <u>56,553</u> |
| Total | <u>\$ 70,996</u> |

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

| | August 31, | |
|--|---------------------|-------------------|
| | 2014 | 2013 |
| <u>School</u> | | |
| Birthday club | \$ 1,196 | \$ 1,284 |
| Bowling for books | 8,885 | 10,521 |
| Capital Campaign | 1,640,776 | - |
| College scholarships | 10,820 | 7,120 |
| High school media center | 5,143 | 5,404 |
| Jesus Year | 2,884 | 4,314 |
| Superintendent mentorship | 55,146 | 150,149 |
| Teacher training | 16,844 | - |
| Technology | 7,653 | 654 |
| Wilderness camp | - | 470 |
| | <u>1,749,347</u> | <u>179,916</u> |
| <u>Foundation Endowments</u> | | |
| Eighth grade Washington, D.C. class trip | 101,036 | 92,223 |
| Student tuition assistance | 511,993 | 483,953 |
| | <u>613,029</u> | <u>576,176</u> |
| | <u>\$ 2,362,376</u> | <u>\$ 756,092</u> |

9. LEASES

TPH leased office equipment under four operating lease agreements. The first lease was for a term of 60 months, requiring monthly payments of \$1,329. 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 fourth lease was for a term of 60 months, requiring monthly payments of \$99.

Financial accounting standards require the capitalization of the first 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, 2014 and 2013.

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

| | August 31, | |
|--------------------------|------------------|------------------|
| | 2014 | 2013 |
| Equipment | \$ 65,554 | \$ 65,554 |
| Accumulated amortization | (23,412) | (14,047) |
| | <u>\$ 42,142</u> | <u>\$ 51,507</u> |

THE POTTER'S HOUSE

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

9. LEASES, continued

Minimum future lease payments under the capital lease agreement as of August 31, 2014 are as follows:

| <u>Year Ending August 31,</u> | |
|---|-------------------------|
| 2015 | \$ 15,948 |
| 2016 | 15,948 |
| 2017 | <u>13,290</u> |
| Net minimum lease payments | 45,186 |
| Amount representing interest | <u>(4,875)</u> |
| Present value of net minimum lease payments | <u><u>\$ 40,311</u></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, 2014 and 2013 were \$18,520 and \$17,331, respectively.

Minimum future lease payments under operating lease agreements as of August 31, 2014 are as follows:

| <u>Year Ending August 31,</u> | |
|-------------------------------|------------------------|
| 2015 | \$ 2,572 |
| 2016 | 2,188 |
| 2017 | 1,701 |
| 2018 | <u>1,188</u> |
| | <u><u>\$ 2,572</u></u> |

10. CONCENTRATION

For the years ended August 31, 2014 and 2013, the top five donors gave 50.4 percent and 30.6 percent, respectively, of total contributions, including a campaign gift of over \$1.6 million during the year ended August 31, 2014.

11. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 22, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTARY DATA

THE POTTER'S HOUSE

Consolidating Statements of Financial Position

| | August 31, | | | | | | | |
|---|-----------------------|-------------------------------------|--------------|---------------------|-----------------------|-------------------------------------|----------------|---------------------|
| | 2014 | | | | 2013 | | | |
| | The Potter's House | The Potter's House Foundation | Eliminations | Totals | The Potter's House | The Potter's House Foundation | Eliminations | Totals |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 101,681 | \$ 16,843 | \$ - | \$ 118,524 | \$ 28,944 | \$ 15,115 | \$ - | \$ 44,059 |
| Accounts receivable, net of allowance of \$45,000 | 93,084 | - | - | 93,084 | 132,341 | - | (51) | 132,290 |
| Contributions receivable | 50,000 | - | - | 50,000 | 100,000 | - | - | 100,000 |
| Prepaid expenses | 46,018 | - | - | 46,018 | 43,474 | - | - | 43,474 |
| Land contract receivable | - | - | - | - | - | 4,664 | - | 4,664 |
| Property held for sale | 1,640,776 | - | - | 1,640,776 | - | 6,000 | - | 6,000 |
| Investments held for long-term purposes | - | 1,595,292 | - | 1,595,292 | - | 1,410,544 | - | 1,410,544 |
| Property and equipment, net of accumulated depreciation | 4,161,353 | - | - | 4,161,353 | 4,165,302 | - | - | 4,165,302 |
| Total Assets | \$ 6,092,912 | \$ 1,612,135 | \$ - | \$ 7,705,047 | \$ 4,470,061 | \$ 1,436,323 | \$ (51) | \$ 5,906,333 |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 50,912 | \$ - | \$ - | \$ 50,912 | \$ 76,672 | \$ 51 | \$ (51) | \$ 76,672 |
| Accrued salaries and wages | 62,244 | - | - | 62,244 | 58,256 | - | - | 58,256 |
| Flexible spending plan | 129 | - | - | 129 | 338 | - | - | 338 |
| Deferred revenue | 106,468 | - | - | 106,468 | 117,939 | - | - | 117,939 |
| Line of credit payable | 300,000 | - | - | 300,000 | 50,000 | - | - | 50,000 |
| Capitalized lease obligations | 40,311 | - | - | 40,311 | 52,500 | - | - | 52,500 |
| Land contract payable | 70,996 | - | - | 70,996 | 73,554 | - | - | 73,554 |
| Total Liabilities | 631,060 | - | - | 631,060 | 429,259 | 51 | (51) | 429,259 |
| Net Assets | | | | | | | | |
| Unrestricted | | | | | | | | |
| Undesignated | (373,816) | 999,106 | - | 625,290 | (235,794) | 860,096 | - | 624,302 |
| Designated | 6,437 | - | - | 6,437 | 4,932 | - | - | 4,932 |
| Net investments in property and equipment | 4,090,357 | - | - | 4,090,357 | 4,091,748 | - | - | 4,091,748 |
| | 3,722,978 | 999,106 | - | 4,722,084 | 3,860,886 | 860,096 | - | 4,720,982 |
| Temporarily restricted | 1,738,874 | 613,029 | - | 2,351,903 | 179,916 | 576,176 | - | 756,092 |
| Total Net Assets | 5,461,852 | 1,612,135 | - | 7,073,987 | 4,040,802 | 1,436,272 | - | 5,477,074 |
| Total Liabilities and Net Assets | \$ 6,092,912 | \$ 1,612,135 | \$ - | \$ 7,705,047 | \$ 4,470,061 | \$ 1,436,323 | \$ (51) | \$ 5,906,333 |

THE POTTER'S HOUSE

Consolidating Statement of Activities

For the Year Ended August 31, 2014

| | The Potter's House | | | The Potter's House Foundation | | | Eliminations | Totals |
|---|---------------------|---------------------------|---------------------|-------------------------------|---------------------------|---------------------|-----------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total | | |
| SUPPORT AND REVENUE | | | | | | | | |
| Tuition and fees | \$ 3,160,757 | \$ - | \$ 3,160,757 | \$ - | \$ - | \$ - | \$ - | \$ 3,160,757 |
| Less: tuition grants and discounts | (2,250,759) | - | (2,250,759) | - | - | - | - | (2,250,759) |
| | 909,998 | - | 909,998 | - | - | - | - | 909,998 |
| Contributions | 2,944,442 | 1,812,383 | 4,756,825 | 57,314 | 2,000 | 59,314 | (85,705) | 4,730,434 |
| Fund-raisers, net of expenses | 211,515 | - | 211,515 | - | - | - | - | 211,515 |
| Lunch program revenues | 167,269 | - | 167,269 | - | - | - | - | 167,269 |
| Campus program revenue | 2,774 | - | 2,774 | - | - | - | - | 2,774 |
| Sales, net of cost of sales of \$148 | 71 | - | 71 | - | - | - | - | 71 |
| Investment income | - | - | - | 139,246 | 95,343 | 234,589 | - | 234,589 |
| Other income | 9,686 | - | 9,686 | - | - | - | - | 9,686 |
| Total Support and Revenue | 4,245,755 | 1,812,383 | 6,058,138 | 196,560 | 97,343 | 293,903 | (85,705) | 6,266,336 |
| RECLASSIFICATIONS | | | | | | | | |
| Net assets released for satisfaction of purpose restrictions | 253,425 | (253,425) | - | 60,490 | (60,490) | - | - | - |
| EXPENSES | | | | | | | | |
| Program Services | | | | | | | | |
| Instructional | 3,312,294 | - | 3,312,294 | - | - | - | - | 3,312,294 |
| Auxiliary | 280,526 | - | 280,526 | - | - | - | - | 280,526 |
| Extra-curricular | 110,219 | - | 110,219 | - | - | - | - | 110,219 |
| Grants to The Potter's House | - | - | - | 85,705 | - | 85,705 | (85,705) | - |
| Total Program Services | 3,703,039 | - | 3,703,039 | 85,705 | - | 85,705 | (85,705) | 3,703,039 |
| Supporting Activities | | | | | | | | |
| Management and general | 628,502 | - | 628,502 | 16,905 | - | 16,905 | - | 645,407 |
| Fund-raising | 305,547 | - | 305,547 | 15,430 | - | 15,430 | - | 320,977 |
| Total Supporting Activities | 934,049 | - | 934,049 | 32,335 | - | 32,335 | - | 966,384 |
| Total Expenses | 4,637,088 | - | 4,637,088 | 118,040 | - | 118,040 | (85,705) | 4,669,423 |
| Change in Net Assets | (137,908) | 1,558,958 | 1,421,050 | 139,010 | 36,853 | 175,863 | - | 1,596,913 |
| Net Assets, Beginning of Year | 3,860,886 | 179,916 | 4,040,802 | 860,096 | 576,176 | 1,436,272 | - | 5,477,074 |
| Net Assets, End of Year | <u>\$ 3,722,978</u> | <u>\$ 1,738,874</u> | <u>\$ 5,461,852</u> | <u>\$ 999,106</u> | <u>\$ 613,029</u> | <u>\$ 1,612,135</u> | <u>\$ -</u> | <u>\$ 7,073,987</u> |

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 | | |
| SUPPORT AND REVENUE | | | | | | | | |
| 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 \$518 | 296 | - | 296 | - | - | - | - | 296 |
| Investment income | - | - | - | 91,372 | 54,206 | 145,578 | - | 145,578 |
| Other income | 10,271 | - | 10,271 | - | - | - | - | 10,271 |
| Total Support and Revenue | 3,770,279 | 300,319 | 4,070,598 | 149,005 | 91,631 | 240,636 | (73,475) | 4,237,759 |
| RECLASSIFICATIONS | | | | | | | | |
| Net assets released for satisfaction of purpose restrictions | 174,086 | (174,086) | - | 53,347 | (53,347) | - | - | - |
| EXPENSES | | | | | | | | |
| Program Services | | | | | | | | |
| 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) | - |
| Total Program Services | 3,434,811 | - | 3,434,811 | 73,475 | - | 73,475 | (73,475) | 3,434,811 |
| Supporting Activities | | | | | | | | |
| 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 |
| Total Supporting Activities | 706,007 | - | 706,007 | 37,765 | - | 37,765 | - | 743,772 |
| Total Expenses | 4,140,818 | - | 4,140,818 | 111,240 | - | 111,240 | (73,475) | 4,178,583 |
| 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 |
| Net Assets, End of Year | \$ 3,860,886 | \$ 179,916 | \$ 4,040,802 | \$ 860,096 | \$ 576,176 | \$ 1,436,272 | \$ - | \$ 5,477,074 |

THE POTTER'S HOUSE

Consolidating Statement of Functional Expenses

For the Year Ended August 31, 2014

| | Instructional | Auxiliary | Extra- Curricular | Grants | Total Program Services | Management and General | Fund- Raising | Total Supporting Activities | Eliminations | Totals |
|---------------------------------------|---------------------|-------------------|----------------------|------------------|------------------------------|------------------------------|-------------------|-----------------------------------|--------------------|---------------------|
| Salaries and wages | \$ 2,024,358 | \$ 58,966 | \$ 56,094 | \$ - | \$ 2,139,418 | \$ 358,034 | \$ 190,506 | \$ 548,540 | \$ - | \$ 2,687,958 |
| Other employee benefits | 403,020 | 81 | 77 | - | 403,178 | 40,361 | 20,996 | 61,357 | - | 464,535 |
| Payroll taxes | 152,183 | 961 | 4,179 | - | 157,323 | 20,180 | 9,851 | 30,031 | - | 187,354 |
| Professional services - management | - | - | - | - | - | 9,694 | - | 9,694 | - | 9,694 |
| Professional services - accounting | - | - | - | - | - | 8,302 | - | 8,302 | - | 8,302 |
| Professional services - other | 123,014 | 137,444 | - | - | 260,458 | 9,891 | - | 9,891 | - | 270,349 |
| Advertising and promotion | - | - | - | - | - | 516 | 3,026 | 3,542 | - | 3,542 |
| Office | 9,983 | 47 | - | - | 10,030 | 130,460 | 16,697 | 147,157 | - | 157,187 |
| Information technology | 9,530 | 310 | - | - | 9,840 | 5,124 | 871 | 5,995 | - | 15,835 |
| Occupancy | 206,505 | 46,201 | - | - | 252,706 | 24,631 | 4,287 | 28,918 | - | 281,624 |
| Travel | 1,349 | 25,651 | - | - | 27,000 | 698 | 698 | 1,396 | - | 28,396 |
| Conferences, conventions and meetings | - | - | - | - | - | 9,512 | - | 9,512 | - | 9,512 |
| Interest | - | - | - | - | - | 10,273 | - | 10,273 | - | 10,273 |
| Payments to affiliates | - | - | - | 85,705 | 85,705 | - | - | - | (85,705) | - |
| Depreciation | 126,268 | - | - | - | 126,268 | 6,646 | - | 6,646 | - | 132,914 |
| Insurance | 14,900 | - | - | - | 14,900 | 1,218 | - | 1,218 | - | 16,118 |
| Instructional | 234,721 | - | 9,919 | - | 244,640 | - | - | - | - | 244,640 |
| Athletics | - | - | 39,950 | - | 39,950 | - | - | - | - | 39,950 |
| Lunch program | - | 2,749 | - | - | 2,749 | - | - | - | - | 2,749 |
| Alumni and donor relations | - | 3,077 | - | - | 3,077 | 7,401 | 74,045 | 81,446 | - | 84,523 |
| Parent and booster clubs | - | 5,039 | - | - | 5,039 | - | - | - | - | 5,039 |
| Accreditation and memberships | 6,463 | - | - | - | 6,463 | 2,466 | - | 2,466 | - | 8,929 |
| Total Expenses | \$ 3,312,294 | \$ 280,526 | \$ 110,219 | \$ 85,705 | \$ 3,788,744 | \$ 645,407 | \$ 320,977 | \$ 966,384 | \$ (85,705) | \$ 4,669,423 |

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 |
| Total Expenses | \$ 3,101,222 | \$ 232,054 | \$ 101,535 | \$ 73,475 | \$ 3,508,286 | \$ 493,009 | \$ 250,763 | \$ 743,772 | \$ (73,475) | \$ 4,178,583 |