



**THE POTTER'S HOUSE**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**With Independent Auditor's Report**

**June 30, 2017 and 2016**

**THE POTTER'S HOUSE**

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FINANCIAL STATEMENTS**

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**The  Potter's  
House<sup>SM</sup>**

**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 June 30, 2017 and 2016, the related consolidated statements of activities, functional expenses and cash flows for the year and ten month period then ended, respectively, 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.

#### **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 June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the year and ten month period then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

#### **EMPHASIS OF MATTER**

Effective September 1, 2015, The Potter's House changed its fiscal year end from August 31 to June 30. My opinion is not modified with respect to this matter.

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## INDEPENDENT AUDITOR'S REPORT, continued

### 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 21 through 25 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  
February 6, 2018

# THE POTTER'S HOUSE

## Consolidated Statements of Financial Position

	June 30, 2017	June 30, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 142,173	\$ 3,279,539
Accounts receivable, net of allowance of \$45,000	234,937	177,961
Contributions receivable	1,170,811	2,408,306
Prepaid expenses	27,784	15,078
Investments held for long-term purposes	1,599,663	1,454,846
Property and equipment, net of accumulated depreciation	11,464,546	5,047,288
<b>Total Assets</b>	<b>\$ 14,639,914</b>	<b>\$ 12,383,018</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable - Note 13	\$ 397,673	\$ 376,404
Accrued salaries and wages	554,675	415,736
Flexible spending plan	-	655
Deferred revenue	26,449	15,460
Lines of credit payable	1,035,924	475,000
Capitalized lease obligations	48,537	60,905
Land contract payable	63,167	66,032
<b>Total Liabilities</b>	<b>2,126,425</b>	<b>1,410,192</b>
<b>Net Assets</b>		
<b>Unrestricted</b>		
Undesignated - Note 13	(3,559,290)	(579,312)
Designated	7,630	10,072
Net investment in property and equipment	11,401,379	4,981,256
<b>Temporarily restricted</b>	<b>7,849,719</b>	<b>4,412,016</b>
	4,663,770	6,560,810
<b>Total Net Assets</b>	<b>12,513,489</b>	<b>10,972,826</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 14,639,914</b>	<b>\$ 12,383,018</b>

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statements of Activities

	For the Year Ended			For the Ten Month Period Ended		
	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Tuition and fees	\$ 3,590,018	\$ -	\$ 3,590,018	\$ 3,423,620	\$ -	\$ 3,423,620
Less: tuition grants and discounts	(2,505,480)	-	(2,505,480)	(2,437,031)	-	(2,437,031)
	1,084,538	-	1,084,538	986,589	-	986,589
Contributions	3,083,343	2,513,282	5,596,625	2,493,918	4,864,906	7,358,824
Gifts in kind	-	111,050	111,050	-	100,000	100,000
Fund-raisers, net of expenses	275,840	-	275,840	174,474	-	174,474
Lunch program revenues	120,343	-	120,343	145,807	-	145,807
Campus program revenue	5,585	-	5,585	4,455	-	4,455
Investment income	110,081	63,922	174,003	43,283	23,412	66,695
Church rental income	13,114	-	13,114	10,460	-	10,460
Other income	11,979	-	11,979	6,450	-	6,450
<b>Total Support and Revenue</b>	<b>4,704,823</b>	<b>2,688,254</b>	<b>7,393,077</b>	<b>3,865,436</b>	<b>4,988,318</b>	<b>8,853,754</b>
<b>RECLASSIFICATIONS</b>						
Net assets released for satisfaction of purpose restrictions	4,585,294	(4,585,294)	-	781,266	(781,266)	-
<b>EXPENSES</b>						
<b>Program Services</b>						
Instructional	4,099,377	-	4,099,377	3,512,853	-	3,512,853
Auxiliary	221,102	-	221,102	226,230	-	226,230
Extra-curricular	139,257	-	139,257	128,021	-	128,021
<b>Total Program Services</b>	<b>4,459,736</b>	<b>-</b>	<b>4,459,736</b>	<b>3,867,104</b>	<b>-</b>	<b>3,867,104</b>
<b>Supporting Activities</b>						
Management and general	846,558	-	846,558	669,539	-	669,539
Fund-raising	546,120	-	546,120	339,043	-	339,043
<b>Total Supporting Activities</b>	<b>1,392,678</b>	<b>-</b>	<b>1,392,678</b>	<b>1,008,582</b>	<b>-</b>	<b>1,008,582</b>
<b>Total Expenses</b>	<b>5,852,414</b>	<b>-</b>	<b>5,852,414</b>	<b>4,875,686</b>	<b>-</b>	<b>4,875,686</b>
Change in Net Assets	3,437,703	(1,897,040)	1,540,663	(228,984)	4,207,052	3,978,068
Net Assets, Beginning of Year	4,412,016	6,560,810	10,972,826	4,641,000	2,353,758	6,994,758
Net Assets, End of Year	<b>\$ 7,849,719</b>	<b>\$ 4,663,770</b>	<b>\$ 12,513,489</b>	<b>\$ 4,412,016</b>	<b>\$ 6,560,810</b>	<b>\$ 10,972,826</b>

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2017

	Instructional	Auxiliary	Extra- Curricular	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Totals
Salaries and wages	\$ 2,466,033	\$ 69,575	\$ 89,098	\$ 2,624,706	\$ 464,110	\$ 274,219	\$ 738,329	\$ 3,363,035
Pension plan	29,742	-	-	29,742	4,515	2,048	6,563	36,305
Other employee benefits	511,845	371	118	512,334	88,580	39,846	128,426	640,760
Payroll taxes	188,618	1,161	4,841	194,620	24,106	11,896	36,002	230,622
Professional services - management	-	-	-	-	16,252	-	16,252	16,252
Professional services - accounting	-	-	-	-	8,847	-	8,847	8,847
Professional services - other	70,516	110,215	-	180,731	39,118	96,670	135,788	316,519
Advertising and promotion	-	-	-	-	63	19,432	19,495	19,495
Office	15,776	-	-	15,776	64,921	17,253	82,174	97,950
Information technology	8,630	-	-	8,630	5,851	1,271	7,122	15,752
Occupancy	395,995	3,927	-	399,922	83,038	2,735	85,773	485,695
Travel	2,142	11,659	-	13,801	3,602	3,602	7,204	21,005
Conferences, conventions and meetings	-	-	-	-	10,676	-	10,676	10,676
Interest	-	-	-	-	12,281	-	12,281	12,281
Depreciation	154,760	1,192	-	155,952	8,145	-	8,145	164,097
Insurance	21,378	-	-	21,378	1,442	-	1,442	22,820
Instructional	227,140	-	15,099	242,239	-	-	-	242,239
Athletics	-	-	30,101	30,101	-	-	-	30,101
Lunch program	-	5,301	-	5,301	-	-	-	5,301
Alumni and donor relations	-	5,728	-	5,728	8,486	77,148	85,634	91,362
Parent and booster clubs	-	11,973	-	11,973	-	-	-	11,973
Accreditation and memberships	6,802	-	-	6,802	2,525	-	2,525	9,327
<b>Total Expenses</b>	<b>\$ 4,099,377</b>	<b>\$ 221,102</b>	<b>\$ 139,257</b>	<b>\$ 4,459,736</b>	<b>\$ 846,558</b>	<b>\$ 546,120</b>	<b>\$ 1,392,678</b>	<b>\$ 5,852,414</b>

See accompanying notes to consolidated financial statements



# THE POTTER'S HOUSE

## Consolidated Statement of Functional Expenses

For the Ten Month Period Ended June 30, 2016

	Instructional	Auxiliary	Extra- Curricular	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Totals
Salaries and wages	\$ 2,249,174	\$ 60,706	\$ 83,215	\$ 2,393,095	\$ 356,081	\$ 195,532	\$ 551,613	\$ 2,944,708
Pension plan	17,495	-	-	17,495	2,628	1,138	3,766	21,261
Other employee benefits	424,399	222	8	424,629	74,960	29,625	104,585	529,214
Payroll taxes	169,126	1,195	4,743	175,064	19,910	10,329	30,239	205,303
Professional services - management	-	-	-	-	10,792	-	10,792	10,792
Professional services - accounting	-	-	-	-	8,085	-	8,085	8,085
Professional services - other	59,160	128,476	-	187,636	26,791	-	26,791	214,427
Advertising and promotion	-	-	-	-	857	5,138	5,995	5,995
Office	12,297	-	-	12,297	46,073	14,886	60,959	73,256
Information technology	7,503	1,480	-	8,983	3,943	748	4,691	13,674
Occupancy	237,513	4,658	-	242,171	79,874	2,207	82,081	324,252
Travel	2,344	18,889	-	21,233	1,143	1,143	2,286	23,519
Conferences, conventions and meetings	-	-	-	-	11,273	-	11,273	11,273
Interest	-	-	-	-	11,905	-	11,905	11,905
Depreciation	107,322	1,192	-	108,514	5,648	-	5,648	114,162
Insurance	17,219	-	-	17,219	1,161	-	1,161	18,380
Instructional	203,614	-	12,995	216,609	-	-	-	216,609
Athletics	-	-	27,060	27,060	-	-	-	27,060
Lunch program	-	1,471	-	1,471	-	-	-	1,471
Alumni and donor relations	-	5,891	-	5,891	6,968	78,297	85,265	91,156
Parent and booster clubs	-	2,050	-	2,050	-	-	-	2,050
Accreditation and memberships	5,687	-	-	5,687	1,447	-	1,447	7,134
<b>Total Expenses</b>	<b>\$ 3,512,853</b>	<b>\$ 226,230</b>	<b>\$ 128,021</b>	<b>\$ 3,867,104</b>	<b>\$ 669,539</b>	<b>\$ 339,043</b>	<b>\$ 1,008,582</b>	<b>\$ 4,875,686</b>

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Consolidated Statements of Cash Flows

	<b>For the Year Ended June 30, 2017</b>	<b>For the Ten Month Period Ended June 30, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,540,663	\$ 3,978,068
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Contributions of marketable securities	(5,130)	-
Contributions for long-term purposes	(3,115,318)	(2,420,600)
Contributed property	-	(100,000)
Depreciation	164,097	114,162
Net gains from sales of property and equipment	-	(1,502)
Net gains from investments	(142,021)	(35,571)
Change in:		
Accounts receivable	(56,976)	(82,648)
Contributions receivable	1,237,495	(2,408,306)
Prepaid expenses	(12,706)	45,898
Bank overdraft	-	(768)
Accounts payable	21,269	280,495
Accrued salaries and wages	138,939	344,450
Flexible spending plan	(655)	(520)
Deferred revenue	10,989	(114,306)
<b>Net Cash Used by Operating Activities</b>	<b>(219,354)</b>	<b>(401,148)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	333,314	336,445
Purchases of investments	(330,980)	(256,763)
Proceeds from sales of property and equipment	-	3,190
Purchases of property and equipment	(6,581,355)	(594,160)
<b>Net Cash Used by Investing Activities</b>	<b>(6,579,021)</b>	<b>(511,288)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions for long-term purposes	3,115,318	2,420,600
Proceeds from lines of credit	1,410,924	1,350,000
Payments on lines of credit	(850,000)	(1,175,000)
Principal payments under capital lease obligations	(12,368)	(9,518)
Payments on land contract	(2,865)	(2,469)
<b>Net Cash Provided by Financing Activities</b>	<b>3,661,009</b>	<b>2,583,613</b>
Change in Cash and Cash Equivalents	(3,137,366)	1,671,177
Cash and Cash Equivalents, Beginning of Period	3,279,539	1,608,362
Cash and Cash Equivalents, End of Period	\$ 142,173	\$ 3,279,539
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid on lines of credit and land contract	\$ 12,281	\$ 11,905

See accompanying notes to consolidated financial statements

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 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 (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 (the 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.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 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 June 30, 2017 and 2016 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. Total accounts receivable in collection at June 30, 2017 and 2016 are \$55,098 and \$31,386, 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

TPH initiated a fund-raising campaign during the ten month period ended June 30, 2016, receiving both cash contributions as well as promises to give. Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. Unconditional promises to give expected to be collected within one year are reported at net realizable value because the present value of estimated cash flows approximates net realizable value. Unconditional promises to give 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 U.S. treasury bills corresponding to the timing of the expected collection of contributions receivable. Amortization of the discount is included in contributions revenue in the statements of activities. Management believes all contributions receivable balances are fully collectible at both June 30, 2017 and 2016; there is, therefore, no allowance for doubtful promises to give.

#### PREPAID EXPENSES

Prepaid expenses at both June 30, 2017 and 2016 consist of expenditures for utilities, accreditation, food service and other costs paid prior to the end of the fiscal year but which benefit the following fiscal year.

#### INVESTMENTS HELD FOR LONG-TERM PURPOSES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements) in the consolidated 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 consolidated statements of activities. Donated investments are reported at market value at the date of donation and thereafter carried in accordance with the above policies.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### 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 \$164,097 for the year ended June 30, 2017 and \$114,162 for the ten month period ended June 30, 2016.

#### 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.

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.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### SUPPORT AND REVENUE, continued

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. During the year ended June 30, 2017, TPH received gifts of construction materials and services for the high school property with an estimated total fair value of \$111,050. During the ten month period ended June 30, 2016, TPH received a gift of land contiguous to the high school property with an estimated fair value of \$100,000.

#### CONTRIBUTED SERVICES

During the year ended June 30, 2017 and the ten month period ended June 30, 2016, approximately 200 and 140 individuals provided approximately 5,660 and 5,180 hours of volunteer support to TPH, respectively. For the year ended June 30, 2017 and the ten month period ended June 30, 2016, management estimates the total value of volunteer services to be approximately \$84,900 and \$77,700, 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.

### 3. CONTRIBUTIONS RECEIVABLE

At June 30, 2017 and 2016, TPH had \$1,178,306 and \$2,422,220 of unconditional promises to give, respectively. The present value of estimated future cash flows is \$1,170,811 and \$2,408,306, respectively, using discount rates ranging from 0.75 percent to 1.125 percent. Contributions receivable consist of seventy-eight and nineteen promises to give from individuals and foundations at June 30, 2017 and 2016, respectively. See Note 2 for a description of the accounting policy for contributions receivable. These promises to give are due to be collected through 2021 and are reported as contributions receivable in the accompanying consolidated statements of financial position.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 3. CONTRIBUTIONS RECEIVABLE, continued

Promises to give are expected to be collected as follows:

Year Ending June 30,		
2018	\$	940,156
2019		138,150
2020		50,000
2021		50,000
		1,178,306
Less: present value discount		(7,495)
	\$	1,170,811

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

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

	June 30, 2017		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 124,361	\$ 124,361	\$ -
Marketable corporate and government bonds	201,608	193,216	8,392
Marketable equity securities	265,045	172,355	92,690
Marketable preferred equity securities	90,093	80,383	9,710
Mutual funds	908,910	760,464	148,446
Other investments	9,646	10,067	(421)
	\$ 1,599,663	\$ 1,340,846	\$ 258,817
	June 30, 2016		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 138,084	\$ 138,084	\$ -
Marketable corporate and government bonds	154,749	150,956	3,793
Marketable equity securities	198,418	130,383	68,035
Marketable preferred equity securities	106,171	95,733	10,438
Mutual funds	855,610	780,591	75,019
Other investments	1,814	1,485	329
	\$ 1,454,846	\$ 1,297,232	\$ 157,614

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

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

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

	Year Ended June 30, 2017	Ten-Month Period Ended June 30, 2016
Interest and dividends	\$ 31,982	\$ 31,124
Realized gains	40,819	31,550
Unrealized gains	101,202	4,021
	<u>\$ 174,003</u>	<u>\$ 66,695</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.

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

### 5. 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 POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 5. ENDOWMENT, continued

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

	June 30,	
	2017	2016
Unrestricted endowment funds	\$ 1,033,906	\$ 900,351
Temporarily restricted endowment funds	619,197	557,376
Total funds	<u>\$ 1,653,103</u>	<u>\$ 1,457,727</u>

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 5. ENDOWMENT, continued

#### CHANGES IN ENDOWMENT NET ASSETS

	Unrestricted	Temporarily Restricted	Total
Endowment net assets, August 31, 2015	\$ 924,590	\$ 570,265	\$ 1,494,855
Investment return			
Investment income	20,888	10,236	31,124
Realized gains	16,678	14,872	31,550
Unrealized gains (losses)	5,717	(1,696)	4,021
Total investment return	43,283	23,412	66,695
Contributions	9,010	20,000	29,010
Appropriation of endowment assets for expenditure	(76,532)	(56,301)	(132,833)
Endowment net assets, June 30, 2016	900,351	557,376	1,457,727
Investment return			
Investment income	21,510	10,472	31,982
Realized gains	22,225	18,594	40,819
Unrealized gains	66,346	34,856	101,202
Total investment return	110,081	63,922	174,003
Contributions	113,976	58,942	172,918
Appropriation of endowment assets for expenditure	(90,502)	(61,043)	(151,545)
Endowment net assets, June 30, 2017	\$ 1,033,906	\$ 619,197	\$ 1,653,103

#### 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

June 30, 2017 and 2016

### 5. 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 fiscal 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.

### 6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	June 30,	
	2017	2016
Land - Notes 7 and 8	\$ 731,422	\$ 731,422
Land improvements	5,667	5,667
Buildings and improvements - Notes 7 and 8	4,681,456	4,681,456
Furniture and equipment	417,723	416,424
Computers and software	330,161	281,266
Vehicles	22,575	22,575
Website development costs	28,765	28,765
Construction in progress	7,037,004	505,842
	<u>13,254,773</u>	<u>6,673,417</u>
Less accumulated depreciation	<u>(1,790,227)</u>	<u>(1,626,129)</u>
	<u>\$ 11,464,546</u>	<u>\$ 5,047,288</u>

### 7. NOTES PAYABLE

TPH has two \$500,000 bank lines of credit due in November 2017 and May 2018. The lines are secured by the high school real estate. Amounts borrowed under these agreements bear interest at the bank's prime rate (which equates to 4.25 percent and 3.50 percent at June 30, 2017 and 2016, respectively). Interest is payable monthly. \$1,375,000 and \$1,350,000 was borrowed from the lines of credit during the year ended June 30, 2017 and the ten month period ended June 30, 2016, respectively, and TPH repaid \$850,000 and \$1,175,000 during the year ended June 30, 2017 and the ten month period ended June 30, 2016, respectively.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 7. NOTES PAYABLE, continued

In June 2017 TPH entered into a private loan agreement with the superintendent. Under this agreement TPH borrowed \$35,924 at an annual interest rate of 4.25 percent. The loan is to be paid in full with interest as soon as funding is available.

Total interest expense is as follows:

	Year Ended June 30, 2017	Ten-Month Period Ended June 30, 2016
Lines of credit	\$ 9,538	\$ 9,662
Private loan agreement	154	-
Land contract payable	2,589	2,243
	\$ 12,281	\$ 11,905

### 8. LEASES

TPH leased office equipment under two operating lease agreements. The first lease was for a term of 60 months, requiring quarterly payments of \$192. During the ten month period ended June 30, 2016, this lease was extended on a quarter-to-quarter basis, requiring quarterly payments of \$195. The second lease is for a term of 60 months, requiring monthly payments of \$99.

TPH also leased office equipment under two lease agreements for which financial accounting standards require the capitalization of the equipment because the lease agreements provide for the purchase of the equipment at the end of the contract period for one dollar. The first of these leases was for a term of 60 months, requiring monthly payments of \$1,380. This lease was terminated under the terms of the second lease, which replaces the equipment provided under the first lease. The second lease is for a term of 60 months and requires monthly payments of \$1,499.

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 year ended June 30, 2017 and the ten month period ended June 30, 2016.

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

	June 30,	
	2017	2016
Equipment	\$ 70,422	\$ 70,422
Accumulated amortization	(18,779)	(5,868)
	\$ 51,643	\$ 64,554

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 8. LEASES, continued

Minimum future lease payments under the capital lease agreement as of June 30, 2017 are as follows:

<u>Year Ending June 30,</u>	
2018	\$ 17,988
2019	17,988
2020	17,988
2021	<u>2,998</u>
Net minimum lease payments	56,962
Amount representing interest	<u>(8,425)</u>
Present value of net minimum lease payments	<u>\$ 48,537</u>

The interest rate on the capitalized lease agreement is approximately 10.2 percent, which is the rate implicit in the liquidation of an obligation equal to the capitalized asset value of \$70,422.

Total lease payments made during the year ended June 30, 2017 and the ten month period ended June 30, 2016 were \$19,956 and \$17,891, respectively.

Minimum future lease payments under operating lease agreements as of June 30, 2017 consist of \$1,188 to be paid during the year ending June 30, 2018.

### 9. 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 June 30, 2017 and ten month period ended June 30, 2016 was \$2,589 and \$2,243, respectively.

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

<u>Year Ending June 30,</u>	<u>Principal</u>
2018	\$ 2,981
2019	3,103
2020	<u>57,083</u>
Total	<u>\$ 63,167</u>

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	June 30,	
	2017	2016
<u>School</u>		
Birthday club	\$ 5,408	\$ 3,690
Bowling for books	14,239	13,206
Capital campaign	4,003,322	5,953,223
College scholarships	18,720	24,020
High school media center	-	5,550
Jesus Year	2,884	2,884
Technology	-	861
	<u>4,044,573</u>	<u>6,003,434</u>
<u>Foundation Endowments</u>		
Eighth grade Washington, D.C. class trip	88,701	86,867
Student tuition assistance	530,496	470,509
	<u>619,197</u>	<u>557,376</u>
	<u>\$ 4,663,770</u>	<u>\$ 6,560,810</u>

### 11. PENSION PLAN

TPH provides a 403(b) defined contribution retirement benefit plan for eligible staff. Under the terms of this plan, TPH contributes a 50 percent match for employee elective deferrals up to 1 percent of employee compensation. Contributions to the plan during the year ended June 30, 2017 and the ten month period ended June 30, 2016 were \$36,305 and \$21,261, respectively.

### 12. CONCENTRATION

For the year ended June 30, 2017 and the ten month period ended June 30, 2016, the top five donors gave 31.4 percent and 44.2 percent, respectively, of total contributions.

# THE POTTER'S HOUSE

## Notes to Consolidated Financial Statements

June 30, 2017 and 2016

### 13. PRIOR YEAR CORRECTIONS

The financial statements as of and for the ten month period ended June 30, 2016 have been retroactively restated to reflect the following corrections:

	<u>As Originally Reported</u>	<u>Correction</u>	<u>As Corrected</u>
Account balances corrected			
Accounts payable	\$ 352,606	\$ 23,798	\$ 376,404
	<u>4,851,888</u>	<u>23,798</u>	<u>4,875,686</u>
Total expenses	\$ 4,851,888	23,798	\$ 4,875,686
	<u>4,435,814</u>	<u>(23,798)</u>	<u>4,412,016</u>
Net effect of corrections			
Unrestricted net assets, June 30, 2016	\$ 4,435,814	\$ (23,798)	\$ 4,412,016

### 14. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through February 6, 2018, the date these financial statements were available to be issued. No such significant events or transactions were identified.

## **SUPPLEMENTARY DATA**



# THE POTTER'S HOUSE

## Consolidating Statements of Financial Position

	June 30, 2017				June 30, 2016			
	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	\$ 84,390	\$ 57,783	\$ -	\$ 142,173	\$ 3,273,154	\$ 6,385	\$ -	\$ 3,279,539
Accounts receivable, net of allowance of \$45,000	239,280	-	(4,343)	234,937	181,465	-	(3,504)	177,961
Contributions receivable	1,170,811	-	-	1,170,811	2,408,306	-	-	2,408,306
Prepaid expenses	27,784	-	-	27,784	15,078	-	-	15,078
Investments held for long-term purposes	-	1,599,663	-	1,599,663	-	1,454,846	-	1,454,846
Property and equipment, net of accumulated depreciation	11,464,546	-	-	11,464,546	5,047,288	-	-	5,047,288
<b>Total Assets</b>	<b>\$ 12,986,811</b>	<b>\$ 1,657,446</b>	<b>\$ (4,343)</b>	<b>\$ 14,639,914</b>	<b>\$ 10,925,291</b>	<b>\$ 1,461,231</b>	<b>\$ (3,504)</b>	<b>\$ 12,383,018</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>Liabilities</b>								
Accounts payable	\$ 397,673	\$ 4,343	\$ (4,343)	\$ 397,673	\$ 376,404	\$ 3,504	\$ (3,504)	\$ 376,404
Accrued salaries and wages	554,675	-	-	554,675	415,736	-	-	415,736
Flexible spending plan	-	-	-	-	655	-	-	655
Deferred revenue	26,449	-	-	26,449	15,460	-	-	15,460
Lines of credit payable	1,035,924	-	-	1,035,924	475,000	-	-	475,000
Capitalized lease obligations	48,537	-	-	48,537	60,905	-	-	60,905
Land contract payable	63,167	-	-	63,167	66,032	-	-	66,032
<b>Total Liabilities</b>	<b>2,126,425</b>	<b>4,343</b>	<b>(4,343)</b>	<b>2,126,425</b>	<b>1,410,192</b>	<b>3,504</b>	<b>(3,504)</b>	<b>1,410,192</b>
<b>Net Assets</b>								
<b>Unrestricted</b>								
Undesignated	(4,593,196)	1,033,906	-	(3,559,290)	(1,479,663)	900,351	-	(579,312)
Designated	7,630	-	-	7,630	10,072	-	-	10,072
Net investments in property and equipment	11,401,379	-	-	11,401,379	4,981,256	-	-	4,981,256
	6,815,813	1,033,906	-	7,849,719	3,511,665	900,351	-	4,412,016
<b>Temporarily restricted</b>	<b>4,044,573</b>	<b>619,197</b>	<b>-</b>	<b>4,663,770</b>	<b>6,003,434</b>	<b>557,376</b>	<b>-</b>	<b>6,560,810</b>
<b>Total Net Assets</b>	<b>10,860,386</b>	<b>1,653,103</b>	<b>-</b>	<b>12,513,489</b>	<b>9,515,099</b>	<b>1,457,727</b>	<b>-</b>	<b>10,972,826</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,986,811</b>	<b>\$ 1,657,446</b>	<b>\$ (4,343)</b>	<b>\$ 14,639,914</b>	<b>\$ 10,925,291</b>	<b>\$ 1,461,231</b>	<b>\$ (3,504)</b>	<b>\$ 12,383,018</b>

See notes to consolidated financial statements and independent auditor's opinion

## THE POTTER'S HOUSE

### Consolidating Statement of Activities

For the Year Ended June 30, 2017

	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	\$ 3,590,018	\$ -	\$ 3,590,018	\$ -	\$ -	\$ -	\$ -	\$ 3,590,018
Less: tuition grants and discounts	(2,505,480)	-	(2,505,480)	-	-	-	-	(2,505,480)
	1,084,538	-	1,084,538	-	-	-	-	1,084,538
Contributions	3,064,399	2,454,340	5,518,739	113,976	58,942	172,918	(95,032)	5,596,625
Gifts in kind	-	111,050	111,050	-	-	-	-	111,050
Fund-raisers, net of expenses	275,840	-	275,840	-	-	-	-	275,840
Lunch program revenues	120,343	-	120,343	-	-	-	-	120,343
Campus program revenue	5,585	-	5,585	-	-	-	-	5,585
Investment income	-	-	-	110,081	63,922	174,003	-	174,003
Church rental income	13,114	-	13,114	-	-	-	-	13,114
Other income	11,979	-	11,979	-	-	-	-	11,979
	4,575,798	2,565,390	7,141,188	224,057	122,864	346,921	(95,032)	7,393,077
Total Support and Revenue								
<b>RECLASSIFICATIONS</b>								
Net assets released for satisfaction of purpose restrictions	4,524,251	(4,524,251)	-	61,043	(61,043)	-	-	-
<b>EXPENSES</b>								
<b>Program Services</b>								
Instructional	4,099,377	-	4,099,377	-	-	-	-	4,099,377
Auxiliary	221,102	-	221,102	-	-	-	-	221,102
Extra-curricular	139,257	-	139,257	-	-	-	-	139,257
Grants to The Potter's House	-	-	-	95,032	-	95,032	(95,032)	-
Total Program Services	4,459,736	-	4,459,736	95,032	-	95,032	(95,032)	4,459,736
<b>Supporting Activities</b>								
Management and general	807,215	-	807,215	39,343	-	39,343	-	846,558
Fund-raising	528,950	-	528,950	17,170	-	17,170	-	546,120
Total Supporting Activities	1,336,165	-	1,336,165	56,513	-	56,513	-	1,392,678
Total Expenses	5,795,901	-	5,795,901	151,545	-	151,545	(95,032)	5,852,414
Change in Net Assets	3,304,148	(1,958,861)	1,345,287	133,555	61,821	195,376	-	1,540,663
Net Assets, Beginning of Year	3,511,665	6,003,434	9,515,099	900,351	557,376	1,457,727	-	10,972,826
Net Assets, End of Year	\$ 6,815,813	\$ 4,044,573	\$ 10,860,386	\$ 1,033,906	\$ 619,197	\$ 1,653,103	\$ -	\$ 12,513,489

See notes to consolidated financial statements and independent auditor's opinion

## THE POTTER'S HOUSE

### Consolidating Statement of Activities

For the Ten Month Period Ended June 30, 2016

	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	\$ 3,423,620	\$ -	\$ 3,423,620	\$ -	\$ -	\$ -	\$ -	\$ 3,423,620
Less: tuition grants and discounts	(2,437,031)	-	(2,437,031)	-	-	-	-	(2,437,031)
	986,589	-	986,589	-	-	-	-	986,589
Contributions	2,575,715	4,844,906	7,420,621	9,010	20,000	29,010	(90,807)	7,358,824
Gifts in kind	-	100,000	100,000	-	-	-	-	100,000
Fund-raisers, net of expenses	174,474	-	174,474	-	-	-	-	174,474
Lunch program revenues	145,807	-	145,807	-	-	-	-	145,807
Campus program revenue	4,455	-	4,455	-	-	-	-	4,455
Investment income	-	-	-	43,283	23,412	66,695	-	66,695
Church rental income	10,460	-	10,460	-	-	-	-	10,460
Other income	6,450	-	6,450	-	-	-	-	6,450
	3,903,950	4,944,906	8,848,856	52,293	43,412	95,705	(90,807)	8,853,754
<b>Total Support and Revenue</b>								
<b>RECLASSIFICATIONS</b>								
Net assets released for satisfaction of purpose restrictions	724,965	(724,965)	-	56,301	(56,301)	-	-	-
<b>EXPENSES</b>								
<b>Program Services</b>								
Instructional	3,512,853	-	3,512,853	-	-	-	-	3,512,853
Auxiliary	226,230	-	226,230	-	-	-	-	226,230
Extra-curricular	128,021	-	128,021	-	-	-	-	128,021
Grants to The Potter's House	-	-	-	90,807	-	90,807	(90,807)	-
<b>Total Program Services</b>	3,867,104	-	3,867,104	90,807	-	90,807	(90,807)	3,867,104
<b>Supporting Activities</b>								
Management and general	641,775	-	641,775	27,764	-	27,764	-	669,539
Fund-raising	324,781	-	324,781	14,262	-	14,262	-	339,043
<b>Total Supporting Activities</b>	966,556	-	966,556	42,026	-	42,026	-	1,008,582
<b>Total Expenses</b>	4,833,660	-	4,833,660	132,833	-	132,833	(90,807)	4,875,686
<b>Change in Net Assets</b>	(204,745)	4,219,941	4,015,196	(24,239)	(12,889)	(37,128)	-	3,978,068
<b>Net Assets, Beginning of Year</b>	3,716,410	1,783,493	5,499,903	924,590	570,265	1,494,855	-	6,994,758
<b>Net Assets, End of Year</b>	\$ 3,511,665	\$ 6,003,434	\$ 9,515,099	\$ 900,351	\$ 557,376	\$ 1,457,727	\$ -	\$10,972,826

See notes to consolidated financial statements and independent auditor's opinion

# THE POTTER'S HOUSE

## Consolidating Statement of Functional Expenses

For the Year Ended June 30, 2017

	Instructional	Auxiliary	Extra-Curricular	Grants	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Eliminations	Totals
Salaries and wages	\$ 2,466,033	\$ 69,575	\$ 89,098	\$ -	\$ 2,624,706	\$ 464,110	\$ 274,219	\$ 738,329	\$ -	\$ 3,363,035
Pension plan	29,742	-	-	-	29,742	4,515	2,048	6,563	-	36,305
Other employee benefits	511,845	371	118	-	512,334	88,580	39,846	128,426	-	640,760
Payroll taxes	188,618	1,161	4,841	-	194,620	24,106	11,896	36,002	-	230,622
Professional services - management	-	-	-	-	-	16,252	-	16,252	-	16,252
Professional services - accounting	-	-	-	-	-	8,847	-	8,847	-	8,847
Professional services - other	70,516	110,215	-	-	180,731	39,118	96,670	135,788	-	316,519
Advertising and promotion	-	-	-	-	-	63	19,432	19,495	-	19,495
Office	15,776	-	-	-	15,776	64,921	17,253	82,174	-	97,950
Information technology	8,630	-	-	-	8,630	5,851	1,271	7,122	-	15,752
Occupancy	395,995	3,927	-	-	399,922	83,038	2,735	85,773	-	485,695
Travel	2,142	11,659	-	-	13,801	3,602	3,602	7,204	-	21,005
Conferences, conventions and meetings	-	-	-	-	-	10,676	-	10,676	-	10,676
Interest	-	-	-	-	-	12,281	-	12,281	-	12,281
Grants to The Potter's House	-	-	-	95,032	95,032	-	-	-	(95,032)	-
Depreciation	154,760	1,192	-	-	155,952	8,145	-	8,145	-	164,097
Insurance	21,378	-	-	-	21,378	1,442	-	1,442	-	22,820
Instructional	227,140	-	15,099	-	242,239	-	-	-	-	242,239
Athletics	-	-	30,101	-	30,101	-	-	-	-	30,101
Lunch program	-	5,301	-	-	5,301	-	-	-	-	5,301
Alumni and donor relations	-	5,728	-	-	5,728	8,486	77,148	85,634	-	91,362
Parent and booster clubs	-	11,973	-	-	11,973	-	-	-	-	11,973
Accreditation and memberships	6,802	-	-	-	6,802	2,525	-	2,525	-	9,327
<b>Total Expenses</b>	<b>\$ 4,099,377</b>	<b>\$ 221,102</b>	<b>\$ 139,257</b>	<b>\$ 95,032</b>	<b>\$ 4,554,768</b>	<b>\$ 846,558</b>	<b>\$ 546,120</b>	<b>\$1,392,678</b>	<b>\$ (95,032)</b>	<b>\$ 5,852,414</b>

See notes to consolidated financial statements and independent auditor's opinion

# THE POTTER'S HOUSE

## Consolidating Statement of Functional Expenses

For the Ten Month Period Ended June 30, 2016

	Instructional	Auxiliary	Extra- Curricular	Grants	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Eliminations	Totals
Salaries and wages	\$ 2,249,174	\$ 60,706	\$ 83,215	\$ -	\$ 2,393,095	\$ 356,081	\$ 195,532	\$ 551,613	\$ -	\$ 2,944,708
Pension plan	17,495	-	-	-	17,495	2,628	1,138	3,766	-	21,261
Other employee benefits	424,399	222	8	-	424,629	74,960	29,625	104,585	-	529,214
Payroll taxes	169,126	1,195	4,743	-	175,064	19,910	10,329	30,239	-	205,303
Professional services - management	-	-	-	-	-	10,792	-	10,792	-	10,792
Professional services - accounting	-	-	-	-	-	8,085	-	8,085	-	8,085
Professional services - other	59,160	128,476	-	-	187,636	26,791	-	26,791	-	214,427
Advertising and promotion	-	-	-	-	-	857	5,138	5,995	-	5,995
Office	12,297	-	-	-	12,297	46,073	14,886	60,959	-	73,256
Information technology	7,503	1,480	-	-	8,983	3,943	748	4,691	-	13,674
Occupancy	237,513	4,658	-	-	242,171	79,874	2,207	82,081	-	324,252
Travel	2,344	18,889	-	-	21,233	1,143	1,143	2,286	-	23,519
Conferences, conventions and meetings	-	-	-	-	-	11,273	-	11,273	-	11,273
Interest	-	-	-	-	-	11,905	-	11,905	-	11,905
Grants to The Potter's House	-	-	-	90,807	90,807	-	-	-	(90,807)	-
Depreciation	107,322	1,192	-	-	108,514	5,648	-	5,648	-	114,162
Insurance	17,219	-	-	-	17,219	1,161	-	1,161	-	18,380
Instructional	203,614	-	12,995	-	216,609	-	-	-	-	216,609
Athletics	-	-	27,060	-	27,060	-	-	-	-	27,060
Lunch program	-	1,471	-	-	1,471	-	-	-	-	1,471
Alumni and donor relations	-	5,891	-	-	5,891	6,968	78,297	85,265	-	91,156
Parent and booster clubs	-	2,050	-	-	2,050	-	-	-	-	2,050
Accreditation and memberships	5,687	-	-	-	5,687	1,447	-	1,447	-	7,134
<b>Total Expenses</b>	<b>\$ 3,512,853</b>	<b>\$ 226,230</b>	<b>\$ 128,021</b>	<b>\$ 90,807</b>	<b>\$ 3,957,911</b>	<b>\$ 669,539</b>	<b>\$ 339,043</b>	<b>\$1,008,582</b>	<b>\$ (90,807)</b>	<b>\$ 4,875,686</b>

See notes to consolidated financial statements and independent auditor's opinion