TUCKER MAXON

Where Every Child Has a Voice

(a not-for-profit organization)

Annual Financial Statements And Supplementary Information

Year Ended June 30, 2014

With summarized financial information as of June 30, 2013

Prepared by:

LaukaAssociates | CERTIFIED PUBLIC ACCOUNTANTS

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

Table of Contents

LaukaAssociates | CERTIFIED PUBLIC ACCOUNTANTS
3511 SE Milwaukie Avenue, Portland Oregon 97202 Ph: 503.233.2177 Fx: 503.233.2184

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tucker-Maxon Oral School (a not-for-profit organization), which comprise the combined statement of financial position as of June 30, 2014, and the related combined statements of activities, operating expenses, and cash flows for the year then ended, and the related notes to the 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, 2014, 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.

Report on Summarized Comparative Information

We have previously audited Tucker-Maxon Oral School's June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in al material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of program expenses 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of program expenses is fairly stated in all material respects in relation to the financial statements as a whole.

Portland, Oregon
December 12, 2014

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

Combined Statement of Financial Position

June 30, 2014

With Summarized Financial Information as of June 30, 2013

(See accompanying notes to the financial statements)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	(comparative only) Combined
Assets					
Cash and equivalents	$ 117,464	$ 4,884	$ 7,500	$ 129,848	$ 142,682
Investments	16,595			16,595	-
Receivables, net	17,770	100,000		117,770	141,673
Items for resale	564			564	853
Prepaid expenses	10,059			10,059	8,163
	162,452	104,884	7,500	274,836	293,371
Property and Equipment					
Net of accumulated depreciation	456,754			456,754	456,717
Total Assets	$ 619,206	$ 104,884	$ 7,500	$ 731,590	$ 750,088
Liabilities					
Accounts payable	$ 14,593			$ 14,593	$ 30,538
Prepaid tuition	20,816			20,816	26,350
Accrued payroll liabilities	3,738			3,738	3,000
Unpaid teacher contracts	89,145			89,145	96,928
Total Liabilities	128,292	-	-	128,292	156,816
Net Assets					
Unrestricted	490,914			490,914	451,898
Temporarily restricted		104,884		104,884	133,874
Permanently restricted			7,500	7,500	7,500
Total Net Assets	490,914	104,884	7,500	603,298	593,272
Total Liabilities and Net Assets	$ 619,206	$ 104,884	$ 7,500	$ 731,590	$ 750,088

Tucker-Maxon Oral School *(a not-for-profit organization)*

Combined Statement of Activities
For the Year Ended June 30, 2014
With Summarized Financial Information as of June 30, 2013

(See accompanying notes to the financial statements)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	(comparative only) Combined
Revenue, Gains & Other Support					
Program revenues	$ 925,820			$ 925,820	$ 866,815
Donations	330,798	294,650		625,448	712,935
Event revenue	124,128	34,270		158,398	96,054
Investment income	2,141			2,141	11
	1,382,887	328,920	-	1,711,807	1,675,815
Net assets released from restrictions	357,910	(357,910)		-	-
Operating Expenses					
Program expenses	1,379,129			1,379,129	1,391,611
General and administrative expenses	128,225			128,225	124,334
Development	194,427			194,427	166,442
	1,701,781	-	-	1,701,781	1,682,387
Change in Net Assets	39,016	(28,990)	-	10,026	(6,572)
Net Assets, Beginning	451,898	133,874	7,500	593,272	599,844
Net Assets, Ending	$ 490,914	$ 104,884	$ 7,500	$ 603,298	$ 593,272

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

Combined Statement of Operating Expenses

For the Year Ended June 30, 2014

With Summarized Financial Information as of June 30, 2013

(See accompanying notes to the financial statements)

	2014				2013
	Program expense	General & admin	Development	Combined	(comparative only) Combined
Salaries and wages - staff	$ 788,452	$ 65,308	$ 87,208	$ 940,968	$ 953,228
Facility wages and salary	7,520	866	1,313	9,699	12,167
Employee benefits	99,595	7,275	9,765	116,635	96,751
Payroll taxes	73,617	5,200	7,032	85,849	81,448
Professional fees	-	9,827	-	9,827	9,771
Supplies	10,909	-	1,334	12,243	18,992
Depreciation	37,178	4,280	6,489	47,947	56,297
Special events	-	-	29,201	29,201	23,869
General administration	2,606	11,433	210	14,249	15,165
Outside services	658	11,088	36,311	48,057	55,761
Janitorial services	13,438	1,547	2,345	17,330	17,180
Maintenance and supplies	38,359	4,415	6,695	49,469	42,267
Financial assistance	265,194	-	-	265,194	251,543
Utilities	23,678	2,726	4,133	30,537	26,790
Travel and mileage	1,617	734	684	3,035	2,103
Insurance	9,981	3,526	1,707	15,214	12,738
Library	4,121	-	-	4,121	3,345
Inservice	2,206	-	-	2,206	2,972
	$ 1,379,129	$ 128,225	$ 194,427	$ 1,701,781	$ 1,682,387

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

Combined Statement of Cash Flows
For the Year Ended June 30, 2014
With Summarized Financial Information as of June 30, 2013

(See accompanying notes to the financial statements)

	2014				2013 (comparative only)
	Unrestricted	Temporarily Restricted	Permanently Restricted	Combined	Combined
Cash Flows Relating to Operating Activities:					
Increase (decrease) in net assets	$ 39,016	$ (28,990)	$ -	$ 10,026	$ (6,572)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:					
Depreciation and amortization	47,947			47,947	56,297
(Increase) decrease in operating assets					
Accounts receivable, net	23,903			23,903	69,497
Items for resale	289			289	483
Prepaid expenses	(1,896)			(1,896)	(6,401)
Increase (decrease) in operating liabilities					
Accounts payable	(15,945)			(15,945)	(4,652)
Accrued payroll and payroll taxes	738			738	(14,519)
Prepaid tuition	(5,534)			(5,534)	4,423
Unpaid teacher contracts	(7,783)			(7,783)	7,031
Net cash provided (used) by operating activities	80,735	(28,990)	-	51,745	105,587
Cash Flows Relating to Investing Activities:					
Purchase of property and equipment	(47,984)			(47,984)	(25,576)
Net increase in investments	(16,595)	-	-	(16,595)	-
Net cash used by investing activities	(64,579)	-	-	(64,579)	(25,576)
Net increase (decrease) in cash	16,156	(28,990)	-	(12,834)	80,011
Cash, Beginning	101,308	33,874	7,500	142,682	62,671
Cash , Ending	$ 117,464	$ 4,884	$ 7,500	$ 129,848	$ 142,682

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 children who are deaf and hard of hearing, using the best and most progressive listening and spoken language 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
- Onsite audiology and speech-language pathology
- Art, music, PE, cultural studies, garden

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. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability or (asset) if uncertain positions have been taken that more likely than not would not be sustained upon examination by taxing authorities. Management believes Form 990 *Return of Organization Exempt from Income Tax* is not subject to income tax examination by the Internal Revenue Service for years prior to 2010.

Financial Statement Presentation

The School is required to report information regarding its financial statements and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted 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, 2013, from which the summarized information was derived.

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

Management's Review

Subsequent events have been evaluated through December 12, 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.

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; 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.

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

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 deemed uncollectible 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.

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 $160,498. 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.

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

Investments and Investment Income

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values (as determined by the investment institution) in the statement of financial position. Investments are valued using level 1 inputs because they are valued using quoted market prices on an actively traded market. Unrealized gains and losses are recognized as gains and losses in the period the value changes.

Investments and Investment Income, continued

Investment income on unrestricted investments is reported as unrestricted income. Unrealized losses which reduce the original permanently or temporarily restricted contributions are recorded as permanently or temporarily restricted until the value of the original contribution is restored. All investment income or loss is recorded as unrestricted.

NOTE – 2 INVESTMENTS

Investments whose carrying amount represents fair market value at June 30, 2014 consist mutual funds at $16,595

Investment income for the fiscal year ended June 30, 2014 was $2,141. Net investment proceeds for the year includes unrealized gains of $2,085 and interest of $56.

Fair Value Measurement

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, while Level 3 inputs have the lowest priority. The school uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the School measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or level 3 inputs were used.

Level 1 Fair Value Measurements

The fair value of stocks and mutual funds is based on quoted net asset values of the shares held for investment. They are based on the closing price reported on the active market where the individual securities are traded.

NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2014 consist of the following:

Tuition and related services	$ 18,159
Allowance for bad debts	(389)
Pledge receivable	100,000
	$ 117,770

Past-due receivables over 60 days included $764 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, 2014:

Land	$ 20,558
Land improvements	18,628
Building and improvements	1,187,705
Equipment	290,355
Software	33,651
	1,550,897
Accumulated depreciation	(1,094,143)
	$ 456,754

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, 2014.

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, 2014.

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
Playground and equipment	1,333
Roof	3,051
Administrative	500
	$ 104,884

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

Scholarships	$ 42,270
Deaf preschool and elementary	138,250
Early Intervention	33,000
Hearing speech	50,000
Hearing screening	17,500
Audiology	50,000
Building repair and improvements	20,500
Program development	6,390
	$ 357,910

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, and 4) The Tucker Maxon Oral School Endowment Trust. 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 $125,496 for the year ended June 30, 2014.

NOTE – 10 CONCENTRATIONS

One donor contributed 26% of total donations and event revenues for the fiscal year ended June 30, 2014.

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 an operating lease for equipment expiring in 2015. Lease expense for the 2014 fiscal year was $15,913 and was categorized in the financial statements under Maintenance and Supplies. Following are the remaining payments on the leases:

June 30, 2015	$ 9,155

SUPPLEMENTARY INFORMATION

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

Supplementary Information
Schedule of Program Expenses
For the Year Ended June 30, 2014
With Summarized Financial Information as of June 30, 2013

(See auditors' report)

	2014				2013
	Speech & Audiology Hearing Impaired	Education Hearing Impaired	Education Typically Hearing	Program Expense	(comparative only) Program Expense
Salaries and wages - staff	$ 93,431	$ 373,556	$ 321,465	$ 788,452	$ 821,717
Facility wages and salary	920	3,536	3,064	7,520	10,098
Employee benefits	12,821	46,818	39,956	99,595	83,403
Payroll taxes	9,456	34,753	29,408	73,617	70,204
Supplies	4,091	2,242	4,576	10,909	13,515
Depreciation	4,550	17,482	15,146	37,178	46,566
General administration	-	259	2,359	2,606	2,204
Outside services	-	360	298	658	4,394
Janitorial services	1,645	6,319	5,474	13,438	14,210
Maintenance and supplies	4,695	18,037	15,627	38,359	34,961
Financial assistance	-	209,578	55,616	265,194	251,543
Utilities	2,898	11,134	9,646	23,678	22,159
Travel and mileage	-	1,617	-	1,617	1,880
Insurance	1,394	4,601	3,986	9,981	8,587
Library	-	2,281	1,840	4,121	3,198
Inservice	444	800	962	2,206	2,972
	$ 136,345	$ 733,373	$ 509,423	$ 1,379,129	$ 1,391,611