



(a not-for-profit organization)

Annual Financial Statements
and Supplementary Information

Year Ended June 30, 2020

With summarized financial information as of June 30, 2019

Prepared by:

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, 2020, 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, 2020, 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, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon
November 30, 2020

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

Statement of Financial Position

June 30, 2020

With Summarized Financial Information as of June 30, 2019

(See accompanying notes to the financial statements.)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
Assets				
Cash and equivalents	\$ 182,510	\$ 371,352	\$ 553,862	\$ 355,269
Investments	1,147,760		1,147,760	701,345
Receivables, net	62,049	100,000	162,049	178,981
TMS OCF Endowment	-	103,425	103,425	26,243
Items for resale	615		615	299
Prepaid expenses	60,348		60,348	68,715
	1,453,282	574,777	2,028,059	1,330,852
Property and Equipment				
Net of accumulated depreciation	735,156		735,156	540,048
Total Assets	\$ 2,188,438	\$ 574,777	\$ 2,763,215	\$ 1,870,900
Liabilities				
Accounts payable	\$ 25,851		\$ 25,851	\$ 41,916
PPP loan to the Small Business Admin	318,400		318,400	-
Prepaid tuition	137,288		137,288	124,864
Accrued payroll liabilities	24,435		24,435	17,598
Balance on teacher contracts	68,674		68,674	113,073
Total Liabilities	574,648	-	574,648	297,451
Net Assets				
Without donor restriction	1,613,790		1,613,790	1,411,281
With donor restrictions		574,777	574,777	162,168
Total Net Assets	1,613,790	574,777	2,188,567	1,573,449
Total Liabilities and Net Assets	\$ 2,188,438	\$ 574,777	\$ 2,763,215	\$ 1,870,900

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

Statement of Activities

For the Year Ended June 30, 2020

With Summarized Financial Information as of June 30, 2019

(See accompanying notes to the financial statements.)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
Revenue, Gains & Other Support				
Program revenues	\$ 1,037,516		\$ 1,037,516	\$ 1,196,505
Donations	974,419	442,277	1,416,696	932,950
Event and other revenue	239,903		239,903	238,428
Event expenses	(15,086)		(15,086)	(36,624)
Investment income	39,422		39,422	29,553
Financial assistance to students	(201,715)		(201,715)	(154,551)
	2,074,459	442,277	2,516,736	2,206,261
Net assets released from restrictions	29,668	(29,668)	-	-
Operating Expenses				
Program expenses	1,404,627		1,404,627	1,504,145
General and administrative expenses	205,516		205,516	196,702
Development	291,475		291,475	276,763
	1,901,618	-	1,901,618	1,977,610
Change in Net Assets	202,509	412,609	615,118	228,651
Net Assets, Beginning	1,411,281	162,168	1,573,449	1,344,798
Net Assets, Ending	\$ 1,613,790	\$ 574,777	\$ 2,188,567	\$ 1,573,449

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

Statement of Operating Expenses

For the Year Ended June 30, 2020

With Summarized Financial Information as of June 30, 2019

(See accompanying notes to the financial statements.)

	2020				2019
	Program expense	General & admin	Development	Total	(comparative only) Total
Salaries and wages	\$ 986,489	\$ 134,231	\$ 222,240	\$ 1,342,960	\$ 1,341,108
Employee benefits	89,987	12,789	20,656	123,432	128,170
Qualified tuition reduction	25,300	-	-	25,300	24,200
Payroll taxes	85,535	10,738	17,367	113,640	100,075
Professional fees	-	8,850	-	8,850	8,200
Supplies	25,188	3,488	40	28,716	72,389
Depreciation	55,826	6,203	6,892	68,921	62,990
General administration	8,168	4,894	2,530	15,592	15,015
Outside services	42,436	5,516	10,557	58,508	64,041
Janitorial services	11,011	1,223	1,359	13,593	18,036
Maintenance and supplies	33,404	3,712	4,124	41,240	76,299
Utilities	24,580	2,731	3,035	30,346	34,466
Travel and mileage	902	157	243	1,302	5,471
Insurance	12,194	1,355	1,505	15,054	13,846
Library	678	-	-	678	1,331
Bad debt		9,077		9,077	-
Professional development	2,929	552	927	4,408	11,973
	\$ 1,404,627	\$ 205,516	\$ 291,475	\$ 1,901,618	\$ 1,977,610

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

Statement of Functional Expenses

For the Year Ended June 30, 2020

With Summarized Financial Information as of June 30, 2019

(See accompanying notes to the financial statements.)

	2020			2019	
	Speech & Audiology Hearing Impaired	Education Hearing Impaired	Education Typically Hearing	Total Program Expense	(comparative only) Program Expense
Salaries and wages	\$ 113,483	\$ 429,647	\$ 443,359	\$ 986,489	\$ 1,006,892
Employee benefits	12,501	36,634	40,852	89,987	95,272
Qualified tuition reduction	-	-	25,300	25,300	18,919
Payroll taxes	11,117	37,574	36,844	85,535	74,867
Supplies	10,292	7,489	7,407	25,188	67,082
Depreciation	5,583	23,447	26,796	55,826	51,022
General administration	200	6,991	977	8,168	8,620
Outside services	9,427	18,461	14,547	42,436	50,270
Janitorial services	1,101	4,625	5,285	11,011	14,609
Maintenance and supplies	3,340	14,030	16,034	33,404	61,721
Utilities	2,458	10,324	11,798	24,580	27,917
Travel and mileage	-	882	20	902	5,195
Insurance	1,219	5,121	5,854	12,194	11,215
Library	-	333	345	678	1,331
Professional development	295	1,622	1,012	2,929	9,213
	\$ 171,017	\$ 597,180	\$ 636,430	\$ 1,404,627	\$ 1,504,145

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

Statement of Cash Flows

For the Year Ended June 30, 2020

With Summarized Financial Information as of June 30, 2019

(See accompanying notes to the financial statements.)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	(comparative only) Total
Cash Flows Relating to Operating Activities:				
Increase (decrease) in net assets	\$ 202,509	\$ 412,609	\$ 615,118	\$ 228,651
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation and amortization	68,921		68,921	62,990
Bad debt allowance	9,077		9,077	
(Increase) decrease in operating assets				
Accounts receivable, net	7,855		7,855	(37,864)
Items for resale	(316)		(316)	1,269
Prepaid expenses	8,367		8,367	(18)
Increase (decrease) in operating liabilities				
Accounts payable	(16,065)		(16,065)	27,671
Accrued payroll and payroll taxes	6,837		6,837	16,915
Prepaid tuition	12,424		12,424	15,967
Balance on teacher contracts	(44,399)		(44,399)	17,849
Net cash provided by operating activities	255,210	412,609	667,819	333,430
Cash Flows Relating to Investing Activities:				
Purchase of property and equipment	(264,029)		(264,029)	(37,353)
Purchase of investments	(412,416)		(412,416)	(127,830)
Purchase of TMS OCF Endowment funds		(77,182)	(77,182)	(25,000)
Reinvestments of investment income	(33,999)		(33,999)	(55,113)
Net cash used by investing activities	(710,444)	(77,182)	(787,626)	(245,296)
Cash Flows Relating to Financing Activities:				
PPP Loan Proceeds	318,400		318,400	
Net cash provided by investing activities	318,400	-	318,400	-
Net increase (decrease) in cash	(136,834)	335,427	198,593	88,134
Cash, Beginning	319,344	35,925	355,269	267,135
Cash , Ending	\$ 182,510	\$ 371,352	\$ 553,862	\$ 355,269

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 two classes of net assets: with donor restriction and without donor restriction 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, 2019, from which the summarized information was derived. Certain expenses for the prior year may be reclassified to conform to current year presentation.

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

Revenue Recognition

Donations received are recorded as donor restricted or without donor restriction, depending on the existence and/or nature of any donor restrictions. Donor 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 without donor restriction unless there is a time or purpose restriction then the contribution is recorded as donor restricted. Prior year donor restricted income is 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, 2020, the allowance for doubtful accounts was \$10,000.

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 financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs benefiting more than one program are allocated 81% to program costs, 9% to general and administrative costs, and 10% to fundraising. Costs for payroll and related expenses are charged 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 using the fair value measurements on the statement of financial position. Unrealized gains and losses are recognized as gains and losses in the period the value changes.

Investment income is reported as income without donor restriction unless the donor places restrictions on the income.

NOTE – 2 INVESTMENTS

At June 30, 2020, the market value of investments consisted of the following

Investment	Fair Value
Mutual Funds & ETF	\$ 290,377
Bond Market Index	72,102
Certificates of deposit	776,951
Money Market	8,330
Total investments	<u>\$ 1,147,760</u>

Investment income for the fiscal year ended June 30, 2020 was \$39,422, including \$20,240 of realized and unrealized gains, and \$19,182 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. All investments of the School are valued using level 1.

- 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, 2020

NOTE – 3 RECEIVABLES

Accounts receivable at June 30, 2020 consist of the following:

Tuition and related services	\$ 42,305
Allowance for bad debts	(10,000)
Pledge and grant receivable	129,744
	<u>\$ 162,049</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 communications 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, 2020:

Land	\$ 20,558
Land improvements	44,484
Building and improvements	1,601,513
Equipment	346,024
Software	64,127
	<u>2,076,707</u>
Accumulated depreciation	<u>(1,341,551)</u>
	<u>\$ 735,156</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, 2020.

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 \$55,435 of retirement contributions made on behalf of employees for the fiscal year ended June 30, 2020.

NOTE – 7 LOAN PAYABLE TO THE US SMALL BUSINESS ADMINISTRATION

In response to the global economic impact caused by the Coronavirus pandemic, the US Small Business Administration (SBA) created the Payroll Protection Program (PPP) "forgivable loan" to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The School qualified for and received a PPP loan for \$318,400 on April 17, 2020.

Since forgiveness has not yet been granted as of June 30, 2020, the proceeds of the PPP loan are presented as a loan payable. If all or a portion is not forgiven, the School must make monthly payments, including interest at 1 % per annum, beginning 10 months after the end of the borrower's loan forgiveness covered period.

The School has submitted for forgiveness as of the issuance of this report but the application had not been processed. The forgivable expenses through June 30, 2020 approximated about \$277K. The forgivable expenses may be reported differently for tax purposes than for financial statement presentation.

NOTE – 8 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 2020 the funds were invested in cash equivalents.

Beneficial interest in Oregon Community Foundation funds (OCF)

A permanent endowment fund was established in January 2019 through Oregon Community Foundation (OCF). A total of \$100,000 in donations have been contributed to the fund. OCF makes endowment fund distributions at least annually of investment earnings. The payout rate at June 30, 2020 was 4.35% 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, 2020 was \$103,425 and is reported on the statement of financial position as a beneficial interest in TMS OCF Endowment. \$100,000 is held in perpetuity with \$3,425 of earnings held for disbursement according to the partner agreement. Earning distributions will be reported as release from restriction when distributed.

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

Notes to Financial Statements
June 30, 2020

NOTE – 8 DONOR RESTRICTED NET ASSETS *(cont)*

Other Donor Restricted Net Assets

Donor restricted net assets that are temporarily restricted by purpose or time are available for the following purposes at June 30, 2020:

Financial aid	\$ 100,000
Building improvements	291,970
Loss to Intervention	36,386
Chalk art	35,496
	<u>\$ 463,852</u>
Assets held in perpetuity	110,925
Total assets with donor restrictions	<u><u>\$ 574,777</u></u>

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, 2020, 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:

Cash and cash equivalents	\$ 553,862
Investments in cash equivalents and CDs maturing < a year	1,147,760
Accounts receivable	62,049
Financial assets available for operating expenditures	<u><u>\$ 1,763,671</u></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, 2020.

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, 2020 there were no uninsured amounts except for the account holding the PPP loan money which was \$68,400 over the FDIC limit.

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

NOTE – 11 MANAGEMENT’S REVIEW and EVALUATION OF SUBSEQUENT EVENTS

Tucker Maxon School has evaluated subsequent events through November 30, 2020, the date the financial statements were available to be issued.

Beginning early 2020 there was an outbreak of a coronavirus and the effects may continue for some time. Management evaluates its risks in relation to the pandemic including disruptions and restrictions to employees’ ability to work and the ability of donors to fully participate in programs and financial support. Measures have been taken to monitor and mitigate the effects of the coronavirus such as safety and health measures for staff and students and securing the supply of materials that are essential to performance obligations. At the present time the ultimate future effects of these issues are unknown.