

The logo features a stylized white 'Q' with a circular flourish, positioned above a dark blue horizontal bar containing the text 'JAMES H. QUIST CPA PLC' in white, uppercase letters.

JAMES H. QUIST CPA PLC

THE POTTER'S HOUSE
CONSOLIDATED FINANCIAL
STATEMENTS

With Independent Auditors' Report

June 30, 2019 and 2018

THE POTTER'S HOUSE
CONSOLIDATED FINANCIAL
STATEMENTS

With Independent Auditors' Report

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An Urban, Christ-Centered School



THE POTTER'S HOUSE

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INDEPENDENT AUDITORS' REPORT

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

We 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, 2019 and 2018, 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 auditors' 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 auditors consider 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our 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, 2019 and 2018 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.

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INDEPENDENT AUDITORS' REPORT, continued

OTHER MATTER

Our 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 our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Wyoming, Michigan
April 21, 2020

THE POTTER'S HOUSE

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 691,456	\$ 402,484
Investments	-	49,980
Accounts receivable, net of allowance of \$45,000	192,580	197,958
Contributions receivable	1,630,708	278,090
Prepaid expenses	3,110	6,681
Investments held for long-term purposes	1,678,251	1,687,107
Property and equipment, net of accumulated depreciation	13,364,062	12,384,329
Total Assets	\$ 17,560,167	\$ 15,006,629
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 846,686	\$ 357,333
Accrued salaries and wages	574,468	489,137
Deferred revenue	58,798	51,135
Debt	1,528,166	1,336,568
Capitalized lease obligation	19,712	34,852
Total Liabilities	3,027,830	2,269,025
Net Assets		
Without donor restriction		
Undesignated	(2,358,782)	(1,274,175)
Designated	3,818	8,261
Net investment in property and equipment	13,364,062	12,384,329
	11,009,098	11,118,415
With Donor Restriction	3,523,239	1,619,189
Total Net Assets	14,532,337	12,737,604
Total Liabilities and Net Assets	\$ 17,560,167	\$ 15,006,629

See accompanying notes and independent auditors' report

THE POTTER'S HOUSE

Consolidated Statements of Activities

For the Years Ended June 30,

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE						
Tuition and fees	\$ 4,484,908	\$ -	\$ 4,484,908	\$ 4,033,172	\$ -	\$ 4,033,172
Less: tuition grants and discounts	(3,031,894)	-	(3,031,894)	(2,740,164)	-	(2,740,164)
	1,453,014	-	1,453,014	1,293,008	-	1,293,008
Contributions	4,316,893	1,963,922	6,280,815	3,252,653	1,218,455	4,471,108
Gifts in kind	9,800	97,000	106,800	-	23,054	23,054
Fund-raisers, net of expenses	177,706	-	177,706	277,698	-	277,698
Lunch program revenues	145,254	-	145,254	142,679	-	142,679
Campus program revenue	7,670	-	7,670	15,958	-	15,958
Investment income	48,099	31,598	79,697	87,925	63,663	151,588
Church rental income	12,850	-	12,850	15,550	-	15,550
Other income	59,897	-	59,897	51,319	-	51,319
Total Support and Revenue	6,231,183	2,092,520	8,323,703	5,136,790	1,305,172	6,441,962
RECLASSIFICATIONS						
Net assets released for satisfaction of purpose restrictions	188,470	(188,470)	-	1,842,897	(1,842,897)	-
EXPENSES						
Program Services						
Instructional	4,625,172	-	4,625,172	4,457,586	-	4,457,586
Auxiliary	259,820	-	259,820	219,824	-	219,824
Extra-curricular	150,020	-	150,020	152,115	-	152,115
Total Program Services	5,035,012	-	5,035,012	4,829,525	-	4,829,525
Supporting Activities						
Management and general	993,977	-	993,977	935,300	-	935,300
Fund-raising	499,981	-	499,981	506,426	-	506,426
Total Supporting Activities	1,493,958	-	1,493,958	1,441,726	-	1,441,726
Total Expenses	6,528,970	-	6,528,970	6,271,251	-	6,271,251
Change in Net Assets	(109,317)	1,904,050	1,794,733	708,436	(537,725)	170,711
Net Assets, Beginning of Year	11,118,415	1,619,189	12,737,604	10,409,979	2,156,914	12,566,893
Net Assets, End of Year	<u>\$ 11,009,098</u>	<u>\$ 3,523,239</u>	<u>\$ 14,532,337</u>	<u>\$ 11,118,415</u>	<u>\$ 1,619,189</u>	<u>\$ 12,737,604</u>

See accompanying notes and independent auditors' report

THE POTTER'S HOUSE

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2019

	Instructional	Auxiliary	Extra- Curricular	Total Program Services	Management and General	Fund- Raising	Total Supporting Activities	Totals
Grants awarded	\$ -	\$ 32,169	\$ -	\$ 32,169	\$ -	\$ -	\$ -	\$ 32,169
Salaries and wages	2,585,832	67,430	93,730	2,746,992	479,051	288,077	767,128	3,514,120
Pension plan	35,900	-	596	36,496	5,219	2,811	8,030	44,526
Other employee benefits	543,223	464	292	543,979	92,328	53,834	146,162	690,141
Payroll taxes	191,212	1,371	4,027	196,610	24,949	13,429	38,378	234,988
Professional services - management	-	-	-	-	21,904	-	21,904	21,904
Professional services - accounting	-	-	-	-	8,842	-	8,842	8,842
Professional services - other	49,577	118,038	-	167,615	38,507	9,966	48,473	216,088
Advertising and promotion	-	-	-	-	661	16,921	17,582	17,582
Office	15,527	-	-	15,527	106,364	23,749	130,113	145,640
Information technology	21,774	-	-	21,774	9,889	2,940	12,829	34,603
Occupancy	395,780	1,615	-	397,395	73,391	2,720	76,111	473,506
Travel	2,682	14,177	-	16,859	608	608	1,216	18,075
Conferences, conventions and meetings	-	-	-	-	18,986	-	18,986	18,986
Interest	-	-	-	-	75,934	-	75,934	75,934
Depreciation	359,360	1,430	-	360,790	18,914	-	18,914	379,704
Insurance	23,878	-	-	23,878	5,482	-	5,482	29,360
Instructional	393,379	-	18,655	412,034	-	-	-	412,034
Athletics	-	-	32,720	32,720	-	-	-	32,720
Lunch program	-	6,388	-	6,388	-	-	-	6,388
Alumni and donor relations	-	4,097	-	4,097	7,843	84,926	92,769	96,866
Parent and booster clubs	-	12,641	-	12,641	-	-	-	12,641
Accreditation and memberships	7,048	-	-	7,048	5,105	-	5,105	12,153
Total Expenses	\$ 4,625,172	\$ 259,820	\$ 150,020	\$ 5,035,012	\$ 993,977	\$ 499,981	\$ 1,493,958	\$ 6,528,970

See accompanying notes and independent auditors' 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
Grants awarded	\$ 26,950	\$ -	\$ -	\$ 26,950	\$ -	\$ -	\$ -	\$ 26,950
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	-	566	34,811	5,033	2,622	7,655	42,466
Other employee benefits	534,630	637	268	535,535	87,418	48,936	136,354	671,889
Payroll taxes	188,842	1,398	3,978	194,218	25,414	14,086	39,500	233,718
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	262,123	-	15,958	278,081	-	-	-	278,081
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 auditors' report

THE POTTER'S HOUSE

Statements of Cash Flows

	For the Years Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,794,733	\$ 170,711
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Contributions of marketable securities	(56,419)	(94,691)
Contributions for long-term purposes	(1,323,526)	(1,292,783)
Contributed property	-	(21,307)
Depreciation	379,704	356,186
Net gains from investments	(40,285)	(116,029)
Gain from sale of property and equipment	(468)	-
Change in:		
Accounts receivable	5,378	36,979
Contributions receivable	(1,352,618)	867,721
Prepaid expenses	3,571	21,103
Accounts payable	489,353	(40,340)
Accrued salaries and wages	85,331	26,710
Deferred revenue	7,663	24,686
Net Cash Used by Operating Activities	(7,583)	(61,054)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	684,975	493,287
Proceeds from sale of property and equipment	1,000	-
Purchases of investments	(529,435)	(419,991)
Purchases of property and equipment	(1,359,969)	(1,268,506)
Net Cash Used By Investing Activities	(1,203,429)	(1,195,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions for long-term purposes	1,323,526	1,292,783
Proceeds from loans and draws from lines of credit	4,124,344	3,374,543
Principal payments on loans and lines of credit	(3,932,746)	(3,137,066)
Principal payments on capital lease obligations	(15,140)	(13,685)
Net Cash Provided by Financing Activities	1,499,984	1,516,575
Change in Cash and Cash Equivalents	288,972	260,311
Cash and Cash Equivalents, Beginning of Period	402,484	142,173
Cash and Cash Equivalents, End of Period	\$ 691,456	\$ 402,484
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 75,934	\$ 63,295

See accompanying notes and independent auditors' report

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

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 AND CONCENTRATION OF CREDIT RISK

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, 2019 and 2018

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, 2019 and 2018 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, 2019 and 2018 are \$7,423 and \$72,725, respectively. Uncollectible accounts are recognized as additions to bad debt expense in the period it is determined the amounts could become uncollectible. The allowance for doubtful accounts is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, trends in historical loss experience, payment patterns and general economic conditions. The allowance is maintained at a level that, in management's judgment, is adequate to absorb potential losses inherent in the receivables portfolio.

CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized as income when made and reported at fair value based upon estimated future cash flows. 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, 2019 and 2018; there is, therefore, no allowance for doubtful promises to give.

PREPAID EXPENSES

Prepaid expenses at years ended June 30, 2019 and 2018 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, 2019 and 2018

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 \$379,704 and \$356,186 for the years ended June 30, 2019 and 2018, respectively.

DEFERRED REVENUE

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

NET ASSETS

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes in net assets therein are classified and reported as follows:

NET ASSETS WITHOUT DONOR RESTRICTIONS are net assets available for use in general operations and not subject to donor or certain grantor-imposed restrictions. The governing board has not designated any net assets without donor restrictions for specific purposes.

NET ASSETS WITH DONOR RESTRICTIONS are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled or both.

SUPPORT AND REVENUE

Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Contributions of assets other than cash and services are reported at their estimated fair value. TPH reports donations of property and equipment as contributions without donor restriction unless the donor has restricted the donated asset to a specific purpose. Contributions of cash to acquire property are reported as contributions with donor restrictions.

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.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

CONTRIBUTED SERVICES

During the years ended June 30, 2019 and 2018, approximately 170 and 140 individuals provided approximately 5,210 and 5,975 hours of volunteer support to TPH, respectively. For the years ended June 30, 2019 and 2018, management estimates the total value of volunteer services to be approximately \$78,150 and \$89,700, 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.

During the year ended June 30, 2019, TPH received 100 hours of accounting services from a professional. The value of these services is estimated at \$8,000 and has been recorded in accordance with generally accepted accounting principles.

GIFTS IN KIND

During the years ended June 30, 2019 and 2018, TPH received gifts of construction materials and services with an estimated total fair value of \$98,800 and \$23,054, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are reported when incurred, that is, when the purchased goods or services have been received.

The costs of program, management and fund-raising activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program, management and fund-raising activities benefitting from those expenditures.

Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. At TPH the methods used to allocate costs among program and support functions vary depending upon the nature of the expense category. Compensation related expenses are allocated based on proportional estimates of paid time spent in each functional area of performance. Occupancy and depreciation costs are allocated to each functional area based on proportional estimates of facility and equipment usage. Other expenses are allocated based on the guidelines defining the nature of the program, management or fund-raising expenses and the associated estimates of time and effort.

ADVERTISING

TPH expenses advertising costs as they are incurred. Advertising costs totaled \$8,556 and \$-0- for the years ended June 30, 2019 and 2018, respectively.

CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. TPH has adopted ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

2. SIGNIFICANT ACCOUNTING POLICIES, continued

LIQUIDITY AND AVAILABILITY

TPH has financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as detailed below. The amounts shown below are net of financial assets required to meet donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Because annual fund designated net assets and student activity funds designated net assets are intended to be utilized to cover expenses during the subsequent fiscal year, these designated net assets do not reduce financial assets available to meet cash needs for general expenditures within one year of the financial position date.

	June 30,	
	2019	2018
Cash and cash equivalents	\$ 691,456	\$ 402,484
Investments	-	49,980
Accounts receivable	192,580	197,958
Contributions receivable expected to be received within one year	772,118	266,024
Minimum distribution from Foundation	62,270	60,577
Less:		
Net assets with donor restrictions	<u>(3,523,239)</u>	<u>(1,619,189)</u>
	<u>\$ (1,804,815)</u>	<u>\$ (642,166)</u>

TPH maintains bank checking, money market and other highly liquid investment accounts for liquidity management. Board designated net assets could be made available if necessary.

At June 30, 2019 and 2018, there is insufficient cash available to comply with donor-imposed restrictions. However, funds would be available from the bank line of credit when the expenditure of these funds is required.

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>

There are no investments at June 30, 2019.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

3. INVESTMENTS

Investment income attributable to investments is as follows:

	For the Years Ended June 30,	
	2019	2018
Realized gains	\$ 335	\$ 493
Unrealized gains	-	10
	<u>\$ 335</u>	<u>\$ 503</u>

4. CONTRIBUTIONS RECEIVABLE

At June 30, 2019 and 2018, TPH had \$1,662,118 and \$278,090 of unconditional promises to give, respectively. The present value of estimated future cash flows at June 30, 2019 and 2018 is \$1,630,708 and \$278,090, respectively, using discount rates ranging from 0.75 percent to 1.13 percent. Contributions receivable consist of 46 and 64 promises to give from individuals and foundations at June 30, 2019 and 2018, respectively. See Note 2 for a description of the accounting policies for contributions receivable. These promises to give are due to be collected through 2023 and are reported as contributions receivable in the accompanying consolidated statements of financial position.

Promises to give are expected to be collected as follows:

<u>Year Ending June 30,</u>	
2020	\$ 772,118
2021	640,000
2022	150,000
2023	100,000
	<u>1,662,118</u>
Less: present value discount	<u>(31,410)</u>
	<u>\$ 1,630,708</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES

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

	June 30, 2019		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 51,192	\$ 51,192	\$ -
Fixed income investments	175,395	175,583	(188)
Marketable equity securities	309,490	205,220	104,270
Marketable preferred equity securities	54,427	53,200	1,227
Mutual funds	1,076,162	894,745	181,417
Other investments	11,585	9,866	1,719
	<u>\$ 1,678,251</u>	<u>\$ 1,389,806</u>	<u>\$ 288,445</u>
	June 30, 2018		
	Fair Value	Carrying Value	Unrealized Gain (Loss)
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>

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

	For the Years Ended June 30,	
	2019	2018
Interest and dividends	\$ 39,412	\$ 35,559
Realized gains	56,144	71,090
Unrealized (losses) gains	(15,859)	44,939
	<u>\$ 79,697</u>	<u>\$ 151,588</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 POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

5. INVESTMENTS HELD FOR LONG-TERM PURPOSES, continued

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.

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 retain in perpetuity:

- 1) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the endowment and
- 2) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

6. ENDOWMENT, continued

The Foundation has to date received no contributions that would be classified as restricted by donors to be retained in perpetuity. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MI-PMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: In accordance with MI-PMIFA, the Foundation 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,	
	2019	2018
Board designated endowment funds	\$ 1,143,648	\$ 1,109,551
Donor restricted endowment funds	598,801	605,957
Total funds	<u>\$ 1,742,449</u>	<u>\$ 1,715,508</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

6. ENDOWMENT, continued

CHANGES IN ENDOWMENT NET ASSETS

	Without Donor Restrictions	With Donor Restrictions	Total
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
Investment return			
Investment income	26,088	13,322	39,410
Realized gains	33,428	22,383	55,811
Unrealized losses	(11,752)	(4,107)	(15,859)
Total investment return	47,764	31,598	79,362
Contributions	84,433	45,743	130,176
Appropriation of endowment assets for expenditure	(98,100)	(84,497)	(182,597)
Endowment net assets, June 30, 2019	\$ 1,143,648	\$ 598,801	\$ 1,742,449

FUNDS WITH DEFICIENCIES

Because the Foundation has received no contributions requiring 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, 2019 and 2018

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,	
	2019	2018
Land - Notes 8 and 9	\$ 797,685	\$ 797,685
Land improvements	5,667	5,667
Buildings and improvements - Notes 8 and 9	12,202,879	12,188,579
Furniture and equipment	989,611	989,611
Computers and software	500,109	500,109
Vehicles	28,513	32,503
Website development costs	32,298	30,432
Construction in process	1,343,803	-
	<u>15,900,565</u>	<u>14,544,586</u>
Less accumulated depreciation	<u>(2,536,503)</u>	<u>(2,160,257)</u>
	<u>\$ 13,364,062</u>	<u>\$ 12,384,329</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

8. DEBT

TPH has a bank line of credit due in December 2019 of \$330,000. Another bank line of credit of \$699,000 was paid off during the year ended June 30, 2019. The line is secured by the high school real estate. Amounts borrowed under this agreement bear interest at the bank's prime rate (which equates to 4.25 percent at June 30, 2019 and 2018). Interest is payable monthly. \$2,877,000 and \$3,259,203 was borrowed from the line of credit during the years ended June 30, 2019 and 2018, respectively, and TPH repaid \$2,992,000 and \$3,060,203 during the years ended June 30, 2019 and 2018, respectively.

TPH entered into a \$1,000,000 bank term loan in November 2018 for consolidation of loans and capital improvements at the elementary and middle school building. This agreement is secured by the real estate, bears interest at 5.45 percent per annum, and requires 59 monthly interest payments and an annual principal payment of \$75,000 on December 31 of each year.

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 \$70,000 with its superintendent in April 2019. The loan was unsecured, bearing interest at 5.40 percent per annum and remains outstanding at June 30, 2019.

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, 2019.

TPH entered into a short-term loan of \$35,000 with a 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, 2019 and 2018 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>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

8. DEBT, continued

	June 30, 2018	Additions	Payments	June 30, 2019
Bank line of credit	\$ 500,000	\$ 2,822,000	\$ 2,992,000	\$ 330,000
Bank line of credit	699,000	180,000	879,000	-
Bank term note	-	1,000,000	-	1,000,000
Land contract	60,186	-	8,643	51,543
Land contract	27,382	-	3,103	24,279
Short-term loan	50,000	122,344	50,000	122,344
	<u>\$ 1,336,568</u>	<u>\$ 4,124,344</u>	<u>\$ 3,932,746</u>	<u>\$ 1,528,166</u>

Total interest expense is as follows:

	For the Years Ended June 30,	
	2019	2018
Bank lines of credit	\$ 36,196	\$ 59,751
Bank term note	33,760	-
Land contracts	3,274	2,472
Short-term loans	2,704	1,072
	<u>\$ 75,934</u>	<u>\$ 63,295</u>

Future maturities of debt are as follows:

Year Ending June 30,	Principal
2020	\$ 257,882
2021	84,362
2022	80,922
2023	75,000
Thereafter	<u>1,085,000</u>
Total	<u>\$ 1,583,166</u>

9. LEASES

TPH leased office equipment under operating lease agreements. The first lease was for a term of 60 months and required 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 and required 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.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

9. LEASES, continued

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 and required 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 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, 2019 and 2018.

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

	June 30,	
	2019	2018
Equipment	\$ 70,422	\$ 70,422
Accumulated amortization	(48,122)	(34,037)
	<u>\$ 22,300</u>	<u>\$ 36,385</u>

Minimum future lease payments under the capital lease agreement as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	
2020	\$ 17,988
2021	2,998
Net minimum lease payments	<u>20,986</u>
Amount representing interest	<u>(1,274)</u>
Present value of net minimum lease payments	<u>\$ 19,712</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, 2019 and 2018 were \$19,120 and \$19,461, respectively.

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

	June 30, 2017	Contributions And Investment Income	Released From Restriction	June 30, 2018
<u>School</u>				
Birthday club	\$ 5,408	\$ 4,328	\$ 5,565	\$ 4,171
Bowling for books	14,239	21,085	23,881	11,443
Capital campaign	1,496,466	1,176,096	1,700,298	972,264
College scholarships	18,720	25,000	21,250	22,470
Jesus Year	2,884	-	-	2,884
	<u>1,537,717</u>	<u>1,226,509</u>	<u>1,750,994</u>	<u>1,013,232</u>
<u>Foundation Endowments</u>				
Eighth grade class trip	88,701	10,244	10,476	88,469
Student tuition assistance	530,496	68,419	81,427	517,488
	<u>619,197</u>	<u>78,663</u>	<u>91,903</u>	<u>605,957</u>
	<u>\$ 2,156,914</u>	<u>\$ 1,305,172</u>	<u>\$ 1,842,897</u>	<u>\$ 1,619,189</u>
	June 30, 2018	Contributions And Investment Income	Released From Restriction	June 30, 2019
<u>School</u>				
Birthday club	\$ 4,171	\$ 145	\$ 1,958	\$ 2,358
Bowling for books	11,443	11,814	14,090	9,167
Capital campaign	972,264	1,974,151	58,256	2,888,159
College scholarships	22,470	29,069	29,669	21,870
Jesus Year	2,884	-	-	2,884
	<u>1,013,232</u>	<u>2,015,179</u>	<u>103,973</u>	<u>2,924,438</u>
<u>Foundation Endowments</u>				
Eighth grade class trip	88,469	3,961	5,977	86,453
Student tuition assistance	517,488	73,380	78,520	512,348
	<u>605,957</u>	<u>77,341</u>	<u>84,497</u>	<u>598,801</u>
	<u>\$ 1,619,189</u>	<u>\$ 2,092,520</u>	<u>\$ 188,470</u>	<u>\$ 3,523,239</u>

THE POTTER'S HOUSE

Notes to Financial Statements

June 30, 2019 and 2018

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, 2019 and 2018 were \$44,526 and \$42,466, respectively.

12. CONCENTRATION

For the years ended June 30, 2019 and 2018, the top five donors provided 31 and 35 percent of total contributions, respectively.

13. SUBSEQUENT EVENTS

Management has evaluated for potential recognition or disclosure in these financial statements subsequent events and transactions occurring through April 21, 2020, the date these financial statements were available to be issued.

The spread of the COVID-19 coronavirus and the resultant governmental imposition and extension of orders to stay at home and to cease all but essential services has resulted in TPH closing its buildings and canceling all extra-curricular activities and public gatherings for the remainder of the Spring 2020 semester. This disruption is expected to be temporary and management has applied for governmental financial assistance via the federal Paycheck Protection Program in an effort to bolster cash flow as well as to continue to provide ongoing compensation to TPH's employees. While the long-term effects of this shut-down could negatively affect TPH's financial position, cash flows and results of activities, any such effects cannot be reasonably estimated at this time.

SUPPLEMENTARY DATA

THE POTTER'S HOUSE

Consolidating Statements of Financial Position

	June 30, 2019				June 30, 2018			
	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	\$ 614,492	\$ 76,964	\$ -	\$ 691,456	\$ 348,694	\$ 53,790	\$ -	\$ 402,484
Investments	-	-	-	-	49,980	-	-	49,980
Accounts receivable net of allowance of \$45,000	205,549	-	(12,969)	192,580	223,347	-	(25,389)	197,958
Contributions receivable	1,630,708	-	-	1,630,708	278,090	-	-	278,090
Prepaid expenses	3,110	-	-	3,110	6,681	-	-	6,681
Investments held for long-term purposes	-	1,678,251	-	1,678,251	-	1,687,107	-	1,687,107
Property and equipment, net of accumulated depreciation	13,364,062	-	-	13,364,062	12,384,329	-	-	12,384,329
Total Assets	\$ 15,817,921	\$ 1,755,215	\$ (12,969)	\$ 17,560,167	\$ 13,291,121	\$ 1,740,897	\$ (25,389)	\$ 15,006,629
LIABILITIES AND NET ASSETS								
Liabilities								
Accounts payable	\$ 846,686	\$ 12,969	\$ (12,969)	\$ 846,686	\$ 357,333	\$ 25,389	\$ (25,389)	\$ 357,333
Accrued salaries and wages	574,468	-	-	574,468	489,137	-	-	489,137
Deferred revenue	58,798	-	-	58,798	51,135	-	-	51,135
Debt	1,528,166	-	-	1,528,166	1,336,568	-	-	1,336,568
Capitalized lease obligation	19,712	-	-	19,712	34,852	-	-	34,852
Total Liabilities	3,027,830	12,969	(12,969)	3,027,830	2,269,025	25,389	(25,389)	2,269,025
Net Assets								
Without donor restriction								
Undesignated	(3,502,227)	1,143,445	-	(2,358,782)	(2,383,726)	1,109,551	-	(1,274,175)
Designated	3,818	-	-	3,818	8,261	-	-	8,261
Net investment in property and equipment	13,364,062	-	-	13,364,062	12,384,329	-	-	12,384,329
With Donor Restrictions	9,865,653	1,143,445	-	11,009,098	10,008,864	1,109,551	-	11,118,415
	2,924,438	598,801	-	3,523,239	1,013,232	605,957	-	1,619,189
Total Net Assets	12,790,091	1,742,246	-	14,532,337	11,022,096	1,715,508	-	12,737,604
Total Liabilities and Net Assets	\$ 15,817,921	\$ 1,755,215	\$ (12,969)	\$ 17,560,167	\$ 13,291,121	\$ 1,740,897	\$ (25,389)	\$ 15,006,629

See notes to consolidated financial statements and independent auditors' opinion

THE POTTER'S HOUSE

Consolidating Statement of Activities

For the Year Ended June 30, 2019

	The Potter's House			The Potter's House Foundation			Eliminations	Totals
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total		
SUPPORT AND REVENUE								
Tuition and fees	\$ 4,484,908	\$ -	\$ 4,484,908	\$ -	\$ -	\$ -	\$ -	\$ 4,484,908
Less: tuition grants and discounts	(3,031,894)	-	(3,031,894)	-	-	-	-	(3,031,894)
	1,453,014	-	1,453,014	-	-	-	-	1,453,014
Contributions	4,359,193	1,918,179	6,277,372	84,433	45,743	130,176	(126,733)	6,280,815
Gifts in kind	9,800	97,000	106,800	-	-	-	-	106,800
Fund-raisers, net of expenses	177,706	-	177,706	-	-	-	-	177,706
Lunch program revenues	145,254	-	145,254	-	-	-	-	145,254
Campus program revenue	7,670	-	7,670	-	-	-	-	7,670
Investment income	335	-	335	47,764	31,598	79,362	-	79,697
Church rental income	12,850	-	12,850	-	-	-	-	12,850
Other income	59,897	-	59,897	-	-	-	-	59,897
Total Support and Revenue	6,225,719	2,015,179	8,240,898	132,197	77,341	209,538	(126,733)	8,323,703
RECLASSIFICATIONS								
Net assets released for satisfaction of purpose restrictions	103,973	(103,973)	-	84,497	(84,497)	-	-	-
EXPENSES								
Program Services								
Instructional	4,625,172	-	4,625,172	-	-	-	-	4,625,172
Auxiliary	259,820	-	259,820	-	-	-	-	259,820
Extra-curricular	150,020	-	150,020	-	-	-	-	150,020
Grants to The Potter's House	-	-	-	126,733	-	126,733	(126,733)	-
Total Program Services	5,035,012	-	5,035,012	126,733	-	126,733	(126,733)	5,035,012
Supporting Activities								
Management and general	954,824	-	954,824	39,153	-	39,153	-	993,977
Fund-raising	483,067	-	483,067	16,914	-	16,914	-	499,981
Total Supporting Activities	1,437,891	-	1,437,891	56,067	-	56,067	-	1,493,958
Total Expenses	6,472,903	-	6,472,903	182,800	-	182,800	(126,733)	6,528,970
Change in Net Assets	(143,211)	1,911,206	1,767,995	33,894	(7,156)	26,738	-	1,794,733
Net Assets, Beginning of Year	10,008,864	1,013,232	11,022,096	1,109,551	605,957	1,715,508	-	12,737,604
Net Assets, End of Year	\$ 9,865,653	\$ 2,924,438	\$ 12,790,091	\$ 1,143,445	\$ 598,801	\$ 1,742,246	\$ -	\$ 14,532,337

See notes to consolidated financial statements and independent auditors' 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
	Without Donor	With Donor	Total	Without Donor	With Donor	Total		
	Restriction	Restriction		Restriction	Restriction			
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 auditors' opinion

THE POTTER'S HOUSE

Consolidating Statement of Functional Expenses

For the Year Ended June 30, 2019

	Instructional	Auxiliary	Extra-Curricular	Grants	Total Program Services	Management and General	Fund-Raising	Total Supporting Activities	Eliminations	Totals
Grants awarded	\$ -	\$ 32,169	\$ -	\$ -	\$ 32,169	\$ -	\$ -	\$ -	\$ -	\$ 32,169
Salaries and wages	2,585,832	67,430	93,730	-	2,746,992	479,051	288,077	767,128	-	3,514,120
Pension plan	35,900	-	596	-	36,496	5,219	2,811	8,030	-	44,526
Other employee benefits	543,223	464	292	-	543,979	92,328	53,834	146,162	-	690,141
Payroll taxes	191,212	1,371	4,027	-	196,610	24,949	13,429	38,378	-	234,988
Professional services - management	-	-	-	-	-	21,904	-	21,904	-	21,904
Professional services - accounting	-	-	-	-	-	8,842	-	8,842	-	8,842
Professional services - other	49,577	118,038	-	-	167,615	38,507	9,966	48,473	-	216,088
Advertising and promotion	-	-	-	-	-	661	16,921	17,582	-	17,582
Office	15,527	-	-	-	15,527	106,364	23,749	130,113	-	145,640
Information technology	21,774	-	-	-	21,774	9,889	2,940	12,829	-	34,603
Occupancy	395,780	1,615	-	-	397,395	73,391	2,720	76,111	-	473,506
Travel	2,682	14,177	-	-	16,859	608	608	1,216	-	18,075
Conferences, conventions and meetings	-	-	-	-	-	18,986	-	18,986	-	18,986
Interest	-	-	-	-	-	75,934	-	75,934	-	75,934
Grants to The Potter's House	-	-	-	126,733	126,733	-	-	-	(126,733)	-
Depreciation	359,360	1,430	-	-	360,790	18,914	-	18,914	-	379,704
Insurance	23,878	-	-	-	23,878	5,482	-	5,482	-	29,360
Instructional	393,379	-	18,655	-	412,034	-	-	-	-	412,034
Athletics	-	-	32,720	-	32,720	-	-	-	-	32,720
Lunch program	-	6,388	-	-	6,388	-	-	-	-	6,388
Alumni and donor relations	-	4,097	-	-	4,097	7,843	84,926	92,769	-	96,866
Parent and booster clubs	-	12,641	-	-	12,641	-	-	-	-	12,641
Accreditation and memberships	7,048	-	-	-	7,048	5,105	-	5,105	-	12,153
Total Expenses	\$ 4,625,172	\$ 259,820	\$ 150,020	\$ 126,733	\$ 5,161,745	\$ 993,977	\$ 499,981	\$ 1,493,958	\$ (126,733)	\$ 6,528,970

See notes to consolidated financial statements and independent auditors' 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
Grants awarded	\$ 26,950	\$ -	\$ -	\$ -	\$ 26,950	\$ -	\$ -	\$ -	\$ -	\$ 26,950
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	-	566	-	34,811	5,033	2,622	7,655	-	42,466
Other employee benefits	534,630	637	268	-	535,535	87,418	48,936	136,354	-	671,889
Payroll taxes	188,842	1,398	3,978	-	194,218	25,414	14,086	39,500	-	233,718
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	262,123	-	15,958	-	278,081	-	-	-	-	278,081
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 auditors' opinion