



(a not-for-profit organization)

Annual Financial Statements
and Supplementary Information

Year Ended June 30, 2015

With summarized financial information as of June 30, 2014

Prepared by:

Lauka Associates | CERTIFIED PUBLIC ACCOUNTANTS

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tucker Maxon School
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Tucker Maxon School (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2015, and the related 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 School as of June 30, 2015, 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 School's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all 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
September 21, 2015

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

Statement of Financial Position

June 30, 2015

With Summarized Financial Information as of June 30, 2014

(See accompanying notes to the financial statements.)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(comparative only) Total
Assets					
Cash and equivalents	\$ 323,356	\$ 64,699	\$ 7,500	\$ 395,555	\$ 129,848
Investments	20,989			20,989	16,595
Receivables, net	2,215	100,000		102,215	117,770
Items for resale	666			666	564
Prepaid expenses	9,056			9,056	10,059
	<u>356,282</u>	<u>164,699</u>	<u>7,500</u>	<u>528,481</u>	<u>274,836</u>
Property and Equipment					
Net of accumulated depreciation	427,111			427,111	456,754
Total Assets	\$ 783,393	\$ 164,699	\$ 7,500	\$ 955,592	\$ 731,590
Liabilities					
Accounts payable	\$ 20,039			\$ 20,039	\$ 14,593
Prepaid tuition	74,675			74,675	20,816
Accrued payroll liabilities	6,838			6,838	3,738
Unpaid teacher contracts	102,297			102,297	89,145
Total Liabilities	203,849	-	-	203,849	128,292
Net Assets					
Unrestricted	579,544			579,544	490,914
Temporarily restricted		164,699		164,699	104,884
Permanently restricted			7,500	7,500	7,500
Total Net Assets	579,544	164,699	7,500	751,743	603,298
Total Liabilities and Net Assets	\$ 783,393	\$ 164,699	\$ 7,500	\$ 955,592	\$ 731,590

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

Statement of Activities

For the Year Ended June 30, 2015

With Summarized Financial Information as of June 30, 2014

(See accompanying notes to the financial statements.)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(comparative only) Total
Revenue, Gains & Other Support					
Program revenues	\$ 967,743			\$ 967,743	\$ 925,820
Donations	256,584	350,527		607,111	625,448
Event revenue	192,598			192,598	158,398
Event expenses	(27,852)			(27,852)	(29,201)
Investment income	4,564			4,564	2,141
	<u>1,393,637</u>	<u>350,527</u>	<u>-</u>	<u>1,744,164</u>	<u>1,682,606</u>
Net assets released from restrictions	290,712	(290,712)		-	-
Operating Expenses					
Program expenses	1,270,682			1,270,682	1,379,129
General and administrative expenses	166,137			166,137	128,225
Development	158,900			158,900	165,226
	<u>1,595,719</u>	<u>-</u>	<u>-</u>	<u>1,595,719</u>	<u>1,672,580</u>
Change in Net Assets	88,630	59,815	-	148,445	10,026
Net Assets, Beginning	<u>490,914</u>	<u>104,884</u>	<u>7,500</u>	<u>603,298</u>	<u>593,272</u>
Net Assets, Ending	\$ 579,544	\$ 164,699	\$ 7,500	\$ 751,743	\$ 603,298

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

Statement of Operating Expenses

For the Year Ended June 30, 2015

With Summarized Financial Information as of June 30, 2014

(See accompanying notes to the financial statements.)

	2015				2014
	Program expense	General & admin	Development	Total	(comparative only) Total
Salaries and wages	\$ 735,568	\$ 89,446	\$ 112,831	\$ 937,845	\$ 950,667
Employee benefits	94,905	10,465	13,201	118,571	116,635
Payroll taxes	56,350	5,814	7,309	69,473	85,849
Professional fees	-	9,606	-	9,606	9,827
Supplies	14,985	5,028	550	20,563	12,243
Depreciation	36,450	4,050	4,500	45,000	47,947
General administration	5,319	26,254	148	31,721	14,249
Outside services	11,134	4,887	8,443	24,464	48,057
Janitorial services	13,835	1,537	1,708	17,080	17,330
Maintenance and supplies	42,376	4,708	5,232	52,316	49,469
Financial assistance	212,320	-	-	212,320	265,194
Utilities	24,333	2,704	3,003	30,040	30,537
Travel and mileage	1,750	1	286	2,037	3,035
Insurance	12,624	1,403	1,559	15,586	15,214
Library	4,253	-	-	4,253	4,121
Inservice	4,480	234	130	4,844	2,206
	\$ 1,270,682	\$ 166,137	\$ 158,900	\$ 1,595,719	\$ 1,672,580

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

Statement of Cash Flows

For the Year Ended June 30, 2015

With Summarized Financial Information as of June 30, 2014

(See accompanying notes to the financial statements.)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(comparative only) Total
Cash Flows Relating to Operating Activities:					
Increase (decrease) in net assets	\$ 88,630	\$ 59,815	\$ -	\$ 148,445	\$ 10,026
Adjustments to reconcile increase in net assets to net cash provided by operating activities:					
Depreciation and amortization	45,000			45,000	47,947
(Increase) decrease in operating assets					
Accounts receivable, net	15,555			15,555	23,903
Items for resale	(102)			(102)	289
Prepaid expenses	1,003			1,003	(1,896)
Increase (decrease) in operating liabilities					
Accounts payable	5,446			5,446	(15,945)
Accrued payroll and payroll taxes	3,100			3,100	738
Prepaid tuition	53,859			53,859	(5,534)
Unpaid teacher contracts	13,152			13,152	(7,783)
Net cash provided by operating activities	225,643	59,815	-	285,458	51,745
Cash Flows Relating to Investing Activities:					
Purchase of property and equipment	(15,357)			(15,357)	(47,984)
Net increase in investments	(4,394)	-	-	(4,394)	(16,595)
Net cash used by investing activities	(19,751)	-	-	(19,751)	(64,579)
Net increase (decrease) in cash	205,892	59,815	-	265,707	(12,834)
Cash, Beginning	117,464	4,884	7,500	129,848	142,682
Cash , Ending	<u>\$ 323,356</u>	<u>\$ 64,699</u>	<u>\$ 7,500</u>	<u>\$ 395,555</u>	<u>\$ 129,848</u>

NOTE - 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tucker Maxon 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 deaf and hearing children 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.

Tucker Maxon School was formerly Tucker-Maxon Oral School.

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 Section 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 2011.

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, 2014, from which the summarized information was derived.

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

Management's Review

Subsequent events have been evaluated through September 21, 2015, 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.

The Schools follows FASB ASC 958 for recording grant income. Grants received as an exchange for services is recorded as revenue when the services are performed. Grants received for support of the School's programs are recorded as unrestricted contributions unless there is a time or purpose restriction then the contribution is recorded as temporarily or permanently restricted. Grant contributions are reported as released from restriction on the statement of activities when the restriction is satisfied. Restrictions received and satisfied in the same year are reported as temporarily restricted and released from restriction.

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. Tuition invoices are due upon receipt and considered past due after 30 days. Interest on past due invoices 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. At June 30, 2015, there is no accounts receivable meeting the criteria for creating an allowance for bad debt.

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.

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 \$160,022. These costs are allocated 81% to program costs, 9% to general and administrative costs, and 10% to fundraising. Costs for the Executive Director and Office Assistant are expensed to program, general and administrative, and fundraising based on time spent.

NOTE – 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 1,600 volunteer hours per year.

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. Unrealized gains and losses are recognized as gains and losses in the period the value changes. The School's investments are valued using level 1 inputs (see Note 2 below).

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

At June 30, 2015 the market value of investments consisted of the following

Investment	Fair Value	Cost	Unrealized Gain
Stocks	\$ 20,576	\$ 14,427	\$ 6,149
Cash equivalent	<u>413</u>	<u>413</u>	<u>-</u>
Total investments	<u>\$ 20,989</u>	<u>\$ 14,840</u>	<u>\$ 6,149</u>

Investment income for the fiscal year ended June 30, 2015 was \$4,564, including \$609 of unrealized gains and \$3,955 of dividends and interest income.

Fair Value Measurement

Fair value is defined as the price that the School would receive upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized below:

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including management's assumptions in determining the fair value of investments).

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

Notes to Financial Statements

June 30, 2015

NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2015 consist of the following:

Tuition and related services	\$ 2,215
Allowance for bad debts	-
Pledge receivable	100,000
	<u>\$ 102,215</u>

There were no significant receivables past-due over 60 days for tuition. The pledge receivable of \$100,000 is past-due but no allowance for uncollectible pledges has been recorded as management believes the pledge is collectible. The pledge receivable is temporarily restricted for future scholarships.

NOTE – 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015:

Land	\$ 20,558
Land improvements	19,428
Building and improvements	1,188,481
Equipment	304,137
Software	33,651
	<u>1,566,255</u>
Accumulated depreciation	<u>(1,139,144)</u>
	<u>\$ 427,111</u>

NOTE – 5 UNPAID TEACHER CONTRACTS

The school year runs from September through June. Teacher salaries are negotiated based on individual expressions of intent 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 for the school year ended June, 2015.

NOTE – 6 RETIREMENT PLAN

The School may make 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, 2015.

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

Notes to Financial Statements

June 30, 2015

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. As of June 2015 the funds were invested in cash.

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	2,146
Curriculum	10,000
Arts and music program	10,000
Audiology/FM Project	26,000
Exterior sign	15,220
	<u>\$ 164,699</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	\$ 87,500
Deaf preschool and elementary	118,448
Early Intervention	68,448
Speech and audiology	5,059
Audiology and equipment	9,000
Building repair and improvements	905
Program development	1,352
	<u>\$ 290,712</u>

NOTE – 9 DONATION INCOME

The School is the beneficiary from four 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 \$72,822 for the year ended June 30, 2015.

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

Notes to Financial Statements

June 30, 2015

NOTE – 10 CONCENTRATIONS

One donor contributed 10% of total donations and event revenues for the fiscal year ended June 30, 2015.

The School maintains its cash accounts at two banks. From time to time during the year the balances may subject the School to concentrations of risk if cash balances at any one bank exceed amounts insured by the Federal Deposit Insurance Corporation of \$250,000.

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 2019. Lease expense for the June 30, 2015 fiscal year end was \$15,324 and was categorized in the financial statements under Maintenance and Supplies. Following are the remaining payments on the lease for the years ending June 30:

2016	\$ 19,200
2017	19,200
2018	19,200
2019	19,200
Total remaining payments	<u><u>\$ 76,800</u></u>

SUPPLEMENTARY INFORMATION

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

Supplementary Information

Schedule of Program Expenses

For the Year Ended June 30, 2015

With Summarized Financial Information as of June 30, 2014

(See auditors' report)

	2015				2014
	Speech & Audiology Hearing Impaired	Education Hearing Impaired	Education Typically Hearing	Program Expense	(comparative only) Program Expense
Salaries and wages - staff	\$ 76,619	\$ 306,432	\$ 352,517	\$ 735,568	\$ 795,972
Employee benefits	10,218	40,023	44,664	94,905	99,595
Payroll taxes	6,212	25,634	24,504	56,350	73,617
Supplies	5,673	3,618	5,694	14,985	10,909
Depreciation	3,645	15,309	17,496	36,450	37,178
General administration	621	781	3,917	5,319	2,606
Outside services	583	6,005	4,546	11,134	658
Janitorial services	1,383	5,811	6,641	13,835	13,438
Maintenance and supplies	4,238	17,798	20,340	42,376	38,359
Financial assistance	-	140,983	71,337	212,320	265,194
Utilities	2,433	10,220	11,680	24,333	23,678
Travel and mileage	7	1,722	21	1,750	1,617
Insurance	1,263	5,301	6,060	12,624	9,981
Library	731	1,738	1,784	4,253	4,121
Inservice	124	2,970	1,386	4,480	2,206
	\$ 113,750	\$ 584,345	\$ 572,587	\$ 1,270,682	\$ 1,379,129