



*(a not-for-profit organization)*

Annual Financial Statements  
and Supplementary Information

Year Ended June 30, 2018

*With summarized financial information as of June 30, 2017*

*Prepared by:*

***Lauka McGuire, PC*** | 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

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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Portland, Oregon  
September 30, 2018

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

## Statement of Financial Position

June 30, 2018

With Summarized Financial Information as of June 30, 2017

(See accompanying notes to the financial statements.)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	(comparative only) Total
<b>Assets</b>					
Cash and equivalents	\$ 249,188	\$ 10,447	\$ 7,500	\$ 267,135	\$ 587,553
Investments	519,645			519,645	187,657
Receivables, net	41,117	100,000		141,117	124,936
Items for resale	1,568			1,568	1,798
Prepaid expenses	68,697			68,697	41,833
	880,215	110,447	7,500	998,162	943,777
<b>Property and Equipment</b>					
Net of accumulated depreciation	565,685			565,685	438,748
<b>Total Assets</b>	<b>\$ 1,445,900</b>	<b>\$ 110,447</b>	<b>\$ 7,500</b>	<b>\$ 1,563,847</b>	<b>\$ 1,382,525</b>
<b>Liabilities</b>					
Accounts payable	\$ 14,245			\$ 14,245	\$ 24,121
Prepaid tuition	108,897			108,897	83,036
Accrued payroll liabilities	683			683	7,002
Balance on teacher contracts	95,224			95,224	87,344
<b>Total Liabilities</b>	219,049	-	-	219,049	201,503
<b>Net Assets</b>					
Unrestricted	1,226,851			1,226,851	1,024,516
Temporarily restricted		110,447		110,447	149,006
Permanently restricted			7,500	7,500	7,500
<b>Total Net Assets</b>	1,226,851	110,447	7,500	1,344,798	1,181,022
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,445,900</b>	<b>\$ 110,447</b>	<b>\$ 7,500</b>	<b>\$ 1,563,847</b>	<b>\$ 1,382,525</b>

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

## Statement of Activities

For the Year Ended June 30, 2018

With Summarized Financial Information as of June 30, 2017

(See accompanying notes to the financial statements.)

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total (comparative only)
<b>Revenue, Gains &amp; Other Support</b>				
Program revenues	\$ 1,165,238			\$ 1,149,393
Donations	715,905	2,000		589,617
Event revenue	195,026			213,933
Event expenses	(33,446)			(37,505)
Investment income	23,992			16,184
	2,066,715	2,000	-	1,931,622
Net assets released from restrictions	40,559	(40,559)		-
<b>Operating Expenses</b>				
Program expenses	1,522,612			1,431,966
General and administrative expenses	165,942			158,889
Development	216,385			209,244
	1,904,939	-	-	1,800,099
<b>Change in Net Assets</b>	<b>202,335</b>	<b>(38,559)</b>	<b>-</b>	<b>131,523</b>
Net Assets, Beginning	1,024,516	149,006	7,500	1,049,499
<b>Net Assets, Ending</b>	<b>\$ 1,226,851</b>	<b>\$ 110,447</b>	<b>\$ 7,500</b>	<b>\$ 1,181,022</b>

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

## Statement of Operating Expenses

For the Year Ended June 30, 2018

With Summarized Financial Information as of June 30, 2017

(See accompanying notes to the financial statements.)

	2018				2017
	Program expense	General & admin	Development	Total	(comparative only) Total
Salaries and wages	\$ 870,630	\$ 107,809	\$ 155,517	\$ 1,133,956	\$ 1,060,976
Employee benefits	84,080	4,989	15,077	104,146	100,504
Payroll taxes	71,210	8,911	12,852	92,973	84,543
Professional fees	-	8,000	-	8,000	7,700
Supplies	54,775	4,912	218	59,905	46,853
Depreciation	44,242	4,916	5,462	54,620	52,387
General administration	7,645	10,477	95	18,217	13,795
Outside services	42,276	3,735	12,890	58,901	56,977
Janitorial services	13,511	1,501	1,668	16,680	16,780
Maintenance and supplies	47,234	5,248	5,832	58,314	54,201
Financial assistance	230,353	-	-	230,353	243,741
Utilities	31,407	3,490	3,877	38,774	35,514
Travel and mileage	6,228	-	114	6,342	4,079
Insurance	11,835	1,315	1,461	14,611	13,839
Library	2,301	-	-	2,301	1,827
Inservice	4,885	639	1,322	6,846	6,383
	<b>\$ 1,522,612</b>	<b>\$ 165,942</b>	<b>\$ 216,385</b>	<b>\$ 1,904,939</b>	<b>\$ 1,800,099</b>

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

## Statement of Cash Flows

For the Year Ended June 30, 2018

With Summarized Financial Information as of June 30, 2017

(See accompanying notes to the financial statements.)

	2018			2017
	Unrestricted	Temporarily Restricted	Permanently Restricted	(comparative only) Total
<b>Cash Flows Relating to Operating Activities:</b>				
<b>Increase (decrease) in net assets</b>	\$ 202,335	\$ (38,559)	\$ -	\$ 163,776
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	54,620			54,620
(Increase) decrease in operating assets				
Accounts receivable, net	(16,181)			(16,181)
Items for resale	230			230
Prepaid expenses	(26,864)			(26,864)
Increase (decrease) in operating liabilities				
Accounts payable	(9,876)			(9,876)
Accrued payroll and payroll taxes	(6,319)			(6,319)
Prepaid tuition	25,861			25,861
Balance on teacher contracts	7,880			7,880
<b>Net cash provided (used) by operating activities</b>	<b>231,686</b>	<b>(38,559)</b>	<b>-</b>	<b>193,127</b>
<b>Cash Flows Relating to Investing Activities:</b>				
Purchase of property and equipment	(181,557)			(181,557)
Purchase of CDs	(200,000)			(200,000)
Reinvestments of investment income	(131,988)	-	-	(131,988)
<b>Net cash used by investing activities</b>	<b>(513,545)</b>	<b>-</b>	<b>-</b>	<b>(193,755)</b>
<b>Net increase (decrease) in cash</b>	<b>(281,859)</b>	<b>(38,559)</b>	<b>-</b>	<b>(320,418)</b>
<b>Cash, Beginning</b>	<b>531,047</b>	<b>49,006</b>	<b>7,500</b>	<b>587,553</b>
<b>Cash, Ending</b>	<b>\$ 249,188</b>	<b>\$ 10,447</b>	<b>\$ 7,500</b>	<b>\$ 267,135</b>
				<b>\$ 587,553</b>



## 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 teaching 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 all children
- A kindergarten and elementary school for all children
- Onsite audiology and speech-language pathology
- Academic focus on science, technology, engineering, and math (STEM), social studies, literacy, and communication
- Art, music, PE, cultural studies, garden, and before and after school care

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 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 2014.

### 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, 2017, 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 30, 2018, 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 are 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 management's estimate on an individual by individual basis. 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, 2018, the allowance for doubtful accounts was \$1,000.

**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 \$1500 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 Manager 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 2,100 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, 2018, the market value of investments consisted of the following

<b>Investment</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Unrealized Gain(loss)</b>
Stock Index Funds	\$ 173,338	\$ 147,181	\$ 26,157
Bond Index Funds	30,561	31,150	(589)
Certificates of deposit	302,675	302,675	-
Cash equivalent	<u>13,071</u>	<u>13,071</u>	-
Total investments	<b><u>\$ 519,645</u></b>	<b><u>\$ 494,077</u></b>	<b><u>\$ 25,568</u></b>

Investment income for the fiscal year ended June 30, 2018 was \$23,992, including \$17,154 of unrealized gains, \$0 of realized gains, and \$6,838 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, 2018

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## NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2018 consist of the following:

Tuition and related services	\$ 42,117
Allowance for bad debts	(1,000)
Pledge receivable	100,000
	<u>\$ 141,117</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 financial aid.

## NOTE – 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2018:

Land	\$ 20,558
Land improvements	34,658
Building and improvements	1,344,378
Equipment	311,604
Software	64,127
	<u>1,775,325</u>
Accumulated depreciation	<u>(1,209,639)</u>
	<u>\$ 565,685</u>

## 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, 2018.

## 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). There was \$34,198 of retirement contributions made on behalf of employees for the fiscal year ended June 30, 2018.

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

Notes to Financial Statements  
June 30, 2018

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## 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 2018 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	5,427
Sound equipment	2,000
Speech Language Pathologist	3,020
	<u>\$ 110,447</u>

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

Playground equipment	\$ 20,906
Speech Language Pathologist	11,480
Curriculum	2,173
Language Environment Analysis (LENA)	6,000
	<u>\$ 40,559</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 \$93,834 for the year ended June 30, 2018.

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

Notes to Financial Statements  
June 30, 2018

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## **NOTE – 10    CONCENTRATIONS**

One donor contributed 5.8% of total revenues for the fiscal year ended June 30, 2018.

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, 2018 there were no uninsured amounts.

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, 2018 fiscal year end was \$19,816 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:

2019	\$ 19,200
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## SUPPLEMENTARY INFORMATION



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

Supplementary Information

Schedule of Program Expenses

For the Year Ended June 30, 2018

With Summarized Financial Information as of June 30, 2017

(See auditors' report)

	2018			2017	
	Speech & Audiology Hearing Impaired	Education Hearing Impaired	Education Typically Hearing	Total Program Expense	(comparative only) Program Expense
Salaries and wages	\$ 109,989	\$ 411,241	\$ 349,400	\$ 870,630	\$ 810,423
Employee benefits	10,652	38,185	35,243	84,080	75,669
Payroll taxes	8,967	33,584	28,659	71,210	64,499
Supplies	43,171	5,598	6,006	54,775	43,229
Depreciation	4,424	18,582	21,236	44,242	42,433
General administration	200	5,916	1,529	7,645	6,377
Outside services	10,998	17,230	14,048	42,276	37,831
Janitorial services	1,351	5,675	6,485	13,511	13,592
Maintenance and supplies	4,723	19,838	22,672	47,234	43,903
Financial assistance	-	178,108	52,245	230,353	243,741
Utilities	3,141	13,191	15,075	31,407	28,767
Travel and mileage	23	6,205	-	6,228	3,902
Insurance	1,183	4,971	5,681	11,835	11,210
Library	50	1,097	1,154	2,301	1,827
Inservice	1,133	2,522	1,230	4,885	4,563
	<b>\$ 200,006</b>	<b>\$ 761,942</b>	<b>\$ 560,664</b>	<b>\$ 1,522,612</b>	<b>\$ 1,431,966</b>