



THE POTTER'S HOUSE

**CONSOLIDATED
FINANCIAL STATEMENTS**

With Independent Auditor's Report

June 30, 2018 and 2017

THE POTTER'S HOUSE

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STATEMENTS**

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June 30, 2018 and 2017



An Urban, Christ-Centered School



THE POTTER'S HOUSE

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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 the consolidated financial statements that are free of 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 audits 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Potter's House as of June 30, 2018 and 2017 and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As discussed in Note 13 to the consolidated financial statements, the consolidated financial statements as of and for the year ended June 30, 2017 have been restated to correct misstatements. 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 23 through 27 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
May 29, 2019

THE POTTER'S HOUSE

Consolidated Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Cash and cash equivalents	\$ 402,484	\$ 142,173
Investments	49,980	-
Accounts receivable, net of allowance of \$45,000	197,958	234,937
Contributions receivable - Note 13	278,090	1,145,811
Prepaid expenses	6,681	27,784
Investments held for long-term purposes	1,687,107	1,599,663
Property and equipment, net of accumulated depreciation	12,384,329	11,450,702
 Total Assets	 \$ 15,006,629	 \$ 14,601,070
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 357,333	\$ 397,673
Accrued salaries and wages - Note 13	489,137	462,427
Deferred revenue	51,135	26,449
Debt	1,336,568	1,099,091
Capitalized lease obligation	34,852	48,537
 Total Liabilities	 2,269,025	 2,034,177
Net Assets		
Unrestricted		
Undesignated - Note 13	(1,274,175)	(1,048,353)
Designated	8,261	7,630
Net investment in property and equipment	12,384,329	11,450,702
 Temporarily restricted - Note 13	11,118,415	10,409,979
	1,619,189	2,156,914
 Total Net Assets	 12,737,604	 12,566,893
 Total Liabilities and Net Assets	 \$ 15,006,629	 \$ 14,601,070

See accompanying notes and independent auditor's report

THE POTTER'S HOUSE

Consolidated Statements of Activities

For the Years Ended June 30,

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Tuition and fees	\$ 4,033,172	\$ -	\$ 4,033,172	\$ 3,727,381	\$ -	\$ 3,727,381
Less: tuition grants and discounts	(2,740,164)	-	(2,740,164)	(2,527,250)	-	(2,527,250)
	1,293,008	-	1,293,008	1,200,131	-	1,200,131
Contributions	3,252,653	1,218,455	4,471,108	3,083,343	2,513,282	5,596,625
Gifts in kind	-	23,054	23,054	-	111,050	111,050
Fund-raisers, net of expenses	277,698	-	277,698	275,840	-	275,840
Lunch program revenues	142,679	-	142,679	120,343	-	120,343
Campus program revenue	15,958	-	15,958	5,585	-	5,585
Investment income	87,925	63,663	151,588	110,081	63,922	174,003
Church rental income	15,550	-	15,550	13,114	-	13,114
Other income	51,319	-	51,319	19,793	-	19,793
	5,136,790	1,305,172	6,441,962	4,828,230	2,688,254	7,516,484
Total Support and Revenue						
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	1,842,897	(1,842,897)	-	7,405,898	(7,405,898)	-
EXPENSES - Note 13						
Program Services						
Instructional	4,457,586	-	4,457,586	4,146,877	-	4,146,877
Auxiliary	219,824	-	219,824	221,341	-	221,341
Extra-curricular	152,115	-	152,115	137,467	-	137,467
Total Program Services	4,829,525	-	4,829,525	4,505,685	-	4,505,685
Supporting Activities						
Management and general	935,300	-	935,300	845,612	-	845,612
Fund-raising	506,426	-	506,426	546,120	-	546,120
Total Supporting Activities	1,441,726	-	1,441,726	1,391,732	-	1,391,732
	6,271,251	-	6,271,251	5,897,417	-	5,897,417
Total Expenses						
Change in Net Assets	708,436	(537,725)	170,711	6,336,711	(4,717,644)	1,619,067
Net Assets, Beginning of Year - Note 13	10,409,979	2,156,914	12,566,893	4,073,268	6,874,558	10,947,826
Net Assets, End of Year	\$ 11,118,415	\$ 1,619,189	\$ 12,737,604	\$ 10,409,979	\$ 2,156,914	\$ 12,566,893

See accompanying notes and independent auditor's report

THE POTTER'S HOUSE

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2018

	Instructional	Auxiliary	Extra- Curricular	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Totals
Salaries and wages	\$ 2,514,679	\$ 67,979	\$ 96,304	\$ 2,678,962	\$ 485,955	\$ 298,440	\$ 784,395	\$ 3,463,357
Pension plan	34,245	-	-	34,245	5,033	2,622	7,655	41,900
Other employee benefits	534,630	637	268	535,535	87,418	48,936	136,354	671,889
Payroll taxes	188,842	1,398	4,544	194,784	25,414	14,086	39,500	234,284
Professional services - management	-	-	-	-	17,022	-	17,022	17,022
Professional services - accounting	-	-	-	-	8,927	-	8,927	8,927
Professional services - other	65,050	115,579	-	180,629	30,991	19,864	50,855	231,484
Advertising and promotion	-	-	-	-	-	19,728	19,728	19,728
Office	15,395	-	-	15,395	75,132	19,352	94,484	109,879
Information technology	10,633	864	-	11,497	8,086	1,785	9,871	21,368
Occupancy	434,156	1,876	-	436,032	72,831	2,621	75,452	511,484
Travel	2,475	11,961	-	14,436	762	762	1,524	15,960
Conferences, conventions and meetings	-	-	-	-	15,830	-	15,830	15,830
Interest	-	-	-	-	63,295	-	63,295	63,295
Depreciation	337,017	1,431	-	338,448	17,738	-	17,738	356,186
Insurance	24,671	-	-	24,671	5,508	-	5,508	30,179
Instructional	289,073	-	15,958	305,031	-	-	-	305,031
Athletics	-	-	35,041	35,041	-	-	-	35,041
Lunch program	-	8,517	-	8,517	-	-	-	8,517
Alumni and donor relations	-	4,525	-	4,525	8,248	78,230	86,478	91,003
Parent and booster clubs	-	5,057	-	5,057	-	-	-	5,057
Accreditation and memberships	6,720	-	-	6,720	7,110	-	7,110	13,830
Total Expenses	\$ 4,457,586	\$ 219,824	\$ 152,115	\$ 4,829,525	\$ 935,300	\$ 506,426	\$ 1,441,726	\$ 6,271,251

See accompanying notes and independent auditor's report

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 - Note 13	\$ 2,383,631	\$ 69,575	\$ 87,435	\$ 2,540,641	\$ 462,483	\$ 274,219	\$ 736,702	\$ 3,277,343
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 - Note 13	182,190	1,161	4,714	188,065	24,106	11,896	36,002	224,067
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 - Note 13	167,685	1,431	-	169,116	8,826	-	8,826	177,942
Insurance	21,378	-	-	21,378	1,442	-	1,442	22,820
Instructional	350,545	-	15,099	365,644	-	-	-	365,644
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
Total Expenses	<u>\$ 4,146,877</u>	<u>\$ 221,341</u>	<u>\$ 137,467</u>	<u>\$ 4,505,685</u>	<u>\$ 845,612</u>	<u>\$ 546,120</u>	<u>\$ 1,391,732</u>	<u>\$ 5,897,417</u>

See accompanying notes and independent auditor's report

THE POTTER'S HOUSE

Statements of Cash Flows

	For the Years Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 170,711	\$ 1,619,067
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contributions of marketable securities	(94,691)	(5,130)
Contributions for long-term purposes	(1,292,783)	(3,124,072)
Contributed property	(21,307)	-
Depreciation - Note 13	356,186	177,942
Net gains from investments	(116,029)	(142,021)
Change in:		
Accounts receivable	36,979	(56,976)
Contributions receivable - Note 13	867,721	1,237,495
Prepaid expenses	21,103	(12,706)
Accounts payable	(40,340)	21,269
Accrued salaries and wages - Note 13	26,710	46,690
Flexible spending plan	-	(655)
Deferred revenue	24,686	10,989
Net Cash Used by Operating Activities	(61,054)	(228,108)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	493,287	333,314
Purchases of investments	(419,991)	(330,980)
Purchases of property and equipment	(1,268,506)	(6,581,355)
Net Cash Used By Investing Activities	(1,195,210)	(6,579,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	1,292,783	3,124,072
Proceeds from loans and draws from lines of credit	3,374,543	1,410,924
Principal payments on loans and lines of credit	(3,137,066)	(852,865)
Principal payments on capital lease obligations	(13,685)	(12,368)
Net Cash Provided by Financing Activities	1,516,575	3,669,763
Change in Cash and Cash Equivalents	260,311	(3,137,366)
Cash and Cash Equivalents, Beginning of Period	142,173	3,279,539
Cash and Cash Equivalents, End of Period	\$ 402,484	\$ 142,173
SUPPLEMENTAL INFORMATION		
Interest paid on lines of credit and land contract	\$ 63,295	\$ 12,281

See accompanying notes and independent auditor's report

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

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 of Grand Rapids.

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 Roosevelt Park 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 financial statements have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. The more significant accounting policies are summarized below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of TPH 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 TPH. All inter-organization balances and transactions have been eliminated in the consolidation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of 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. Balances in the bank accounts may at times exceed federally insured limits. TPH has not experienced any losses in these accounts and management believes it is not exposed to any significant credit risk.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

INVESTMENTS AND 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.

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, 2018 and 2017 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 is not assessed on accounts sent to collection. Total accounts receivable in collection at June 30, 2018 and 2017 are \$72,725 and \$55,098, 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, 2018 and 2017; there is, therefore, no allowance for doubtful promises to give.

PREPAID EXPENSES

Prepaid expenses at years ended June 30, 2018 and 2017 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.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES, continued

PROPERTY AND EQUIPMENT

Property and equipment is reported at cost, estimated cost or fair value. Expenditures for property and equipment in excess of \$1,000 and having estimated useful lives of three years or more are capitalized at cost when purchased. Donated items are reported at their estimated fair values as of the date the gifts are received. Depreciation is reported using the straight-line method over the estimated useful lives of the assets, which ranges from three to fifty years. Depreciation expense was \$356,186 and \$177,942 for the years ended June 30, 2018 and 2017, respectively. See also Note 13.

DEFERRED REVENUE

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

NET ASSETS

The financial statements report amounts by class of net assets as follows:

UNRESTRICTED NET ASSETS are those currently available for ministry purposes under the direction of the board (undesignated net assets) and those designated by the board for specific use 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 statements of activities as net assets released from restrictions.

PERMANENTLY RESTRICTED NET ASSETS result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of the TPH board or its management. To date TPH has received no permanently restricted contributions.

SUPPORT AND REVENUE

Contributions are recorded when cash is received, unconditional promises are made or when ownership of donated assets is transferred. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions of assets other than cash and services 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 Financial Statements

June 30, 2018 and 2017

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 recorded when earned.

CONTRIBUTED SERVICES

During the years ended June 30, 2018 and 2017, approximately 140 and 200 individuals provided approximately 5,975 and 5,660 hours of volunteer support to TPH, respectively. For the years ended June 30, 2018 and 2017, management estimates the total value of volunteer services to be approximately \$89,700 and \$84,900, respectively. However, the value of these services is not reflected in the financial statements because the services do not meet the definition of donated professional services under generally accepted accounting principles. Volunteers serve as student tutors, student mentors and office assistants, perform custodial duties and assist with various work projects.

GIFTS IN KIND

During the years ended June 30, 2018 and 2017, TPH received gifts of construction materials and services for the high school property with an estimated total fair value of \$23,054 and \$111,050, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred. The cost of providing the various program services and supporting activities have been presented on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities, benefitting from those expenditures.

3. INVESTMENTS

Investments at June 30, 2018 are reported at fair value and consist of the following:

	Fair Value	Carrying Value	Unrealized Gain
Marketable preferred equity securities	<u>\$ 49,980</u>	<u>\$ 49,965</u>	<u>\$ 15</u>

Investment income attributable to investments is as follows:

	For the Years Ended June 30,	
	2018	2017
Realized gains	\$ 493	\$ -
Unrealized gains	10	-
	<u>\$ 503</u>	<u>\$ -</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

4. CONTRIBUTIONS RECEIVABLE

At June 30, 2018 and 2017, TPH had \$278,272 and \$1,153,306 of unconditional promises to give, respectively. The present value of estimated future cash flows at June 30, 2018 and 2017 is \$278,090 and \$1,145,811, respectively, using discount rates ranging from 0.75 percent to 1.13 percent. Contributions receivable consist of 64 and 77 promises to give from individuals and foundations at June 30, 2018 and 2017, respectively. See Note 2 for a description of the accounting policy for contributions receivable. These promises to give are due to be collected through 2020 and are reported as contributions receivable in the accompanying consolidated statements of financial position. See also Note 13.

Promises to give are expected to be collected as follows:

<u>Year Ending June 30,</u>	
2019	\$ 266,024
2020	12,248
	<u>278,272</u>
Less: present value discount	(182)
	<u><u>\$ 278,090</u></u>

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES

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

	<u>June 30, 2018</u>		
	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Unrealized Gain (Loss)</u>
Cash and cash equivalents	\$ 137,075	\$ 137,075	\$ -
Fixed income investments	161,498	163,549	(2,051)
Marketable equity securities	321,267	202,326	118,941
Marketable preferred equity securities	73,547	68,778	4,769
Mutual funds	981,900	801,407	180,493
Other investments	11,820	10,243	1,577
	<u>\$ 1,687,107</u>	<u>\$ 1,383,378</u>	<u>\$ 303,729</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES, continued

	June 30, 2017		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 124,361	\$ 124,361	\$ -
Fixed income investments	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)
	<u>\$ 1,599,663</u>	<u>\$ 1,340,846</u>	<u>\$ 258,817</u>

Investment income attributable to investments held for long-term purposes consists of the following:

	For the Years Ended June 30,	
	2018	2017
Interest and dividends	\$ 35,559	\$ 31,982
Realized gains	71,090	40,819
Unrealized gains	44,939	101,202
	<u>\$ 151,588</u>	<u>\$ 174,003</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.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES, continued

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.

6. 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 deciding 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,	
	2018	2017
Unrestricted endowment funds	\$ 1,109,551	\$ 1,033,906
Temporarily restricted endowment funds	605,957	619,197
Total funds	<u>\$ 1,715,508</u>	<u>\$ 1,653,103</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

6. ENDOWMENT, continued
CHANGES IN ENDOWMENT NET ASSETS

	Unrestricted	Temporarily Restricted	Total
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
Investment return			
Investment income	23,582	11,977	35,559
Realized gains	37,449	33,148	70,597
Unrealized gains	33,362	11,567	44,929
Total investment return	94,393	56,692	151,085
Contributions	72,774	15,000	87,774
Appropriation of endowment assets for expenditure	(91,522)	(84,932)	(176,454)
Endowment net assets, June 30, 2018	\$ 1,109,551	\$ 605,957	\$ 1,715,508

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.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

6. ENDOWMENT, continued

RETURN OBJECTIVES AND RISK PARAMETERS

The investment objectives of the Foundation are:

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

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

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

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

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Foundation has a policy of appropriating for distribution each year 5 percent of the average fair value of the endowment fund over the prior 16 quarters through the 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.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2018	2017
Land - Notes 7 and 8	\$ 797,685	\$ 767,345
Land improvements	5,667	5,667
Buildings and improvements - Notes 7 and 8	12,188,579	11,047,883
Furniture and equipment	989,611	887,528
Computers and software	500,109	495,010
Vehicles	32,503	22,575
Website development costs	30,432	28,765
	<u>14,544,586</u>	<u>13,254,773</u>
Less accumulated depreciation - Note 13	<u>(2,160,257)</u>	<u>(1,804,071)</u>
	<u>\$ 12,384,329</u>	<u>\$ 11,450,702</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

8. DEBT

TPH has two bank lines of credit due in December 2018 totaling \$1,199,000. 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 at June 30, 2018 and 2017). Interest is payable monthly. \$3,259,203 and \$1,375,000 was borrowed from the lines of credit during the years ended June 30, 2018 and 2017, respectively, and TPH repaid \$3,060,203 and \$850,000 during the years ended June 30, 2018 and 2017, respectively.

TPH entered into a land contract in October 2012 for the purchase of property contiguous to the elementary and middle school building. This agreement is secured by the real estate, bears interest at 4.00 percent per annum and requires 83 monthly payments of \$455 and a balloon payment of approximately \$55,670 in January 2020.

TPH entered into a land contract for \$30,340 in June 2018 for the purchase of property contiguous to the elementary and middle school building. This agreement is secured by the real estate, bears interest at 4.00 percent per annum, and requires 36 monthly payments of \$797.

TPH entered into a short-term loan of \$35,924 with its superintendent in June 2017. The loan was unsecured, bearing interest at 4.25 percent per annum and was paid in July 2017.

TPH entered into a short-term loan of \$50,000 with its superintendent in February 2018. This loan is unsecured, bearing interest at 4.50 percent per annum and remains outstanding at June 30, 2018.

TPH entered into a short-term loan of \$35,000 with the Foundation director in March 2018. This non-interest-bearing loan was unsecured and was paid in April 2018.

Changes in loan balances during the years ended June 30, 2018 and 2017 are as follows:

	June 30, 2017	Additions	Payments	June 30, 2018
Bank line of credit	\$ 500,000	\$ 2,153,111	\$ 2,153,111	\$ 500,000
Bank line of credit	500,000	1,106,092	907,092	699,000
Land contract	63,167	-	2,981	60,186
Land contract	-	30,340	2,958	27,382
Short-term loan	35,924	50,000	35,924	50,000
Short-term loan	-	35,000	35,000	-
	<u>\$ 1,099,091</u>	<u>\$ 3,374,543</u>	<u>\$ 3,137,066</u>	<u>\$ 1,336,568</u>
	June 30, 2016	Additions	Payments	June 30, 2017
Bank line of credit	\$ 475,000	\$ 875,000	\$ 850,000	\$ 500,000
Bank line of credit	-	500,000	-	500,000
Land contract	66,032	-	2,865	63,167
Short-term loan	-	35,924	-	35,924
	<u>\$ 541,032</u>	<u>\$ 1,410,924</u>	<u>\$ 852,865</u>	<u>\$ 1,099,091</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

8. DEBT, continued

Total interest expense is as follows:

	For the Years Ended June 30,	
	2018	2017
Lines of credit	\$ 59,751	\$ 9,538
Land contract payable	2,472	2,589
Private loan agreement	1,072	154
	<u>\$ 63,295</u>	<u>\$ 12,281</u>

Future maturities of debt are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 1,261,128
2020	66,078
2021	<u>9,362</u>
Total	<u>\$ 1,336,568</u>

9. LEASES

TPH leased office equipment under 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 was for a term of 60 months, requiring monthly payments of \$99. While both of these leases expired during the year ended June 30, 2018, TPH continues to lease the equipment on a month-to-month basis for the same payment amounts.

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 replaced the equipment provided under the first lease. The second lease is a 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 years ended June 30, 2018 and 2017.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

9. LEASES, continued

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

	June 30,	
	2018	2017
Equipment	\$ 70,422	\$ 70,422
Accumulated amortization	(34,037)	(18,779)
	<u>\$ 36,385</u>	<u>\$ 51,643</u>

Minimum future lease payments under the capital lease agreement as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 17,988
2020	17,988
2021	<u>2,998</u>
Net minimum lease payments	38,974
Amount representing interest	<u>(4,122)</u>
Present value of net minimum lease payments	<u>\$ 34,852</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 years ended June 30, 2018 and 2017 were \$19,461 and \$19,956, respectively.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	June 30,	
	2018	2017
<u>School</u>		
Birthday club	\$ 4,171	\$ 5,408
Bowling for books	11,443	14,239
Capital campaign	972,264	1,496,466
College scholarships	22,470	18,720
Jesus Year	2,884	2,884
	<u>1,013,232</u>	<u>1,537,717</u>
<u>Foundation Endowments</u>		
Eighth grade Washington, D.C. class trip	88,469	88,701
Student tuition assistance	517,488	530,496
	<u>605,957</u>	<u>619,197</u>
	<u>\$ 1,619,189</u>	<u>\$ 2,156,914</u>

At June 30, 2018 and 2017, the balance of temporarily restricted net assets exceeded the balance of cash and cash equivalents. Unless there was available liquidity through one of its lines of credits, TPH would have to seek additional financing if such would be necessary to fulfill the purpose restrictions of temporarily restricted net assets.

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 2 percent of employee compensation. Contributions to the plan during the years ended June 30, 2018 and 2017 were \$41,900 and \$36,305, respectively.

12. CONCENTRATION

For the years ended June 30, 2018 and 2017, the top five donors provided 35 and 31 percent of total contributions, respectively.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

13. PRIOR YEAR CORRECTIONS

Net assets at June 30, 2016 and the financial statements as of and for the year ended June 30, 2017 have been retroactively restated to correct errors related to the reporting of campaign contributions and accrued payroll.

Corrections to net assets at June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Total
Net assets - June 30, 2016			
As originally reported	\$ 4,412,016	\$ 6,560,810	\$ 10,972,826
Reduce contributions receivable for promise to give that was recorded twice	-	(25,000)	(25,000)
Correct capital campaign net assets balance and amount released from restriction	(338,748)	338,748	-
As corrected	<u>\$ 4,073,268</u>	<u>\$ 6,874,558</u>	<u>\$ 10,947,826</u>

Corrections to account balances and net assets as of June 30, 2017 and for the year then ended are as follows:

	As Originally Reported	Correction	As Corrected
Accumulated depreciation - correct depreciation expense for the year ended June 30, 2017	<u>\$ (1,790,227)</u>	\$ (13,844)	<u>\$ (1,804,071)</u>
Accrued salaries and wages - correct accrual of salaries, wages and payroll taxes at June 30, 2017	<u>\$ (554,675)</u>	92,248	<u>\$ (462,427)</u>
Net effect on the change in net assets for the year ended June 30, 2017		<u>\$ 78,404</u>	

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2018 and 2017

13. PRIOR YEAR CORRECTIONS, continued

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets, June 30, 2017			
As originally reported	\$ 7,849,719	\$ 4,663,770	\$ 12,513,489
Prior year correction of contributions receivable	-	(25,000)	(25,000)
Net effect of corrections on the change in net assets for the year ended June 30, 2017	78,404	-	78,404
Correct amount reported as temporarily restricted net assets for capital campaign	<u>2,481,856</u>	<u>(2,481,856)</u>	<u>-</u>
As corrected	<u>\$ 10,409,979</u>	<u>\$ 2,156,914</u>	<u>\$ 12,566,893</u>

14. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through May 29, 2019, 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, 2018				June 30, 2017			
	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	\$ 348,694	\$ 53,790	\$ -	\$ 402,484	\$ 84,390	\$ 57,783	\$ -	\$ 142,173
Investments	49,980	-	-	49,980	-	-	-	-
Accounts receivable net of allowance of \$45,000	223,347	-	(25,389)	197,958	239,280	-	(4,343)	234,937
Contributions receivable - Note 13	278,090	-	-	278,090	1,145,811	-	-	1,145,811
Prepaid expenses	6,681	-	-	6,681	27,784	-	-	27,784
Investments held for long-term purposes	-	1,687,107	-	1,687,107	-	1,599,663	-	1,599,663
Property and equipment, net of accumulated depreciation	12,384,329	-	-	12,384,329	11,450,702	-	-	11,450,702
Total Assets	\$ 13,291,121	\$ 1,740,897	\$ (25,389)	\$ 15,006,629	\$ 12,947,967	\$ 1,657,446	\$ (4,343)	\$ 14,601,070
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 357,333	\$ 25,389	\$ (25,389)	\$ 357,333	\$ 397,673	\$ 4,343	\$ (4,343)	\$ 397,673
Accrued salaries and wages - Note 13	489,137	-	-	489,137	462,427	-	-	462,427
Deferred revenue	51,135	-	-	51,135	26,449	-	-	26,449
Debt	1,336,568	-	-	1,336,568	1,099,091	-	-	1,099,091
Capitalized lease obligation	34,852	-	-	34,852	48,537	-	-	48,537
Total Liabilities	2,269,025	25,389	(25,389)	2,269,025	2,034,177	4,343	(4,343)	2,034,177
Net Assets								
Unrestricted								
Undesignated - Note 13	(2,383,726)	1,109,551	-	(1,274,175)	(2,082,259)	1,033,906	-	(1,048,353)
Designated	8,261	-	-	8,261	7,630	-	-	7,630
Net investment in property and equipment	12,384,329	-	-	12,384,329	11,450,702	-	-	11,450,702
Temporarily restricted - Note 13	10,008,864	1,109,551	-	11,118,415	9,376,073	1,033,906	-	10,409,979
	1,013,232	605,957	-	1,619,189	1,537,717	619,197	-	2,156,914
Total Net Assets	11,022,096	1,715,508	-	12,737,604	10,913,790	1,653,103	-	12,566,893
Total Liabilities and Net Assets	\$ 13,291,121	\$ 1,740,897	\$ (25,389)	\$ 15,006,629	\$ 12,947,967	\$ 1,657,446	\$ (4,343)	\$ 14,601,070

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, 2018

	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	\$ 4,033,172	\$ -	\$ 4,033,172	\$ -	\$ -	\$ -	\$ -	\$ 4,033,172
Less: tuition grants and discounts	(2,740,164)	-	(2,740,164)	-	-	-	-	(2,740,164)
	1,293,008	-	1,293,008	-	-	-	-	1,293,008
Contributions	3,298,776	1,203,455	4,502,231	72,774	15,000	87,774	(118,897)	4,471,108
Gifts in kind	-	23,054	23,054	-	-	-	-	23,054
Fund-raisers, net of expenses	277,698	-	277,698	-	-	-	-	277,698
Lunch program revenues	142,679	-	142,679	-	-	-	-	142,679
Campus program revenue	15,958	-	15,958	-	-	-	-	15,958
Investment income	503	-	503	87,422	63,663	151,085	-	151,588
Church rental income	15,550	-	15,550	-	-	-	-	15,550
Other income	51,319	-	51,319	-	-	-	-	51,319
Total Support and Revenue	5,095,491	1,226,509	6,322,000	160,196	78,663	238,859	(118,897)	6,441,962
RECLASSIFICATIONS								
Net assets released for satisfaction of purpose restrictions	1,750,994	(1,750,994)	-	91,903	(91,903)	-	-	-
EXPENSES								
Program Services								
Instructional	4,457,586	-	4,457,586	-	-	-	-	4,457,586
Auxiliary	219,824	-	219,824	-	-	-	-	219,824
Extra-curricular	152,115	-	152,115	-	-	-	-	152,115
Grants to The Potter's House	-	-	-	118,897	-	118,897	(118,897)	-
Total Program Services	4,829,525	-	4,829,525	118,897	-	118,897	(118,897)	4,829,525
Supporting Activities								
Management and general	895,754	-	895,754	39,546	-	39,546	-	935,300
Fund-raising	488,415	-	488,415	18,011	-	18,011	-	506,426
Total Supporting Activities	1,384,169	-	1,384,169	57,557	-	57,557	-	1,441,726
Total Expenses	6,213,694	-	6,213,694	176,454	-	176,454	(118,897)	6,271,251
Change in Net Assets	632,791	(524,485)	108,306	75,645	(13,240)	62,405	-	170,711
Net Assets, Beginning of Year	9,376,073	1,537,717	10,913,790	1,033,906	619,197	1,653,103	-	12,566,893
Net Assets, End of Year	\$ 10,008,864	\$ 1,013,232	\$ 11,022,096	\$ 1,109,551	\$ 605,957	\$ 1,715,508	\$ -	\$ 12,737,604

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		
SUPPORT AND REVENUE								
Tuition and fees	\$ 3,727,381	\$ -	\$ 3,727,381	\$ -	\$ -	\$ -	\$ -	\$ 3,727,381
Less: tuition grants and discounts	(2,527,250)	-	(2,527,250)	-	-	-	-	(2,527,250)
	1,200,131	-	1,200,131	-	-	-	-	1,200,131
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	19,793	-	19,793	-	-	-	-	19,793
Total Support and Revenue	4,699,205	2,565,390	7,264,595	224,057	122,864	346,921	(95,032)	7,516,484
RECLASSIFICATIONS								
Net assets released for satisfaction of purpose restrictions	7,344,855	(7,344,855)	-	61,043	(61,043)	-	-	-
EXPENSES - Note 13								
Program Services								
Instructional	4,146,877	-	4,146,877	-	-	-	-	4,146,877
Auxiliary	221,341	-	221,341	-	-	-	-	221,341
Extra-curricular	137,467	-	137,467	-	-	-	-	137,467
Grants to The Potter's House	-	-	-	95,032	-	95,032	(95,032)	-
Total Program Services	4,505,685	-	4,505,685	95,032	-	95,032	(95,032)	4,505,685
Supporting Activities								
Management and general	806,269	-	806,269	39,343	-	39,343	-	845,612
Fund-raising	528,950	-	528,950	17,170	-	17,170	-	546,120
Total Supporting Activities	1,335,219	-	1,335,219	56,513	-	56,513	-	1,391,732
Total Expenses	5,840,904	-	5,840,904	151,545	-	151,545	(95,032)	5,897,417
Change in Net Assets	6,203,156	(4,779,465)	1,423,691	133,555	61,821	195,376	-	1,619,067
Net Assets, Beginning of Year								
As previously reported	3,511,665	6,003,434	9,515,099	900,351	557,376	1,457,727	-	10,972,826
Corrections - Note 13	(338,748)	313,748	(25,000)	-	-	-	-	(25,000)
As corrected	3,172,917	6,317,182	9,490,099	900,351	557,376	1,457,727	-	10,947,826
Net Assets, End of Year	\$ 9,376,073	\$ 1,537,717	\$ 10,913,790	\$ 1,033,906	\$ 619,197	\$ 1,653,103	\$ -	\$ 12,566,893

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, 2018

	Instructional	Auxiliary	Extra- Curricular	Grants	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Eliminations	Totals
Salaries and wages	\$ 2,514,679	\$ 67,979	\$ 96,304	\$ -	\$ 2,678,962	\$ 485,955	\$ 298,440	\$ 784,395	\$ -	\$ 3,463,357
Pension plan	34,245	-	-	-	34,245	5,033	2,622	7,655	-	41,900
Other employee benefits	534,630	637	268	-	535,535	87,418	48,936	136,354	-	671,889
Payroll taxes	188,842	1,398	4,544	-	194,784	25,414	14,086	39,500	-	234,284
Professional services - management	-	-	-	-	-	17,022	-	17,022	-	17,022
Professional services - accounting	-	-	-	-	-	8,927	-	8,927	-	8,927
Professional services - other	65,050	115,579	-	-	180,629	30,991	19,864	50,855	-	231,484
Advertising and promotion	-	-	-	-	-	-	19,728	19,728	-	19,728
Office	15,395	-	-	-	15,395	75,132	19,352	94,484	-	109,879
Information technology	10,633	864	-	-	11,497	8,086	1,785	9,871	-	21,368
Occupancy	434,156	1,876	-	-	436,032	72,831	2,621	75,452	-	511,484
Travel	2,475	11,961	-	-	14,436	762	762	1,524	-	15,960
Conferences, conventions and meetings	-	-	-	-	-	15,830	-	15,830	-	15,830
Interest	-	-	-	-	-	63,295	-	63,295	-	63,295
Grants to The Potter's House	-	-	-	118,897	118,897	-	-	-	(118,897)	-
Depreciation	337,017	1,431	-	-	338,448	17,738	-	17,738	-	356,186
Insurance	24,671	-	-	-	24,671	5,508	-	5,508	-	30,179
Instructional	289,073	-	15,958	-	305,031	-	-	-	-	305,031
Athletics	-	-	35,041	-	35,041	-	-	-	-	35,041
Lunch program	-	8,517	-	-	8,517	-	-	-	-	8,517
Alumni and donor relations	-	4,525	-	-	4,525	8,248	78,230	86,478	-	91,003
Parent and booster clubs	-	5,057	-	-	5,057	-	-	-	-	5,057
Accreditation and memberships	6,720	-	-	-	6,720	7,110	-	7,110	-	13,830
Total Expenses	\$ 4,457,586	\$ 219,824	\$ 152,115	\$ 118,897	\$ 4,948,422	\$ 935,300	\$ 506,426	\$ 1,441,726	\$ (118,897)	\$ 6,271,251

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 - Note 13	\$ 2,383,631	\$ 69,575	\$ 87,435	\$ -	\$ 2,540,641	\$ 462,483	\$ 274,219	\$ 736,702	\$ -	\$ 3,277,343
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 - Note 13	182,190	1,161	4,714	-	188,065	24,106	11,896	36,002	-	224,067
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 - Note 12	167,685	1,431	-	-	169,116	8,826	-	8,826	-	177,942
Insurance	21,378	-	-	-	21,378	1,442	-	1,442	-	22,820
Instructional	350,545	-	15,099	-	365,644	-	-	-	-	365,644
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
Total Expenses	\$ 4,146,877	\$ 221,341	\$ 137,467	\$ 95,032	\$ 4,600,717	\$ 845,612	\$ 546,120	\$ 1,391,732	\$ (95,032)	\$ 5,897,417

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