



*(a not-for-profit organization)*

Annual Financial Statements  
and Supplementary Information

Year Ended June 30, 2019

*With summarized financial information as of June 30, 2018*

*Prepared by:*

***Lauka McGuire, PC*** | CERTIFIED PUBLIC ACCOUNTANTS

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# *Lauka McGuire, PC*

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, and the related statements of activities, operating expenses, functional 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon  
October 17, 2019

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

## Statement of Financial Position

June 30, 2019

*With Summarized Financial Information as of June 30, 2018*

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

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
<b>Assets</b>				
Cash and equivalents	\$ 319,344	\$ 35,925	\$ 355,269	\$ 267,135
Investments	701,345		701,345	519,645
Receivables, net	78,981	100,000	178,981	141,117
TMS OCF Endowment	-	26,243	26,243	-
Items for resale	299		299	1,568
Prepaid expenses	68,715		68,715	68,697
	1,168,684	162,168	1,330,852	998,162
<b>Property and Equipment</b>				
Net of accumulated depreciation	540,048		540,048	565,685
<b>Total Assets</b>	<b>\$ 1,708,732</b>	<b>\$ 162,168</b>	<b>\$ 1,870,900</b>	<b>\$ 1,563,847</b>
<b>Liabilities</b>				
Accounts payable	\$ 41,916		\$ 41,916	\$ 14,245
Prepaid tuition	124,864		124,864	108,897
Accrued payroll liabilities	17,598		17,598	683
Balance on teacher contracts	113,073		113,073	95,224
<b>Total Liabilities</b>	297,451	-	297,451	219,049
<b>Net Assets</b>				
Without donor restriction	1,411,281		1,411,281	1,226,851
With donor restriction		162,168	162,168	117,947
<b>Total Net Assets</b>	1,411,281	162,168	1,573,449	1,344,798
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,708,732</b>	<b>\$ 162,168</b>	<b>\$ 1,870,900</b>	<b>\$ 1,563,847</b>

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

## Statement of Activities

For the Year Ended June 30, 2019

*With Summarized Financial Information as of June 30, 2018*

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

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
<b>Revenue, Gains &amp; Other Support</b>				
Program revenues	\$ 1,197,045		\$ 1,197,045	\$ 1,165,238
Donations	879,525	53,425	932,950	717,905
Event revenue	237,888		237,888	195,026
Event expenses	(36,624)		(36,624)	(33,446)
Investment income	28,310	1,243	29,553	23,992
	<u>2,306,144</u>	<u>54,668</u>	<u>2,360,812</u>	<u>2,068,715</u>
Net assets released from restrictions	10,447	(10,447)	-	-
<b>Operating Expenses</b>				
Program expenses	1,663,977		1,663,977	1,522,612
General and administrative expenses	194,232		194,232	165,942
Development	273,952		273,952	216,385
	<u>2,132,161</u>	<u>-</u>	<u>2,132,161</u>	<u>1,904,939</u>
<b>Change in Net Assets</b>	<b>184,430</b>	<b>44,221</b>	<b>228,651</b>	<b>163,776</b>
Net Assets, Beginning	<u>1,226,851</u>	<u>117,947</u>	<u>1,344,798</u>	<u>1,181,022</u>
<b>Net Assets, Ending</b>	<b>\$ 1,411,281</b>	<b>\$ 162,168</b>	<b>\$ 1,573,449</b>	<b>\$ 1,344,798</b>

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

## Statement of Operating Expenses

For the Year Ended June 30, 2019

*With Summarized Financial Information as of June 30, 2018*

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

	2019				2018
	Program expense	General & admin	Development	Total	(comparative only) Total
Salaries and wages	\$ 1,006,892	\$ 131,459	\$ 202,757	\$ 1,341,108	\$ 1,133,956
Employee benefits	95,272	12,789	20,109	128,170	104,146
Payroll taxes	74,867	9,307	15,901	100,075	92,973
Professional fees	-	8,200	-	8,200	8,000
Supplies	67,082	4,757	550	72,389	59,905
Depreciation	51,022	5,669	6,299	62,990	54,620
General administration	8,620	5,932	563	15,115	18,217
Outside services	50,270	2,329	11,442	64,041	58,901
Janitorial services	14,609	1,623	1,804	18,036	16,680
Maintenance and supplies	61,721	6,858	7,620	76,199	58,314
Financial assistance	178,751	-	-	178,751	230,353
Utilities	27,917	3,102	3,447	34,466	38,774
Travel and mileage	5,195	65	211	5,471	6,342
Insurance	11,215	1,246	1,385	13,846	14,611
Library	1,331	-	-	1,331	2,301
Professional development	9,213	896	1,864	11,973	6,846
	<b>\$ 1,663,977</b>	<b>\$ 194,232</b>	<b>\$ 273,952</b>	<b>\$ 2,132,161</b>	<b>\$ 1,904,939</b>

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

## Statement of Functional Expenses

For the Year Ended June 30, 2019

*With Summarized Financial Information as of June 30, 2018*

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

	2019			2018	
	Speech & Audiology Hearing Impaired	Education Hearing Impaired	Education Typically Hearing	Total Program Expense	(comparative only) Program Expense
Salaries and wages	\$ 124,303	\$ 470,462	\$ 412,127	\$ 1,006,892	\$ 870,630
Employee benefits	12,498	42,142	40,632	95,272	84,080
Payroll taxes	9,144	35,406	30,317	74,867	71,210
Supplies	40,389	13,565	13,128	67,082	54,775
Depreciation	5,102	21,429	24,491	51,022	44,242
General administration	200	6,736	1,684	8,620	7,645
Outside services	7,126	25,146	17,998	50,270	42,276
Janitorial services	1,461	6,136	7,012	14,609	13,511
Maintenance and supplies	6,172	25,923	29,626	61,721	47,234
Financial assistance	-	146,065	32,686	178,751	230,353
Utilities	2,792	11,725	13,400	27,917	31,407
Travel and mileage	589	4,504	102	5,195	6,228
Insurance	1,122	4,710	5,383	11,215	11,835
Library	-	764	567	1,331	2,301
Professional development	1,799	4,565	2,849	9,213	4,885
	<b>\$ 212,697</b>	<b>\$ 819,278</b>	<b>\$ 632,002</b>	<b>\$ 1,663,977</b>	<b>\$ 1,522,612</b>



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

## Statement of Cash Flows

For the Year Ended June 30, 2019

*With Summarized Financial Information as of June 30, 2018*

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

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
<b>Cash Flows Relating to Operating Activities:</b>				
<b>Increase (decrease) in net assets</b>	<b>\$ 184,430</b>	<b>\$ 44,221</b>	<b>\$ 228,651</b>	<b>\$ 163,776</b>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	62,990		62,990	54,620
(Increase) decrease in operating assets				
Accounts receivable, net	(37,864)		(37,864)	(16,181)
Items for resale	1,269		1,269	230
Prepaid expenses	(18)		(18)	(26,864)
Increase (decrease) in operating liabilities				
Accounts payable	27,671		27,671	(9,876)
Accrued payroll and payroll taxes	16,915		16,915	(6,319)
Prepaid tuition	15,967		15,967	25,861
Balance on teacher contracts	17,849		17,849	7,880
<b>Net cash provided (used) by operating activities</b>	<b>289,209</b>	<b>44,221</b>	<b>333,430</b>	<b>193,127</b>
<b>Cash Flows Relating to Investing Activities:</b>				
Purchase of property and equipment	(37,353)		(37,353)	(181,557)
Purchase of investments	(127,830)	(25,000)	(152,830)	(200,000)
Reinvestments of investment income	(53,870)	(1,243)	(55,113)	(131,988)
<b>Net cash used by investing activities</b>	<b>(219,053)</b>	<b>(26,243)</b>	<b>(245,296)</b>	<b>(513,545)</b>
<b>Net increase (decrease) in cash</b>	<b>70,156</b>	<b>17,978</b>	<b>88,134</b>	<b>(320,418)</b>
Cash, Beginning	249,188	17,947	267,135	587,553
Cash , Ending	<b>\$ 319,344</b>	<b>\$ 35,925</b>	<b>\$ 355,269</b>	<b>\$ 267,135</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 therapy
- 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
- Summer art camp

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.

### 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, 2018, 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 17, 2019, 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 donor restricted. Grant contributions are reported as released from restriction on the statement of activities when the donor restriction is satisfied. Restrictions received and satisfied in the same year are reported as income without donor 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 income with or without donor restriction 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, 2019, 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 \$1,500 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. 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 Statement of Operating Expenses and Schedule of Program Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs benefiting more than one program are allocated 78% to program costs, 9% to general and administrative costs, and 13% 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 2,000 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 restricted contributions are recorded as changes in restricted income until the value of the original contribution is restored. All investment income or loss is recorded as income without donor restriction with the exception of the TMS OCF endowment funds which are donor restricted.

**NOTE – 2 INVESTMENTS**

At June 30, 2019, 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	\$ 203,582	\$ 164,966	\$ 38,616
Bond Index Funds	47,775	46,205	1,570
Certificates of deposit	411,011	411,011	-
Cash equivalent	<u>38,977</u>	<u>38,977</u>	-
Total investments	<u><b>\$ 701,345</b></u>	<u><b>\$ 661,159</b></u>	<u><b>\$ 40,186</b></u>

Investment income for the fiscal year ended June 30, 2019 was \$29,553, including \$19,476 of unrealized gains, \$0 of realized gains, and \$10,077 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, 2019

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## NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2019 consist of the following:

Tuition and related services	\$ 47,981
Allowance for bad debts	(1,000)
Pledge and grant receivable	132,000
	<u>\$ 178,981</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 still collectible in full based on conversations with the donor. The pledge receivable is donor restricted for future financial aid.

## NOTE – 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2019:

Land	\$ 20,558
Land improvements	34,658
Building and improvements	1,363,883
Equipment	329,453
Software	64,127
	<u>1,812,679</u>
Accumulated depreciation	<u>(1,272,630)</u>
	<u>\$ 540,049</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, 2019.

## NOTE – 6 RETIREMENT PLAN

The School may make voluntary contributions to a retirement plan on behalf of eligible employees to the Teachers Insurance and Annuity Association (TIAA). There was \$42,517 of retirement contributions made on behalf of employees for the fiscal year ended June 30, 2019.

**NOTE – 7 DONOR RESTRICTED NET ASSETS**

**Net Assets Held in Perpetuity**

Tucker Endowment Fund

Donor 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 donor requirements. As of June 2019 the funds were invested in cash equivalents.

**TMS OCF Endowment Funds (beneficial interest)**

A permanent endowment fund was established in January 2019 through Oregon Community Foundation due to a generous donation of \$25,000. OCF makes endowment fund distributions at least annually of investment earnings. The payout rate at June 30, 2019 was 4.45% of the average fair market value of the fund, based on a thirteen-quarter trailing average. The rate is reviewed annually by OCF's board of directors and may change from time to time prospectively. Investment income is recorded on the statement of financial position. Each fund of OCF is intended to be and shall be administered as a component fund of OCF and shall be subject to OCF'S Articles of Incorporation and Bylaws. Investment fees for administration and investment management are assessed quarterly and netted against investment income on the statement of activities. The value of the account at June 30, 2019 was \$26,243 and is reported on the statement of financial position as a beneficial interest in OCF funds. \$25,000 is held in perpetuity with \$1,243 of earnings held for disbursement according to the partner agreement. Earning distributions will be reported as release from restriction when distributed.

**Other Donor Restricted Net Assets**

Donor restricted net assets that are temporarily restricted by purpose or time are available for the following purposes:

Financial aid	\$ 127,000
Paint and supplies for bollard painting	1,425
	<u>\$ 128,425</u>
Assets held in perpetuity	33,743
Total assets with donor restrictions	<u><u>\$ 162,168</u></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	\$ 5,427
Sound equipment	2,000
Speech Language Pathologist LEND	3,020
	<u>\$ 10,447</u>

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

Notes to Financial Statements  
June 30, 2019

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## NOTE – 8 TRUST INCOME

The School is the beneficiary from various 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 \$110,052 for the year ended June 30, 2019.

## NOTE – 9 LIQUIDITY and RESERVES

The School has a policy to manage its liquidity and reserves in order to meet its needs to fund operating expenditures. At June 30, 2019, financial assets available for general expenditure within one year, reduced by amounts not available for general use because of donor restrictions or internal designations, are comprised of the following:

	<u>2019</u>
Cash and cash equivalents	\$ 319,344
Investments in cash equivalents and CDs maturing < a year	<u>141,643</u>
Cash available for operating expenses	460,987
CD's maturing in > than a year	308,345
Other investments (see note 2)	251,357
Accounts receivable	<u>78,981</u>
Financial assets available for operating expenditures	<u>\$ 1,099,670</u>

It is the intent of management to reserve a liquidity buffer (cash reserve) of no less than 50% of expenses for six months that is not invested to avoid risk. Other investments are held for long-term investments, however, the school can liquidate these investments should the need arise.

## NOTE – 10 CONCENTRATIONS

One donor made a contribution which amounted to 5.4% of total revenues and support for the fiscal year ended June 30, 2019.

The School maintains its cash and investment accounts at multiple financial institutions. 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, 2019 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, 2019 fiscal year end was \$19,716 and was categorized in the financial statements under Maintenance and Supplies. 2019 was the final year for this lease.