

**THE POTTER'S HANDS FOUNDATION, INC.**

**ELMIRA, NEW YORK**

**REVIEWED FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

**DECEMBER 31, 2018 (CONSOLIDATED)**  
**AND 2017 (UNCONSOLIDATED)**



**MENGEL METZGER BARR & CO. LLP**

Certified Public Accountants

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
The Potter's Hands Foundation, Inc.

We have reviewed the accompanying financial statements of The Potter's Hands Foundation, Inc., which comprise the statements of financial position as of December 31, 2018 (consolidated) and 2017 (unconsolidated), the related statements of activities and changes in net assets, and cash flows for the years then ended, and the consolidated statement of functional expenses for the year ended December 31, 2018, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Mengel, Metzger, Barr & Co. LLP*

Elmira, New York  
October 30, 2019

THE POTTER'S HANDS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	2018	2017
	(Consolidated)	(Unconsolidated)
<u>CURRENT ASSETS</u>		
Cash	\$ 60,968	\$ 14,367
Money market funds	204,685	270,703
Accounts receivable	3,069	-
TOTAL CURRENT ASSETS	268,722	285,070
<u>PROPERTY AND EQUIPMENT</u>		
Land and improvements	41,916	37,000
Building	861,347	-
Construction in progress	-	787,362
Furniture	44,248	25,467
Equipment	2,200	-
	949,711	849,829
Less allowances for depreciation	29,809	-
	919,902	849,829
<u>OTHER ASSET</u>		
Goodwill, net of accumulated amortization of \$3,376 for 2018	30,384	-
TOTAL ASSETS	<u>\$ 1,219,008</u>	<u>\$ 1,134,899</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 624	\$ -
Accrued payroll related expenses	435	1,582
Other taxes payable	918	-
TOTAL LIABILITIES	1,977	1,582
<u>NET ASSETS</u> - without donor restrictions	1,217,031	1,133,317
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,219,008</u>	<u>\$ 1,134,899</u>

See independent accountant's review report and accompanying notes which are an integral part of the financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	<u>Year ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
	(Consolidated)	(Unconsolidated)
Public support:		
Contributions	\$ 251,146	\$ 336,845
Special events	100,105	97,946
Grants	1,745	65,727
In-kind donations	70,216	41,560
Sale of baked goods	<u>35,707</u>	<u>-</u>
	458,919	542,078
Revenue:		
Interest income	<u>1,252</u>	<u>1,073</u>
TOTAL PUBLIC SUPPORT AND REVENUE	460,171	543,151
Expenses	<u>376,457</u>	<u>92,554</u>
CHANGE IN NET ASSETS	83,714	450,597
Net assets at beginning of year	<u>1,133,317</u>	<u>682,720</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,217,031</u>	<u>\$ 1,133,317</u>

See independent accountant's review report and accompanying notes which are an integral part of the financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Payroll and related	\$ 207,254	\$ 36,851	\$ 244,105
Insurance	2,892	-	2,892
Depreciation	29,809	-	29,809
Office supplies and postage	-	11,035	11,035
E-giving fees	-	2,319	2,319
Auto and transportation	3,607	1,257	4,864
Advertising	303	-	303
Program supplies	13,001	-	13,001
Utilities	10,563	-	10,563
Repairs and maintenance	4,111	-	4,111
Professional fees	-	5,518	5,518
Website expenses	-	312	312
Training expense	1,469	-	1,469
Special event expenses	-	26,972	26,972
Bakery supplies	12,864	-	12,864
Amortization	3,376	-	3,376
Sundry	2,944	-	2,944
	<u>\$ 292,193</u>	<u>\$ 84,264</u>	<u>\$ 376,457</u>

See independent accountant's review report and accompanying notes which are an integral part of the financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2018	2017
	(Consolidated)	(Unconsolidated)
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 83,714	\$ 450,597
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
In-kind donation of property	(54,200)	(41,560)
Depreciation	29,809	-
Amortization	3,376	-
Changes in certain assets and liabilities affecting operations:		
Accounts receivable	(3,069)	-
Accounts payable	624	-
Accrued payroll related expenses	(1,147)	58
Other taxes payable	918	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	60,025	409,095
<u>CASH FLOWS - INVESTING ACTIVITY</u>		
Purchase of property and equipment	(79,442)	(391,299)
NET CASH USED FOR INVESTING ACTIVITY	(79,442)	(391,299)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,417)	17,796
Cash and cash equivalents at beginning of year	285,070	267,274
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 265,653	\$ 285,070

See independent accountant's review report and accompanying notes which are an integral part of the financial statements.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS  
(See Independent Accountant's Review Report)

DECEMBER 31, 2018 (CONSOLIDATED) AND 2017 (UNCONSOLIDATED)

NOTE A: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Potter's Hands Foundation, Inc. (the "Foundation") is a non-profit organization incorporated on October 15, 2013 with a mission to help females who have been involved in abusive situations to find wholeness, healing and a sense of self-worth while providing them a place to grow, heal and be free from the cruelty they have endured. The Foundation will provide a residential safe house environment at no cost to victims of severe sexual exploitation and human trafficking. The Foundation is funded primarily through individual donors and grants from churches and other non-profit organizations. The program became operational in January 2018. In 2018 the Foundation acquired, through donation, Heavenly Treats, LLC, which prepares and sells baked goods for the benefit of the Foundation.

Principles of consolidation

The 2018 financial statements include the accounts of The Potter's Hands Foundation, Inc. and its wholly owned subsidiary, Heavenly Treats, LLC, which was acquired in 2018. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and money market funds

Cash and money market funds are considered to be cash equivalents. Cash balances are maintained at a financial institution located in Upstate New York and are insured up to \$250,000. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Foundation has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

Property and equipment

Property and equipment donated to the Foundation are recorded at the estimated fair value at the date of donation. Purchased property and equipment are stated on the basis of cost. Once assets have been placed in service, depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives which range from five to forty years. Expenditures for renewals and betterments are capitalized, while expenditures for repairs and maintenance are charged to operations as incurred.

Goodwill

Goodwill is being amortized on a straight-line basis over ten years. Amortization of goodwill amounted to \$3,376 for the year ended December 31, 2018.

Net assets

Net assets, revenues and other support are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions. At December 31, 2018 and 2017, the Foundation had no net assets with donor restrictions.



THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd  
(See Independent Accountant's Review Report)

DECEMBER 31, 2018 (CONSOLIDATED) AND 2017 (UNCONSOLIDATED)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Revenue recognition

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Grants and other contributions of cash and other assets are reported as donor restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restrictions. Sale of baked goods is recorded as items are purchased by customers.

In-kind contributions

In-kind contributions are recorded at their fair value as of the date received. Contributed services are recognized as in-kind contributions if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair value of the services provided. Volunteer services that do not meet the above criteria are not recognized as revenue and are not reported in the accompanying financial statements.

Functional allocation of expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax exempt status

The Foundation is a not-for-profit organization exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code. The Foundation has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Foundation files a Form 990 tax return in the U.S. federal jurisdiction as well as New York State. With few exceptions, as of December 31, 2018, the Foundation is no longer subject to U.S. federal income tax examinations by tax authorities for years ended prior to December 31, 2015. The tax returns for years 2015 through 2018 are still subject to potential audit by the IRS and the taxing authorities in New York State. Management of the Foundation believes it has no material uncertain tax positions and, accordingly has not recognized any tax liability for unrecognized tax benefits. Heavenly Treats, LLC, as a single member LLC, is included in the filings of the Foundation.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd  
(See Independent Accountant's Review Report)

DECEMBER 31, 2018 (CONSOLIDATED) AND 2017 (UNCONSOLIDATED)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Change in accounting principle

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-14 "*Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*". ASU 2016-14 includes many changes affecting the presentation and accounting for the Organization's financial statements, including:

- Presenting on the face of the statement of financial position amounts for two classes of net assets at the end of the year, rather than for the currently required three classes. That is, to report amounts for net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets.
- Presenting on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes, as well as the currently required amount of the change in total net assets for the year.
- Requiring the presentation of expenses by both natural and functional classification, as well as disclosing the methods used to allocate costs among program and support functions.
- Disclosing amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the year;
- Requiring qualitative information that communicates how the Foundation manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date;
- Requiring quantitative, as well as additional qualitative information, that communicates the availability of financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of that date.

ASU 2016-14 is effective for financial statements beginning after December 15, 2017 and was applied retrospectively except for the statement of functional expenses and disclosures regarding liquidity and availability of resources, which are presented only for the current year. There was no effect on total assets or changes in net assets.

New accounting pronouncement - revenue from contracts with customers

In May 2014, FASB issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. For nonpublic entities, the guidance in this new standard is effective for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the provisions of this standard to determine the impact the new standard will have on the Organization's financial position or results of operations.

THE POTTER'S HANDS FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd  
(See Independent Accountant's Review Report)

DECEMBER 31, 2018 (CONSOLIDATED) AND 2017 (UNCONSOLIDATED)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Subsequent events

The Foundation has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through October 30, 2019, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2018:

Cash	\$	60,968
Money market funds		204,685
Accounts receivable		3,069
	\$	<u>268,722</u>

As part of the Foundation's liquidity management plan, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due.

NOTE C: NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Undesignated	\$ 297,129	\$ 283,488
Invested in property and equipment	<u>919,902</u>	<u>849,829</u>
	<u>\$ 1,217,031</u>	<u>\$ 1,133,317</u>

NOTE D: FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributable to both program and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort are payroll and related expenses.