



(an Oregon not-for-profit organization)

Annual Financial Statements
And Supplementary Information

Year Ended June 30, 2013

With summarized financial information as of June 30, 2012

Prepared by:

Lauka Associates | CERTIFIED PUBLIC ACCOUNTANTS

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tucker-Maxon Oral School
Portland, Oregon

We have audited the accompanying financial statements of Tucker-Maxon Oral School (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from Tucker-Maxon's June 30, 2012 financial statements and, in our report dated February 5, 2013; we expressed an unqualified opinion on those financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 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 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 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 Tucker- Maxon Oral School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lanka Associates

Portland, Oregon
March 31, 2014

Tucker-Maxon Oral School (an Oregon not-for-profit organization)

Combined Statement of Financial Position

June 30, 2013

With Summarized Financial Information as of June 30, 2012

(See Accompanying Notes)

	2013			2012 (comparative) (only)	
	Unrestricted	Temporarily Restricted	Permanently Restricted		Combined
Assets					
Cash and equivalents	\$ 101,308	\$ 33,874	\$ 7,500	\$ 142,682	\$ 62,671
Receivables, net	41,673	100,000		141,673	211,170
Items for resale	853			853	1,336
Prepaid expenses	8,163			8,163	1,762
	<u>151,997</u>	<u>133,874</u>	<u>7,500</u>	<u>293,371</u>	<u>276,939</u>
Property and Equipment					
Net of accumulated depreciation	<u>456,717</u>			<u>456,717</u>	<u>487,438</u>
Total Assets	<u>\$ 608,714</u>	<u>\$ 133,874</u>	<u>\$ 7,500</u>	<u>\$ 750,088</u>	<u>\$ 764,377</u>
Liabilities					
Accounts payable	\$ 30,538			\$ 30,538	\$ 35,190
Prepaid tuition	26,350			26,350	21,927
Accrued payroll liabilities	3,000			3,000	17,519
Unpaid teacher contracts	96,928			96,928	89,897
	<u>156,816</u>	<u>-</u>	<u>-</u>	<u>156,816</u>	<u>164,533</u>
Net Assets					
Unrestricted	451,898			451,898	471,822
Temporarily restricted		133,874		133,874	120,522
Permanently restricted			7,500	7,500	7,500
	<u>451,898</u>	<u>133,874</u>	<u>7,500</u>	<u>593,272</u>	<u>599,844</u>
Total Liabilities and Net Assets	<u>\$ 608,714</u>	<u>\$ 133,874</u>	<u>\$ 7,500</u>	<u>\$ 750,088</u>	<u>\$ 764,377</u>

Tucker-Maxon Oral School (an Oregon not-for-profit organization)

Combined Statement of Activities

June 30, 2013

With Summarized Financial Information as of June 30, 2012

(See Accompanying Notes)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	(comparative) (only) Combined
Revenue, Gains & Other Support					
Program revenues	\$ 866,815			\$ 866,815	\$ 763,518
Donations	533,215	179,720		712,935	959,575
Event revenue	96,054			96,054	99,945
Investment income/(loss)	11			11	(6,826)
	<u>1,496,095</u>	<u>179,720</u>	<u>-</u>	<u>1,675,815</u>	<u>1,816,212</u>
Net assets released from restrictions	166,368	(166,368)		-	-
Operating Expenses					
Program expenses	1,391,611			1,391,611	1,478,552
General and administrative expenses	124,334			124,334	156,268
Development	166,442			166,442	225,053
	<u>1,682,387</u>	<u>-</u>	<u>-</u>	<u>1,682,387</u>	<u>1,859,873</u>
Change in Net Assets	(19,924)	13,352	-	(6,572)	(43,661)
Net Assets, Beginning	471,822	120,522	7,500	599,844	643,505
Net Assets, Ending	\$ 451,898	\$ 133,874	\$ 7,500	\$ 593,272	\$ 599,844

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

Combined Statement of Operating Expenses

June 30, 2013

With Summarized Financial Information as of June 30, 2012

(See Accompanying Notes)

	2013				2012
	Program expense	General & admin	Development	Combined	(comparative) (only) Combined
Salaries and wages - staff	\$ 821,717	\$ 68,997	\$ 62,514	\$ 953,228	\$ 955,719
Facility wages and salary	10,098	852	1,217	12,167	13,101
Employee benefits	83,403	7,003	6,345	96,751	123,809
Payroll taxes	70,204	5,899	5,345	81,448	89,436
Captioners	-	-	-	-	39,621
Professional fees	-	9,771	-	9,771	8,408
Supplies	13,515	2,999	2,478	18,992	18,570
Depreciation	46,566	4,162	5,569	56,297	55,627
Special events	-	-	23,869	23,869	53,545
General administration	2,204	12,690	271	15,165	14,449
Outside services	4,394	2,231	49,136	55,761	84,099
Janitorial services	14,210	1,270	1,700	17,180	16,480
Maintenance and supplies	34,961	3,125	4,181	42,267	50,387
Financial assistance	251,543	-	-	251,543	280,244
Utilities	22,159	1,981	2,650	26,790	30,308
Travel and mileage	1,880	58	165	2,103	3,550
Insurance	8,587	3,149	1,002	12,738	12,829
Library	3,198	147	-	3,345	3,103
Inservice	2,972	-	-	2,972	6,588
	<u>\$ 1,391,611</u>	<u>\$ 124,334</u>	<u>\$ 166,442</u>	<u>\$ 1,682,387</u>	<u>\$ 1,859,873</u>

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

Combined Statement of Cash Flows

June 30, 2013

With Summarized Financial Information as of June 30, 2012

(See Accompanying Notes)

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	(comparative) (only) Combined
Cash Flows Relating to Operating Activities:					
Increase (decrease) in net assets	\$ (19,924)	\$ 13,352	\$ -	\$ (6,572)	\$ (43,661)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation and amortization	56,297			56,297	55,627
(Increase) decrease in operating assets					
Accounts receivable, net	69,497			69,497	(30,069)
Items for resale	483			483	1,086
Prepaid expenses	(6,401)			(6,401)	6,750
Increase (decrease) in operating liabilities					
Accounts payable	(4,652)			(4,652)	(10,004)
Accrued payroll and payroll taxes	(14,519)			(14,519)	17,021
Prepaid tuition	4,423			4,423	11,557
Unpaid teacher contracts	7,031			7,031	4,800
Deferred revenue	-			-	(12,500)
Net cash provided by operating activities	92,235	13,352	-	105,587	607
Cash Flows Relating to Investing Activities:					
Purchase of property and equipment	(25,576)			(25,576)	(9,500)
Net decrease in investments	-	-	-	-	56,165
Net cash provided (used) by investing activities	(25,576)	-	-	(25,576)	46,665
Net increase in cash	66,659	13,352	-	80,011	47,272
Cash, Beginning	34,649	20,522	7,500	62,671	15,399
Cash, Ending	\$ 101,308	\$ 33,874	\$ 7,500	\$ 142,682	\$ 62,671
Supplemental Information					
Summary of non-cash transactions:					
Gifts in kind				\$ -	\$ 6,000

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tucker-Maxon Oral School (the School) is a not-for-profit organization incorporated in November, 1947 and located in Portland, Oregon. The School's primary purpose is to conduct and maintain a school in Portland, Oregon for the instruction and training of hearing-impaired children, using the best and most progressive auditory/oral methods available. Its programs include:

- An early intervention program for the families of deaf infants and toddlers
- A preschool for deaf and hearing children
- A kindergarten and elementary school for deaf and hearing children
- A mainstream program for deaf students in their neighborhood schools

Revenues are primarily from donations and tuition.

Income Taxes

The School is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. In addition, the School qualifies for the charitable contribution deduction under 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). Therefore, no provision for income taxes has been included on the financial statements.

Financial Statement Presentation

The School is required to report information regarding its financial statements and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the existence or absence of donor-imposed restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Management's Review

Subsequent events have been evaluated through March 31, 2014, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE – 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Revenue Recognition

Donations received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Temporarily restricted donations are reported as temporarily restricted support and are then released from restriction to unrestricted net assets upon expiration of the restriction.

Grants are recorded as revenue for the year the grant was awarded and earned and any grants received in advance are recorded as deferred revenue.

Tuition is recorded ratably as revenue over the school year. Tuition paid in advance of the start of the school year is recorded as prepaid tuition.

Pledges

Pledges, including unconditional promises to give, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Pledges are reported in the statement of activity as additions to unrestricted, temporarily restricted, or permanently restricted based on the donor's intent. The School currently has only one pledge which is recorded at cost using the expected realizable value assuming collection within one year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all unrestricted, highly liquid investments, with an initial maturity of three months or less to be cash equivalents.

Items for Resale

Items for resale consist of audiology-related supplies held for resale to students. They are valued at the lower of cost or market, based on the first-in, first-out method.

Accounts Receivable

Revenue and accounts receivable are recorded when earned. Bills are due upon receipt and considered past due after 30 days. Interest on past due bills is not charged. An allowance for bad debt account is used to estimate potential uncollectible accounts. The allowance account represents 100% of trade accounts receivable over 91 days, 50% of 61-90 day balances, and 25% of 31-60 day balances. Accounts are written off when all collection efforts have been made and the responsible party does not have the ability to pay. Accounts receivable are valued at their net realizable amount.

Tucker-Maxon Oral School, (an Oregon not-for-profit organization)

Notes to Financial Statements

June 30, 2013

NOTE – 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated to the School for operating activity is recorded at fair value on the date of receipt. Small equipment purchases with no significant determinable life are expensed currently.

Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method.

Useful lives for property and equipment is as follows:

Land and improvements	5-15 years
Building and improvements	5-40 years
Equipment	3-10 years
Software	5 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the School with school activities and various committee assignments that are not recorded in the financial statements. The Organization receives approximately 1,400 volunteer hours per year.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Schedule of Program Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Occupancy and depreciation costs for the fiscal year were \$155,272. These costs are allocated 81% to program costs, 9% to general and administrative costs and 10% to fundraising. Costs for the Executive Director, Media Coordinator and Office Assistant are expensed to general and administrative and fundraising based on time spent.

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

Notes to Financial Statements

June 30, 2013

NOTE – 2 INVESTMENTS

The investment accounts were closed during the fiscal year ending June 30, 2012 and funds were transferred to money market accounts and cash and are reported as cash and equivalents on the financial statements.

NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2013 consist of the following:

Tuition and related services	\$ 45,234
Allowance for bad debts	(3,561)
Pledge receivable	100,000
	<u>\$ 141,673</u>

Past-due receivables over 60 days included \$10,326 of tuition and \$100,000 of pledges. The pledge receivable is temporarily restricted for future scholarships.

NOTE – 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2013:

Land	\$ 20,558
Land improvements	18,628
Building and improvements	1,155,554
Equipment	274,930
Software	33,651
	<u>1,503,321</u>
Accumulated depreciation	<u>(1,046,604)</u>
	<u>\$ 456,717</u>

NOTE – 5 UNPAID TEACHER CONTRACTS

The school year runs from September through June. Teacher salaries are negotiated based on individual contracts for the school year. Payments of a majority of the salaries are made over a twelve month period beginning in September. There were two months remaining on the contract for the school year ended June, 2013.

Tucker-Maxon Oral School, (an Oregon not-for-profit organization)

Notes to Financial Statements

June 30, 2013

NOTE – 6 RETIREMENT PLAN

At the beginning of 2012 the School discontinued its voluntary contributions to an annuity on behalf of eligible employees to the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF). There were no employer contributions for the fiscal year ended June 30, 2013.

NOTE – 7 PERMANENTLY RESTRICTED NET ASSETS

Tucker Endowment Fund

Permanently restricted net assets of \$7,500 are held in perpetuity. Earnings in excess of the original \$7,500 principle donation can be used when available for general operations of the School. The spending policy coincides with the grantor requirements.

NOTE – 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Scholarships	\$ 100,000
Continuing Education	990
Playground and equipment	1,333
Roof	3,051
Hearing Screening	8,500
Wiring for Hearing Impaired	20,000
	<u>\$ 133,874</u>

Assets released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors were used for the following purposes:

Scholarships	\$ 33,750
Library	1,000
Deaf preschool and elementary	630
Early Intervention	4,500
Hearing speech	10,000
Hearing preschool and elementary	1,100
Haiti	138
Speech capital project	10,000
Building repair and improvements	5,000
Program development	100,250
	<u>\$ 166,368</u>

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

Notes to Financial Statements

June 30, 2013

NOTE – 9 DONATION INCOME

Tucker-Maxon is the beneficiary from five individual trusts, 1) the John H. Moffit Charitable Foundation, 2) the Helen P. Gunderson Trust, 3) Mertie Stevens Trust, 4) The Tucker Maxon Oral School Endowment Trust and 5) The Oregon Community Foundation. The income received annually from these trusts has no operating restriction for the use of the funds. The total amount received from these trusts, which is included in donation revenue, was \$91,984 for the year ended June 30, 2013.

NOTE – 10 CONCENTRATIONS

One donor contributed 46.0% of total donations for the fiscal year ended June 30, 2013.
One donor contributed 15.6% of total donations for the fiscal year ended June 30, 2013.

The School's assets include cash. From time to time during the year these financial instruments may subject the School to concentrations of risk if cash balances exceed amounts insured by the Federal Deposit Insurance Corporation.

Credit Risk – The pledge receivable of \$100,000 is from one individual.

NOTE – 11 OPERATING LEASE COMMITMENTS

The School has two operating leases for equipment expiring in 2013 and 2015. Lease expense for the 2013 fiscal year was \$16,131 and was categorized in the financial statements under Maintenance and Supplies. Following are the remaining payments on the leases:

June 30, 2014	\$ 15,913
2015	9,155

NOTE – 12 OPERATING DEFICIT PLAN

The Tucker Maxon Board of Directors, Management, and staff prepared an operating plan to take action to secure annual financial stability. They are working towards building future reserves while maintaining the School's instructional programs and quality of education for the training of hearing-impaired children and continue providing a rich learning environment for the students.

Implementation of the plan over the past couple years has resulted in significant improvements in meeting budgets, reducing expense commitments, and increasing cash flow and cash balances.

The Board of Directors and the staff are committed to the financial stability and continued success of the School.

SUPPLEMENTARY INFORMATION

Tucker-Maxon Oral School, *(an Oregon not-for-profit organization)*

Supplementary Information
 Schedule of Program Expenses
 June 30, 2013

With Summarized Financial Information as of June 30, 2012

(See Accountant's Report)

	2013				2012
	Speech & Audiology	Education Hearing Impaired	Education Typically Hearing	Program Expense	(comparative only) Program Expense
Salaries and wages - staff	\$ 112,839	\$ 381,111	\$ 327,767	\$ 821,717	\$ 801,376
Facility wages and salary	1,095	5,353	3,650	10,098	10,742
Employee benefits	11,473	38,663	33,267	83,403	105,352
Payroll taxes	10,130	33,112	26,962	70,204	75,776
Captioners	-	-	-	-	39,621
Supplies	4,303	3,564	5,648	13,515	12,335
Depreciation	5,211	24,541	16,814	46,566	45,542
General administration	461	1,122	621	2,204	2,945
Outside services	413	2,094	1,887	4,394	5,340
Janitorial services	1,590	7,489	5,131	14,210	13,514
Maintenance and supplies	3,912	18,425	12,624	34,961	41,317
Financial assistance	-	197,838	53,705	251,543	280,244
Utilities	2,480	11,678	8,001	22,159	24,853
Travel and mileage	72	1,800	8	1,880	3,394
Insurance	1,147	4,415	3,025	8,587	8,595
Library	-	1,244	1,954	3,198	3,028
Inservice	559	980	1,433	2,972	4,578
	<u>\$ 155,685</u>	<u>\$ 733,429</u>	<u>\$ 502,497</u>	<u>\$ 1,391,611</u>	<u>\$ 1,478,552</u>