TUCKER MAXON

Where Every Child Has a Voice

*(a not-for-profit organization)*

Annual Financial Statements
and Supplementary Information

Year Ended June 30, 2016
*With summarized financial information as of June 30, 2015*

*Prepared by:*

**Lauka**McGuire & 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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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.

Lauha McGuire

Portland, Oregon
October 6, 2016

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

Statement of Financial Position
June 30, 2016
*With Summarized Financial Information as of June 30, 2015*

*(See accompanying notes to the financial statements.)*

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | | Temporarily | Permanently | | (comparative only) |
| | Unrestricted | Restricted | Restricted | Total | Total |
| **Assets** | | | | | |
| Cash and equivalents | $ 451,837 | $ 91,333 | $ 7,500 | $ 550,670 | $ 395,555 |
| Investments | 17,844 | | | 17,844 | 20,989 |
| Receivables, net | 21,913 | 100,000 | | 121,913 | 102,215 |
| Items for resale | 319 | | | 319 | 666 |
| Prepaid expenses | 64,928 | | | 64,928 | 9,056 |
| | 556,841 | 191,333 | 7,500 | 755,674 | 528,481 |
| **Property and Equipment** | | | | | |
| Net of accumulated depreciation | 467,193 | | | 467,193 | 427,111 |
| Total Assets | $ 1,024,034 | $ 191,333 | $ 7,500 | $ 1,222,867 | $ 955,592 |
| **Liabilities** | | | | | |
| Accounts payable | $ 15,437 | | | $ 15,437 | $ 20,039 |
| Prepaid tuition | 70,217 | | | 70,217 | 74,675 |
| Accrued payroll liabilities | 4,429 | | | 4,429 | 6,838 |
| Balance on teacher contracts | 83,285 | | | 83,285 | 102,297 |
| Total Liabilities | 173,368 | - | - | 173,368 | 203,849 |
| **Net Assets** | | | | | |
| Unrestricted | 850,666 | | | 850,666 | 579,544 |
| Temporarily restricted | | 191,333 | | 191,333 | 164,699 |
| Permanently restricted | | | 7,500 | 7,500 | 7,500 |
| Total Net Assets | 850,666 | 191,333 | 7,500 | 1,049,499 | 751,743 |
| Total Liabilities and Net Assets | $ 1,024,034 | $ 191,333 | $ 7,500 | $ 1,222,867 | $ 955,592 |

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

Statement of Activities
For the Year Ended June 30, 2016
*With Summarized Financial Information as of June 30, 2015*

*(See accompanying notes to the financial statements.)*

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | (comparative only) Total |
| **Revenue, Gains & Other Support** | | | | | |
| Program revenues | $ 1,047,854 | | | $ 1,047,854 | $ 967,743 |
| Donations | 574,726 | 90,000 | | 664,726 | 607,111 |
| Other income | 42,624 | | | 42,624 | - |
| Event revenue | 178,334 | | | 178,334 | 192,598 |
| Event expenses | (34,046) | | | (34,046) | (27,852) |
| Investment income | (2,946) | | | (2,946) | 4,564 |
| | 1,806,546 | 90,000 | - | 1,896,546 | 1,744,164 |
| Net assets released from restrictions | 63,366 | (63,366) | | - | - |
| **Operating Expenses** | | | | | |
| Program expenses | 1,254,901 | | | 1,254,901 | 1,270,682 |
| General and administrative expenses | 160,410 | | | 160,410 | 166,137 |
| Development | 183,479 | | | 183,479 | 158,900 |
| | 1,598,790 | - | - | 1,598,790 | 1,595,719 |
| Change in Net Assets | 271,122 | 26,634 | - | 297,756 | 148,445 |
| Net Assets, Beginning | 579,544 | 164,699 | 7,500 | 751,743 | 603,298 |
| Net Assets, Ending | $ 850,666 | $ 191,333 | $ 7,500 | $ 1,049,499 | $ 751,743 |

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

Statement of Operating Expenses

For the Year Ended June 30, 2016

*With Summarized Financial Information as of June 30, 2015*

*(See accompanying notes to the financial statements.)*

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Program expense | General & admin | Development | Total | (comparative only) Total |
| Salaries and wages | $ 767,174 | $ 100,450 | $ 139,840 | $ 1,007,464 | $ 937,847 |
| Employee benefits | 37,391 | 5,445 | 9,392 | 52,228 | 118,571 |
| Payroll taxes | 59,134 | 11,128 | 10,698 | 80,960 | 69,473 |
| Professional fees | - | 8,513 | - | 8,513 | 9,606 |
| Supplies | 31,576 | 5,935 | 204 | 37,715 | 20,563 |
| Depreciation | 38,414 | 4,269 | 4,742 | 47,425 | 45,000 |
| General administration | 4,171 | 9,352 | 665 | 14,188 | 31,721 |
| Outside services | 14,137 | 3,412 | 5,123 | 22,672 | 24,464 |
| Janitorial services | 14,199 | 1,578 | 1,753 | 17,530 | 17,080 |
| Maintenance and supplies | 44,482 | 4,942 | 5,492 | 54,916 | 52,316 |
| Financial assistance | 195,135 | - | - | 195,135 | 212,320 |
| Utilities | 27,710 | 3,079 | 3,421 | 34,210 | 30,040 |
| Travel and mileage | 4,090 | 337 | 159 | 4,586 | 2,037 |
| Insurance | 11,009 | 1,223 | 1,359 | 13,591 | 15,586 |
| Library | 3,989 | - | - | 3,989 | 4,253 |
| Inservice | 2,290 | 747 | 631 | 3,668 | 4,844 |
| | $ 1,254,901 | $ 160,410 | $ 183,479 | $ 1,598,790 | $ 1,595,719 |

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

Statement of Cash Flows
For the Year Ended June 30, 2016
*With Summarized Financial Information as of June 30, 2015*

*(See accompanying notes to the financial statements.)*

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | (comparative only) Total |
| Cash Flows Relating to Operating Activities: | | | | | |
| Increase (decrease) in net assets | $ 271,122 | $ 26,634 | $ - | $ 297,756 | $ 148,445 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | | | | | |
| Depreciation and amortization | 47,425 | | | 47,425 | 45,000 |
| (Increase) decrease in operating assets | | | | | |
| Accounts receivable, net | (19,698) | | | (19,698) | 15,555 |
| Items for resale | 347 | | | 347 | (102) |
| Prepaid expenses | (55,872) | | | (55,872) | 1,003 |
| Increase (decrease) in operating liabilities | | | | | |
| Accounts payable | (4,602) | | | (4,602) | 5,446 |
| Accrued payroll and payroll taxes | (2,409) | | | (2,409) | 3,100 |
| Prepaid tuition | (4,458) | | | (4,458) | 53,859 |
| Balance on teacher contracts | (19,012) | | | (19,012) | 13,152 |
| Net cash provided by operating activities | 212,842 | 26,634 | - | 239,476 | 285,458 |
| Cash Flows Relating to Investing Activities: | | | | | |
| Purchase of property and equipment | (87,507) | | | (87,507) | (15,357) |
| Net increase in investments | 3,145 | - | - | 3,145 | (4,394) |
| Net cash used by investing activities | (84,362) | - | - | (84,362) | (19,751) |
| Net increase (decrease) in cash | 128,481 | 26,634 | - | 155,115 | 265,707 |
| Cash, Beginning | 323,356 | 64,699 | 7,500 | 395,555 | 129,848 |
| Cash , Ending | $ 451,837 | $ 91,333 | $ 7,500 | $ 550,670 | $ 395,555 |

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 2012.

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, 2015, from which the summarized information was derived.

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

### Management's Review

Subsequent events have been evaluated through October 6, 2016, 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 unrestricted net income.

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, 2016, there are 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 under $500 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. 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 School receives approximately 3,000 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, 2016 the market value of investments consisted of the following

| Investment | Fair Value | Cost | Unrealized Gain |
|---|---|---|---|
| Stocks | $ 17,247 | $ 14,427 | $ 2,820 |
| Cash equivalent | 597 | 597 | - |
| Total investments | $ 17,844 | $ 15,024 | $ 2,820 |

Investment income for the fiscal year ended June 30, 2016 was $(2,946), including $(3,145) of unrealized gains and $199 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.

## NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2016 consist of the following:

| | |
|---|---|
| Tuition and related services | $ 21,913 |
| Allowance for bad debts | - |
| Pledge receivable | 100,000 |
| | $ 121,913 |

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 financial aid.

## NOTE – 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2016:

| | |
|---|---|
| Land | $ 20,558 |
| Land improvements | 34,658 |
| Building and improvements | 1,224,175 |
| Equipment | 277,165 |
| Software | 40,868 |
| | 1,597,423 |
| Accumulated depreciation | (1,130,230) |
| | $ 467,193 |

## NOTE – 5 BALANCE ON 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, 2016.

## 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, 2016.

## 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 2016 the funds were invested in cash.

## NOTE – 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | |
|---|---|
| Financial aid | $ 100,000 |
| Playground and equipment | 1,333 |
| General operations for the 2016/2017 fiscal year | 75,000 |
| Art Camp | 15,000 |
| | $ 191,333 |

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

| | |
|---|---|
| Roof | $ 2,146 |
| Curriculum | 10,000 |
| Art and Music | 10,000 |
| Audiology | 26,000 |
| Sign | 15,220 |
| | $ 63,366 |

## 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 $102,828 for the year ended June 30, 2016.

## NOTE – 10 CONCENTRATIONS

Two donors contributed 13% of total revenues for the fiscal year ended June 30, 2016.

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. As of June 30, 2016 about $42K was uninsured.

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

## NOTE – 11 OPERATING LEASE COMMITMENTS

The School has an operating lease for equipment expiring in 2019. Lease expense for the June 30, 2016 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:

| | |
|---|---|
| 2017 | $ 19,200 |
| 2018 | 19,200 |
| 2019 | 19,200 |
| Total remaining payments | $ 57,600 |

SUPPLEMENTARY INFORMATION

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

Supplementary Information

Schedule of Program Expenses

For the Year Ended June 30, 2016

*With Summarized Financial Information as of June 30, 2015*

*(See auditors' report)*

| | 2016 | | | | 2015 |
|---|---|---|---|---|---|
| | Speech & Audiology Hearing Impaired | Education Hearing Impaired | Education Typically Hearing | Total Program Expense | (comparative only) Program Expense |
| Salaries and wages | $ 96,075 | $ 353,867 | $ 317,232 | $ 767,174 | $ 735,568 |
| Employee benefits | 4,852 | 15,999 | 16,540 | 37,391 | 94,905 |
| Payroll taxes | 7,319 | 27,577 | 24,238 | 59,134 | 56,350 |
| Supplies | 16,086 | 8,337 | 7,153 | 31,576 | 14,985 |
| Depreciation | 3,841 | 16,134 | 18,439 | 38,414 | 36,450 |
| General administration | 200 | 2,347 | 1,624 | 4,171 | 5,319 |
| Outside services | 995 | 8,904 | 4,238 | 14,137 | 11,134 |
| Janitorial services | 1,420 | 5,963 | 6,816 | 14,199 | 13,835 |
| Maintenance and supplies | 4,448 | 18,683 | 21,351 | 44,482 | 42,376 |
| Financial assistance | - | 133,935 | 61,200 | 195,135 | 212,320 |
| Utilities | 2,771 | 11,638 | 13,301 | 27,710 | 24,333 |
| Travel and mileage | - | 4,060 | 30 | 4,090 | 1,750 |
| Insurance | 1,101 | 4,624 | 5,284 | 11,009 | 12,624 |
| Library | 1,091 | 1,811 | 1,087 | 3,989 | 4,253 |
| Inservice | 324 | 1,171 | 795 | 2,290 | 4,480 |
| | $ 140,523 | $ 615,050 | $ 499,328 | $ 1,254,901 | $ 1,270,682 |