Brooks School

Financial Statements
and
Supplementary Information

Years Ended June 30, 2011 and 2010

Brooks School

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended June 30, 2011 and 2010

C O N T E N T S

McGladrey

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Brooks School
North Andover, Massachusetts

We have audited the accompanying statements of financial position of Brooks School (the "School") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

McGladrey & Pullen, LLP

November 18, 2011
Boston, Massachusetts

Brooks School

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	**$ 6,175,532**	$ 4,893,735
Restricted cash (Note 8)	**49,863**	58,707
Accounts receivable (less allowance for uncollectible accounts of $30,283 and $17,243, respectively)	**8,860**	15,426
Contributions receivable, net (Notes 3 and 4)	**2,593,469**	1,521,181
Student loans receivable (less allowance for uncollectible accounts of $34,558 at June 30, 2011 and 2010)	**70,761**	81,540
Prepaid supplies	**134,750**	149,695
Prepaid expenses and deposits	**864,903**	500,302
Other loans receivable	**44,198**	56,079
Investments (Notes 1 and 2)	**68,668,519**	59,549,924
Investments for split-interest agreements (Notes 1 and 5)	**2,324,241**	2,026,453
Cash surrender value of life insurance	**455,708**	443,721
Deferred charges, net	**637,998**	691,695
Capital lease asset (net of amortized cost)	**-**	-
Property, plant and equipment, net (Notes 6,7 and 8)	**45,972,906**	47,542,814
Total assets	**$ 128,001,708**	$ 117,531,272
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 1,402,913**	$ 1,582,116
Deferred revenue	**7,029,333**	6,442,940
Split-interest agreements obligations (Note 1)	**1,106,466**	901,701
Capital lease obligation (net of principal payments) (Note 9)	**322,343**	-
Note payable (Note 7)	**612,177**	643,933
Bonds payable (Note 8)	**22,815,239**	23,972,537
Total liabilities	**33,288,471**	33,543,227
Commitments and contingencies (Notes 8 and 13)		
Net assets (Notes 3 and 10):		
Unrestricted	**41,034,970**	38,476,243
Temporarily restricted	**31,296,532**	23,777,228
Permanently restricted	**22,381,735**	21,734,574
Total net assets	**94,713,237**	83,988,045
Total liabilities and net assets	**$ 128,001,708**	$ 117,531,272

See notes to financial statements.

Brooks School

Statement of Activities
Year Ended June 30, 2011

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Operating revenue and support:				
Tuition and fees	$ 15,343,425	$ -	$ -	$ 15,343,425
Less financial aid	(3,309,766)	-	-	(3,309,766)
Tuition and fees, net	12,033,659	-	-	12,033,659
Auxiliary activities	443,650	-	-	443,650
Investment income applied (Note 2)	103,994	-	-	103,994
Annual giving	2,482,588	-	-	2,482,588
Summer session	1,925,911	-	-	1,925,911
Other revenue	197,205	-	-	197,205
Total revenues	17,187,007	-	-	17,187,007
Net assets released from restrictions (Note 11)	2,908,741	(2,908,741)	-	-
Total operating revenue and support	20,095,748	(2,908,741)	-	17,187,007
Operating expenses (Notes 12 and 13):				
Educational and general	7,218,964	-	-	7,218,964
Administrative	1,886,064	-	-	1,886,064
Fundraising	1,880,294	-	-	1,880,294
Auxiliary activities	2,918,723	-	-	2,918,723
Summer session	1,256,608	-	-	1,256,608
Facilities:				
Operation and maintenance of property, plant and equipment	3,542,607	-	-	3,542,607
Depreciation and amortization	2,503,038	-	-	2,503,038
Interest expense	907,066	-	-	907,066
Total operating expenses	22,113,364	-	-	22,113,364
Deficiency of operating revenue and support over expenses	(2,017,616)	(2,908,741)	-	(4,926,357)
Other changes in net assets:				
Contributions	9,985	4,534,235	600,090	5,144,310
Net realized gain on sales of investments (Note 2)	394,168	498,930	-	893,098
Net appreciation in fair value of investments (Note 2)	4,171,091	5,294,136	-	9,465,227
Change in the value of split interest agreements	-	135,566	-	135,566
Investment income (Note 2)	1,849	11,499	-	13,348
Change in donor intention	(750)	(46,321)	47,071	-
Total other changes in net assets	4,576,343	10,428,045	647,161	15,651,549
Change in net assets	2,558,727	7,519,304	647,161	10,725,192
Net assets, beginning of year	38,476,243	23,777,228	21,734,574	83,988,045
Net assets, end of year	$ 41,034,970	$ 31,296,532	$ 22,381,735	$ 94,713,237

See notes to financial statements.

Brooks School

Statement of Activities…continued
Year Ended June 30, 2010

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Operating revenue and support:				
Tuition and fees	$ 14,647,225	$ -	$ -	$ 14,647,225
Less financial aid	(3,095,054)	-	-	(3,095,054)
Tuition and fees, net	11,552,171	-	-	11,552,171
Auxiliary activities	617,052	-	-	617,052
Investment income applied (Note 2)	33,370	-	-	33,370
Annual giving	2,448,826	-	-	2,448,826
Summer session	1,798,200	-	-	1,798,200
Other revenue	125,531	-	-	125,531
Total revenues	16,575,150	-	-	16,575,150
Net assets released from restrictions (Note 11)	3,050,289	(3,050,289)	-	-
Total operating revenue and support	19,625,439	(3,050,289)	-	16,575,150
Operating expenses (Notes 12 and 13):				
Educational and general	6,934,232	-	-	6,934,232
Administrative	1,940,989	-	-	1,940,989
Fundraising	1,829,240	-	-	1,829,240
Auxiliary activities	3,101,532	-	-	3,101,532
Summer session	1,277,549	-	-	1,277,549
Facilities:				
Operation and maintenance of property, plant and equipment	3,816,907	-	-	3,816,907
Depreciation and amortization	2,541,305	-	-	2,541,305
Interest expense	973,853	-	-	973,853
Total operating expenses	22,415,607	-	-	22,415,607
Deficiency of operating revenue and support over expenses	(2,790,168)	(3,050,289)	-	(5,840,457)
Other changes in net assets:				
Contributions	19,221	847,785	158,064	1,025,070
Net realized gain on sales of investments (Note 2)	(220,468)	(270,705)	-	(491,173)
Net appreciation in fair value of investments (Note 2)	2,605,596	3,249,675	-	5,855,271
Change in the value of split interest agreements	-	273,196	-	273,196
Investment income (Note 2)	5,233	16,891	-	22,124
Total other changes in net assets	2,409,582	4,116,842	158,064	6,684,488
Change in net assets	(380,586)	1,066,553	158,064	844,031
Net assets, beginning of year	38,856,829	22,710,675	21,576,510	83,144,014
Net assets, end of year	$ 38,476,243	$ 23,777,228	$ 21,734,574	$ 83,988,045

See notes to financial statements.

Brooks School

Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 10,725,192	$ 844,031
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Net realized (gain) loss on sales of investments	(893,098)	491,173
Net appreciation in fair value of investments	(9,465,227)	(5,855,271)
Depreciation and amortization	2,495,336	2,527,774
Discount on bond payable amortization	7,702	13,531
Loss on disposal of property	50,028	354,174
Change in value of split interest agreements, net	(93,023)	(264,884)
Change in cash surrender value of life insurance	(11,987)	(16,815)
Changes in assets and liabilities:		
Accounts, student loans, and other loan receivable	29,226	454,712
Prepaid supplies	14,945	109,277
Prepaid expenses and deposits	(364,601)	285,353
Contributions receivable	(1,072,288)	624,614
Accounts payable and accrued expenses	(179,203)	82,995
Deferred revenue	586,393	664,431
Net cash provided by operating activities	1,829,395	315,095
Cash flows from investing activities:		
Proceeds from sales of investments	12,703,510	13,646,463
Purchases of investments	(11,454,936)	(9,675,693)
Purchases of property, plant and equipment	(595,230)	(811,094)
Net cash provided by investing activities	653,344	3,159,676
Cash flows from financing activities:		
Payment for bond issuance costs	-	(112,794)
Principle payment on capital lease	(4,186)	-
Principal payment on notes payable	(31,756)	(30,172)
Principal payment on bonds payable	(1,165,000)	(1,650,000)
Net cash used in financing activities	(1,200,942)	(1,792,966)
Net increase in cash and cash equivalents	1,281,797	1,681,805
Cash and cash equivalents:		
Beginning of year	4,893,735	3,211,930
End of year	$ 6,175,532	$ 4,893,735
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	$ 907,066	$ 973,853
Supplementary disclosure of noncash investing and financing activities:		
Purchase of solar panels through capital leases	$ 326,529	$ -

See notes to financial statements.

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Brooks School (the “School”) is a nonprofit, college preparatory, co-educational boarding school dedicated to academic excellence. Founded in 1926, the School seeks to set for its students the highest standards of academic achievement, intellectual growth, ethical awareness, athletic endeavor, and service to others. The School is located in North Andover, Massachusetts.

A summary of the School’s significant accounting policies follows:

Revenue Recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by interpretation of law. Expirations of temporary restrictions on net assets by fulfillment of the donor stipulated purpose, or by passage of the stipulated time period, are reported as reclassifications between applicable classes of net assets.

Classification and Reporting of Net Assets

The School follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) “Financial Statements of Not-For-Profit Organizations”. This standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). Among UPMIFA’s most significant changes is the elimination of the concept of historical dollar value threshold, the amount below which the School could not spend from the fund in favor of a more robust set of guidelines about what constitutes prudent spending.

The School reports information regarding its financial position all activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

A description of the three net asset classes follows:

- Unrestricted net assets represent the portion of net assets of the School that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for support of the School as well as funds invested in plant including campus buildings. In addition, unrestricted net assets of the School include funds, which represent unrestricted resources designated by the Board of Trustees for specific purposes.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the School pursuant to those stipulations. Temporarily restricted net assets also include, under Massachusetts law, investment earnings on donor restricted endowment funds, which are subject to prudent appropriation by the Board of Trustees in accordance with donor use restrictions and provisions of Massachusetts law.

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Classification and Reporting of Net Assets…continued

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the School pursuant to those stipulations. Permanently restricted net assets also include realized and unrealized gains and interest and investment income on certain contributions, as stipulated by the donor.

Use of Estimates

The preparation of financial statements in accordance 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The School defines cash equivalents as highly liquid investments with an initial maturity of ninety days or less, and is recorded at cost which approximates fair value. The School maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash and cash equivalents do not include invested cash in investment accounts.

Accounts Receivable

Accounts receivable are carried at original invoice less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by evaluating individual account balances while considering current economic conditions and circumstances. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Amounts are considered past due when they have been outstanding for 90 days.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value. Pledges to be received after one year are discounted at an appropriate discount rate commensurate with the risk and duration involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund raising activity. Contributions received with donor-imposed restrictions are reported as revenues of the temporarily restricted net asset class. A release to unrestricted net assets is made to reflect the expiration of such restrictions.

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Student Loans Receivable

The School has provided tuition loans to students as part of its financial aid program. Payments are made in 56 installments commencing on January 1 in the year following graduation. Payments consist of eight consecutive semiannual payments of interest only followed by 48 consecutive monthly payments of principal and interest.

Investments

Investments, excluding non-marketable alternatives, are carried at fair value, as established by the major securities markets and, in the case of mutual funds, are recorded at net asset value. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold.

The School invests in alternative investments, consisting of hedge funds, non-marketable asset partnerships, and various inflation hedging vehicles. Alternative investments utilize a variety of investment strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at fair value by the fund managers and reviewed by management. Management believes this method provides a reasonable estimate of fair value. Because the investment in non-marketable alternatives is not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for the investments existed, and such differences could be material. The underlying investments of the hedge funds are principally publicly-priced securities and derivatives. These investments provide broader diversification, offering sources of return that are not generally correlated with traditional equity and fixed income markets. Hedging strategies may include securities denominated in foreign currencies, options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty of the transactions.

Non-marketable asset partnerships (investments for which there may not be a value established by major security markets) are valued on a quarterly basis and are carried at estimated fair values based upon the most recent financial information provided by the general partners and reviewed by management. Because the investment in non-marketable asset partnerships is not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for the investments existed and such differences could be material.

Investment income and realized and unrealized gains are reflected in the statements of activities. Investment income from unrestricted investments is reported as unrestricted revenue. Restricted investment income and gains (losses) or investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets unless permanently restricted by the donor, in which case they are recorded as increases (decreases) in permanently restricted net assets. Net gains of permanently restricted net assets classified as temporarily restricted remain in temporarily restricted net assets until appropriated by the Board of Trustees (the “Board”) and expended. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets.

The School utilizes a pooled-investment-fund basis of managing its endowment funds.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements

Effective for the year ended June 30, 2011, the School adopted Accounting Standards Update ("ASU") 2010-06, Improving Disclosures about Fair Value Measurements. This new accounting guidance under ASC 820, Fair Value Measurements and Disclosures, was issued by the FASB on January 21, 2010. The additional disclosures required about fair value measurements include, among other things, (a) the amounts and reasons for certain significant transfers among the three hierarchy levels of inputs, (b) the gross, rather than net, basis for certain Level 3 roll-forward information, (c) use of a "class" basis rather than a "major category" basis for assets and liabilities, and (d) valuation techniques and inputs used to estimate Level 2 and Level 3 fair value measurements. The following information incorporates these new disclosure requirements except for the Level 3 roll-forward information which is not required until fiscal year 2012.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the School uses various methods including market, income and cost approaches. In addition the School reports certain investments using the net asset value per share as determined by the investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Based on these approaches, the School often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The School utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques or in accordance with net asset value practical expedient rules, which allow for Level 2 or Level 3 reporting depending on lock-up and notice periods associated with the underlying funds the School is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. Level 2 also includes practical expedient investments with redemption periods of 90 days or less.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity Securities

The fair value of equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

U.S. Treasury and Federal Agency Securities

Valuation inputs utilized by the independent pricing service for those U.S. Treasury and federal agency securities under Level 2 include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, and reference data including market research publications. Also included are data from the vendor trading platform.

Municipal Securities

Valuation inputs utilized by the independent pricing services for those municipal securities under Level 2 include the same inputs used for U.S. Treasury, and federal agency securities. Also included are reported trades and material event notices from the Municipal Securities Rulemaking Board, plus new issue data. Municipal securities under Level 3 are fair valued similar to the auction rate securities discussed subsequently.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings approximates fair value due to the short maturity of these instruments. Rates currently available to the School for debt with similar terms and remaining maturities are used to estimate fair value of existing debt. The School uses quoted market prices for its long-term debt when traded as an asset in an active market. When quoted market prices are not available, fair value of long-term debt is estimated using an expected present value technique. The fair value of the School's financial instruments approximates their respective carrying amounts.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Additions to property, plant and equipment, including major renovations and repair projects, are capitalized. Minor improvements and repairs are charged to current operations. Donated property, plant and equipment are recorded at fair value on the date of the gift.

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Property, Plant and Equipment…continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings and land improvements	30
Vehicles, fixtures and equipment	5-10

Expenditures for capital projects in process are capitalized as incurred. Depreciation is not computed on such assets until such time as the capital project is completed and the asset is placed in service. Interest cost on borrowed funds during the period of construction of capital assets, net of interest earnings on the investment of unexpended borrowed funds, is capitalized as a component of the cost of acquiring those assets.

Deferred Revenue

The School defers recognition of registration and tuition revenue to the period in which the related educational instruction is performed and the related expenses incurred. Accordingly, registration and tuition fees received for the next school term are deferred until the first day of the new fiscal year, at which point they are recognized as revenue on a pro-rata basis.

Split-Interest Investments and Related Obligations:

Charitable Remainder Trusts

The School is the beneficiary of several charitable remainder trusts whereby it receives an immediate contribution as well as a remainder interest in the underlying investment from which a specified percentage of the fair value of the trusts' assets each year is currently being paid to the donors. Actuarial methods are used to calculate that portion of the investment representing the present value of the liability to the donor and that portion representing the contribution.

Under the charitable remainder trust agreements the School is the trustee, therefore, the assets held in trust are recorded as investments at fair value, and the liability to the donors is recorded at the present value of the estimated future payments to be distributed over the life of the donor and/or donor's spouse. The amount of the contribution is the difference of these amounts. Adjustments to the asset and liability accounts are reflected as changes in the value of split-interest agreements in the statements of activities.

Charitable Gift Annuities

Gift annuities result from gifts to the School for which the School has an agreement to make periodic payments of a specified amount to a designated individual. Such payments terminate upon the death of the individual. Gift annuities are recognized as increases in net assets at the fair value of the gift, less the present value of the anticipated annuity payments. The present value of the anticipated annuity payments has been included in split-interest obligations.

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Pooled Income Fund

In accordance with the various terms of the related donor gifts, each income interest in any property given to the School's pooled income fund is retained by each donor or designated beneficiary until his or her death. The School has recognized gifts to the pooled income fund as increases in net assets at the fair value of the gift upon its receipt, discounted until the estimated time period to the donor's or designated beneficiary's death. The funds are divided into units, and contributions of donors' life income gifts are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor's entry to the pooled fund. Until a donor's death, the donor (or the donor's designated beneficiary or beneficiaries) is paid the actual income (as defined under the arrangement) earned on the donor's assigned units. Upon the donor's death, the value of these assigned units reverts to the School.

The contributions of these various agreements are recorded as permanently restricted net assets if the ultimate disposition of the funds to be received is to be permanently invested. If the ultimate disposition of the investments is unrestricted, the contributions are recorded as temporarily restricted until such time as the assets are distributed to the School.

Deferred Charges

Costs incurred in connection with the issuance of debt have been deferred and are amortized over the term of the debt issue on the straight-line basis. Amortization of deferred charges was $61,399 and $59,304 for the years ended June 30, 2011 and June 30, 2010, respectively.

Income Tax

The School qualifies as a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income tax has been recorded in the accompanying financial statements.

The School follows the FASB guidance, *Accounting for Uncertainty in Income Taxes*, *which* clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

Management believes that the School has no material uncertainties in income taxes. With few exceptions, the school is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2008.

Operating Activities

The statements of activities reflect a subtotal for changes in net assets from operating activities. This subtotal reflects revenues that the School received for operating purposes, including investment return used for operations for donor restricted endowments and all operating expenses. Non-operating activity reflects contributions for endowment and plant purposes; the change in unrealized appreciation/depreciation on long-term investments in excess of the amount appropriated under the Board of Trustees' approved spending policy; gains/losses on the disposal of property and equipment; change in present value of split interest agreements. Non-operating activities also include transfers of net assets that occur when donors change the restrictions on certain gifts.

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES…continued

Reclassification of Net Assets to Conform to Donors' Intent

Certain net asset balances have been reclassified during the fiscal year ended June 30, 2011 to conform to changes made by donors relating to the original intent of their gift or previously donor-restricted gifts whose restrictions were met during the fiscal period. No net asset balances were reclassified during the fiscal year ended June 30, 2010.

Liquidity

In order to provide information about liquidity, assets are sequenced according to their nearness of conversion to cash and liabilities according to their estimated maturity.

Advertising

The School expenses advertising costs as incurred.

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update ("ASU") No. 2011-04, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRS. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The adoption of this guidance is not expected to have a material impact on the School's financial statements.

Reclassifications

Reclassifications have been made to the 2010 financial statements to conform to the presentation used in 2011.

2. INVESTMENTS

Investments at June 30 consisted of the following:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Mutual funds and money market funds	$ 6,552,464	$ 6,926,964	$ 8,209,649	$ 8,420,128
Common stock	908,476	913,010	-	-
Limited partnerships, hedge funds, and private equity funds	39,183,455	60,828,545	38,750,555	51,129,796
	$46,644,395	$68,668,519	$ 46,960,204	$ 59,549,924

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

2. INVESTMENTS…continued

Total investment return (loss) for the year ended June 30 was as follows:

	2011	2010
Net investment income	$ 117,342	$ 55,494
Net unrealized appreciation	9,465,227	5,855,271
Net realized gain (loss)	893,098	(491,173)
Total investment return	$ 10,475,667	$ 5,419,592

Management fees paid directly by the School were approximately $178,500 and $158,500 for the years ended June 30, 2011 and 2010, respectively.

The following table summarizes the valuation of the School's investments by the above fair value hierarchy levels as of June 30, 2011 and 2010:

Investments Measured at Fair Value on a Recurring Basis at June 30, 2011

	Fair Value Measurements Using			
	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total
Money market funds	$ 3,261,838	$ -	$ -	$ 3,261,838
Mutual funds- Domestic	3,665,126	-	-	3,665,126
Common stock- Domestic	913,010	-	-	913,010
Alternative investments:				
Private equity funds- Domestic	-	-	15,492,871	15,492,871
Private equity funds- International	-	-	15,686,438	15,686,438
Hedge funds- Domestic	-	-	18,660,917	18,660,917
Hedge funds- International	-	-	8,620,146	8,620,146
Real estate funds	-	-	2,368,173	2,368,173
	$ 7,839,974	$ -	$ 60,828,545	$ 68,668,519

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

2. INVESTMENTS…continued

Investments Measured at Fair Value on a Recurring Basis at June 30, 2010

	Fair Value Measurements Using			
	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total
Money market funds	$ 6,104,140	$ -	$ -	$ 6,104,140
Mutual funds- Domestic	2,315,988	-	-	2,315,988
Alternative investments:				
Private equity funds- Domestic	-	-	12,081,976	12,081,976
Private equity funds- International	-	-	12,284,568	12,284,568
Hedge funds- Domestic	-	-	16,594,738	16,594,738
Hedge funds- International	-	-	8,041,421	8,041,421
Real estate funds	-	-	2,127,093	2,127,093
	$ 8,420,128	$ -	$ 51,129,796	$ 59,549,924

The changes in investments measured at fair value for which the School has used Level III inputs to determine fair value are as follows:

	Private Equity Funds	Hedge Funds	Real Estate Funds	Total
Balance June 30, 2010	$ 24,366,544	$ 24,636,159	$ 2,127,093	$ 51,129,796
Net realized gain on investments	816,253	37,392	37,821	891,466
Net unrealized gain on investments	6,446,173	2,669,032	181,461	9,296,666
Purchases of investments	1,286,500	-	120,000	1,406,500
Withdrawals of investments	(1,736,161)	(61,520)	(98,202)	(1,895,883)
Balance June 30, 2011	$ 31,179,309	$ 27,281,063	$ 2,368,173	$ 60,828,545

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

2. INVESTMENTS…continued

The School uses the net asset value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following table lists investments in investment companies by major category.

	Strategy	2011 NAV in Funds	2010 NAV in Funds	# of Funds	Remaining Life	Dollar Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Hedge Funds	Investing assets in investment pools, partnerships, and similar entities which, in turn, invest in domestic, global and/or international funds with strategies including, but not limited to, equity securities, absolute returns, directional long/short, arbitrage, event, spread, relative value and global asset.	$ 27,281,063	$ 24,366,544	6	Ranges from 14 years to perpetual duration	NA	NA	Ranges from quarterly to annual	No	No
Private Equity	Investing assets in investment pools, partnerships, and similar entities which, in turn, invest in									
	(1) publically traded common stock and equity securities	31,179,309	24,636,159	(1) 3	(1) Ranges from 39 years to perpetual duration	$ 894,847	(1) NA	(1) Ranges from daily to quarterly	(1) No	(1) No
	(2) domestic and international venture capital, buyouts, private equity and opportunistic real estate.			(2) 8	(2) Ranges from 1 to 6 years		(2) Subject to draw down until liquidation	(2) Illiquid	(2) Illiquid	(2) Illiquid
Real Estate	Investing assets in investment pools, partnerships, and similar entities which, in turn, invest in both domestic and international real estate and natural resources.	2,368,173	2,127,093	2	Ranges from 5 to 9 years	270,000	Subject to draw down until entity is liquidated	Illiquid	Illiquid	Illiquid
	Total	$ 60,828,545	$ 51,129,796			$ 1,164,847				

3. ENDOWMENT ASSETS

Through June 30, 2008, School's management and investment of donor-restricted endowment funds was subject to the provisions of the *Uniform Management of Institutional Funds Act* (UMIFA). In 2006, the Uniform Law Commission approved the model act, *Uniform Prudent Management of Institutional Funds Act* ("UPMIFA") that serves as a guideline to states to use in enacting legislation. Among UPMIFA's most significant changes is the elimination of UMIFA's important concept of a historic dollar value threshold, the amount below which an organization could not spend from the fund, in favor of a more robust set of guidelines about what constitutes prudent spending. Effective June 30, 2009 the Commonwealth of Massachusetts has enacted UPMIFA, the provisions of which apply to funds existing on or established after that date.

In August 2008, FASB Staff Position ("FSP") *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for All Endowment Funds,* was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Another key component of that FSP is a requirement for expanded disclosures for all endowment funds. No reclassification of net assets from unrestricted to temporarily restricted was required by the School due to the adoption of the standard for the year ended June 30, 2009.

The Board of the School has interpreted the Massachusetts UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by the Massachusetts UPMIFA.

The School's pooled endowment consists of approximately 123 individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by its Board of Trustees to function as endowment assets. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowment assets, are classified and reported based on the existence or absence of donor-imposed restrictions. The School adheres to the total return concept for its endowment.

The School has a policy of appropriating for distribution each year a percentage of its endowment funds' fair value based on a twelve quarter rolling average. The School calculates its twelve quarter rolling average to correspond with its operating budget cycle. The final quarter included in the average was December 2009 and December 2008 for the fiscal years 2011 and 2010, respectively. The percentage of appropriation as approved by the Board of Trustees was 6.04% and 6.19% for fiscal years 2011 and 2010, respectively.

3. ENDOWMENT ASSETS…continued

The amount derived from this calculation is referred to as appropriation for debt service and endowment appropriation for operating expenditure. A portion of these amounts are released to unrestricted in the statements of activities. The approved appropriation percent for fiscal year 2012 is 5.85%. In establishing this policy, the School considered the long-term expected return on its endowment. Accordingly, over the long term, the School expects the current spending policy to allow its endowment to grow at a rate exceeding expected inflation. This is consistent with the School's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

If the actual return (interest, dividends, realized gains and losses, and change in unrealized appreciation) is greater or less than the calculated spending policy amount, the difference is added to or availed of the unrestricted or temporarily restricted portion of the realized and unrealized appreciation as appropriate.

The School has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to provide investment growth in excess of appropriation. Actual returns in any given year may vary from this goal. To satisfy its long-term rate-of-return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The School targets a diversified asset allocation that places a greater emphasis on equity based investments to achieve its long-term return objectives within prudent risk constraints. It is the goal that the endowment, over time, will provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the School to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund at June 30, 2011 and 2010 and the level required by donor stipulation is $0 for both years.

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

3. ENDOWMENT ASSETS…continued

Endowment net asset composition by type of fund as of June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds:				
Educational and special programs	$ -	$ 12,258,731	$ 12,132,962	$ 24,391,693
Financial aid	-	12,554,803	10,206,911	22,761,714
Plant maintenance	1,260,091	226,032	41,862	1,527,985
	1,260,091	25,039,566	22,381,735	48,681,392
Board designated endowment funds:				
General purposes	18,665,326	-	-	18,665,326
Educational and special programs	324,139	-	-	324,139
	18,989,465	-	-	18,989,465
Total endowment net assets	$ 20,249,556	$ 25,039,566	$ 22,381,735	$ 67,670,857

Permanently restricted endowment net assets include contributions receivable of $295,150.

Endowment net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds:				
Educational and special programs	$ -	$ 7,774,518	$ 12,806,074	$ 20,580,592
Financial aid	-	11,996,004	8,886,638	20,882,642
Plant maintenance	-	1,338,426	41,862	1,380,288
	-	21,108,948	21,734,574	42,843,522
Board designated endowment funds:				
General purposes	17,548,181	-	-	17,548,181
Educational and special programs	278,668	-	-	278,668
	17,826,849	-	-	17,826,849
Total endowment net assets	$ 17,826,849	$ 21,108,948	$ 21,734,574	$ 60,670,371

Permanently restricted endowment net assets include contributions receivable of $441,249.

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

3. ENDOWMENT ASSETS…continued

Changes in endowment net assets for the year ended June 30, 2011 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2010	$17,826,849	$21,108,948	$21,734,574	$60,670,371
Investment return:				
Net investment income	103,994	-	-	103,994
Net realized and unrealized gain	4,565,208	5,896,228	-	10,461,436
Total investment return	4,669,202	5,896,228	-	10,565,430
Gifts to endowment	-	42,821	600,090	642,911
Reclass to/from endowment	146,879	-	47,071	193,950
Withdrawal from endowment	(607,267)	-	-	(607,267)
Appropriation for debt service	(665,000)	-	-	(665,000)
Endowment appropriation for operating expenditure	(1,121,107)	(2,008,431)	-	(3,129,538)
June 30, 2011	$20,249,556	$25,039,566	$22,381,735	$67,670,857

Changes in endowment net assets for the year ended June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2009	$ 17,718,510	$ 20,146,212	$ 21,576,510	$ 59,441,232
Investment return:				
Net investment income	33,370	-	-	33,370
Net realized and unrealized gain	2,388,514	3,252,166	-	5,640,680
Total investment return	2,421,884	3,252,166	-	5,674,050
Gifts to endowment	-	-	158,064	158,064
Withdrawal from endowment	(457,645)	-	-	(457,645)
Appropriation for debt service	(650,000)	-	-	(650,000)
Endowment appropriation for operating expenditure	(1,205,900)	(2,289,430)	-	(3,495,330)
June 30, 2010	$ 17,826,849	$ 21,108,948	$ 21,734,574	$ 60,670,371

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 consisted of the following:

	2011	2010
Receivable in less than one year	$ 1,614,461	$ 857,217
Receivable in one to five years	1,292,566	820,573
	2,907,027	1,677,790
Less - unamortized present value discount, at rate approximating 5.125%	(95,504)	(57,173)
Allowance for uncollectibles	(218,054)	(99,436)
	$ 2,593,469	$ 1,521,181

5. INVESTMENTS FOR SPLIT-INTEREST AGREEMENTS

The fair value of investments for split-interest agreements as of June 30 consisted of the following:

	2011	Quoted Prices in Active Markets for Identical Assets (Level 1) 2011	2010	Quoted Prices in Active Markets for Identical Assets (Level 1) 2010
Cash and cash equivalents	$ 19,664	$ 19,664	$ 22,255	$ 22,255
Equity funds- domestic	1,131,209	1,131,209	916,897	916,897
Equity funds- international	218,519	218,519	161,070	161,070
Fixed income	954,849	954,849	926,231	926,231
	$ 2,324,241	$ 2,324,241	$ 2,026,453	$ 2,026,453

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at June 30 consisted of the following:

	2011	2010
Land	$ 832,897	$ 832,897
Land improvements	4,672,081	4,619,603
Buildings	65,043,582	64,899,665
Equipment	8,318,845	7,755,672
Vehicles	499,528	499,528
	79,366,933	78,607,365
Less - accumulated depreciation	(33,638,653)	(31,198,831)
	45,728,280	47,408,534
Construction in progress	244,626	134,280
Property, plant and equipment, net	$ 45,972,906	$ 47,542,814

Brooks School

Notes to Financial Statements
Years Ended June 30, 2011 and 2010

6. PROPERTY, PLANT AND EQUIPMENT…continued

Construction in progress consists of various projects which include construction of a new dorm, remodeling of faculty kitchens and elevator, and business office reorganization, including new IT implementation.

Depreciation expense was $2,441,639 and $2,482,001 for the years ended June 30, 2011 and 2010, respectively.

7. NOTE PAYABLE

A note payable to People's United Bank with a balance of $612,177 at June 30, 2011 ($643,933 at June 30, 2010), is payable in monthly installments of $5,335 including interest at 5.125%. Final payment is due in August of 2024, and the note is collateralized by the physical assets of the School.

Annual maturities during the next five years and thereafter are as follows for the years ending June 30:

2012	$ 33,428
2013	35,182
2014	37,028
2015	38,971
2016	40,939
Thereafter	426,629
	$ 612,177

8. BONDS PAYABLE

In February and March 1999, the School issued $25,000,000 in Massachusetts Development Finance Agency ("MDFA") Bonds, Brooks School Issue, Series 1999A and 1999B (Chittenden/Trustee). Series 1999B consisted of $17,500,000 in term and serial bonds with fixed interest rates varying between 3.90% and 5.125% that mature in 2029. Series 1999A consisted of $7,500,000 in variable-rate, demand revenue bonds that were scheduled to mature in 2029. At October 31, 2008, Series 1999A had an outstanding balance of $6,500,000. In November 2008, the School entered into a $6,500,000 bond with MDFA. The proceeds from the bond were used to refund and replace Series 1999A. The new MDFA Bond, Brooks School Issue, Series 2008 has the same repayment and variable rate schedule as the Series 1999A bonds. Interest on the Series 2008 bonds is reset weekly and is payable monthly. The variable rate at June 30, 2011 and 2010 was 0.08% and 0.32%, respectively.

The purpose of refinancing the Series 1999A bonds was to change the type of credit enhancement by replacing the existing MBIA insurance with a direct letter of credit. At June 30, 2011, the Series 2008 bonds are secured by a direct pay letter of credit with Citizens Bank. The letter of credit expires on November 2, 2013 and bears an annual fee of 1.00%. The letter of credit contains financial covenants that the School is required to meet, and which were fully met as of June 30, 2011. In August, 2009, the School entered into a letter of credit confirmation ("the wrap") with the Federal Home Loan Bank of Boston ("FHLBB") as additional credit enhancement of the Citizens Bank letter of credit issued on the Series 2008 bonds. The terms of the FHLBB wrap run concurrently with the existing Citizens Bank letter of credit and bear an annual fee of .30%.

Brooks School

8. BONDS PAYABLE…continued

The Series 1999B and Series 2008 bonds are general obligations of the School. The School has also granted a first lien on substantially all tuition receipts as additional collateral for payment of the bonds. The proceeds of these bonds, after the advanced refunding of the previously issued Series 1993 bonds, were used, together with other available funds, to finance construction and renovations including a new dining hall and student center, service building, utilities upgrading, and other improvements. At June 30, 2011 and 2010, there were no funds held in trust for debt service or construction costs.

In December 2007, the School entered into a $6,000,000 note ("the note") with MDFA from proceeds of the MDFA Tax-Exempt Commercial Paper Revenue Notes, CP Program 4 Issue, Tranche 6 (Deutsche Bank Trust Company Americas/Trustee). The note bears interest at variable rates and matures in October 2012. The variable rate at June 30, 2011 and 2010 was 0.42% and 0.43%, respectively. Interest on the note is reset quarterly and is payable monthly.

The note is a general obligation of the School. The proceeds of this note were used, together with other available funds, solely for the construction of a 30,000 square foot science center building. The building was completed in September, 2008. At June 30, 2011 and 2010 there was $49,863 and $58,707, respectively, held in trust for debt service.

At June 30, 2011, the note is secured by a direct pay letter of credit with Citizens Bank. The letter of credit expires on December 1, 2012 and bears an annual fee of 1.00%. The note and the letter of credit contain financial covenants that the School is required to meet and which were fully met as of June 30, 2011. In August, 2009, the School entered into a letter of credit confirmation ("the wrap") with the Federal Home Loan Bank of Boston ("FHLBB") as additional credit enhancement of the Citizens Bank letter of credit issued on the note. The terms of the FHLBB wrap run concurrently with the existing Citizens letter of credit and bear an annual fee of .30%.

Subsequent to year end the above Bonds were refinanced (See Note 14).

Annual aggregate principal payments for the next five years and thereafter under the terms of the new debt are as follows for the years ending June 30:

2012	$ 221,558
2013	455,584
2014	472,729
2015	490,520
2016	508,980
Thereafter	21,965,629
	$ 24,115,000

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

9. COMMITMENTS

In May 2011, The School entered into a ten year capital lease for a photovoltaic system. The School has the option to purchase the photovoltaic equipment at nominal cost at the termination of the lease.

Future minimum commitments under the capital lease consist of the following at June 30, 2011:

2012	$ 41,780
2013	41,780
2014	41,780
2015	41,780
2016	41,780
Thereafter	204,913
Total minimum lease payments	413,813
Less - amounts representing interest	(91,470)
Present value of minimum lease payments	$ 322,343

Assets financed by the capital lease are included in property and equipment and have a net amortized cost of $324,715 at June 30, 2011.

10. NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	2011	2010
Contributions receivable due in future years	$ 2,298,321	$ 1,079,932
Accumulated and unappropriated investment earnings on donor restricted endowments	25,039,566	21,108,948
Unexpended contributions for capital expenditures	1,909,792	189,205
Restricted gifts by type	1,874,993	1,234,982
Student loans	173,860	164,161
	$ 31,296,532	$ 23,777,228

Permanently restricted net assets consisted of the following at June 30:

Donor restricted endowments	$ 22,086,585	$ 21,293,325
Contributions receivable due in future years	295,150	441,249
	$ 22,381,735	$ 21,734,574

Brooks School
Notes to Financial Statements
Years Ended June 30, 2011 and 2010

11. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions resulting from the satisfaction of purpose and time restrictions during the years ended June 30, 2011 and 2010 are as follows:

	2011	2010
Endowment appropriation for expenditure	$ 2,008,431	$ 2,289,430
Time restrictions on pledges	143,618	31,157
Restricted operating expenses	558,722	346,147
Restricted capital expenditures	197,970	350,000
Student loan bad debt	-	33,555
	$ 2,908,741	$ 3,050,289

12. RETIREMENT PLAN

Faculty, administrative personnel, and service employees of the School are participants in the noncontributory defined contribution retirement annuity plan administered by the Teachers Insurance and Annuity Association (“TIAA”). The School’s contributions to this plan for the years ended June 30, 2011 and 2010 were $775,963 and $744,715, respectively.

13. FUNCTIONAL CLASSIFICATION OF EXPENSES

The expenses related to fulfilling these services for the years ended June 30, 2011 and 2010 were as follows:

	2011	2010
Function:		
Educational programs	$ 12,782,480	$ 12,799,884
Auxiliary services	3,335,987	3,541,456
Summer session	1,465,240	1,497,511
Administrative	2,442,415	2,527,554
Fundraising and capital development	2,088,926	2,049,202
Total expenses	$ 22,115,048	$ 22,415,607

Facilities operations and maintenance, depreciation and amortization expense, and interest expense have been allocated to functions in the above classifications based on the utilization of square footage used.

14. SUBSEQUENT EVENTS

On October 1, 2011 the School refinanced its existing bonds payable. The new debt includes a $24,115,000 Massachusetts Development Finance Agency Revenue Note, Brooks School Issue, Series 2011, with a 30 year term bearing interest at 3.70% and is subject to certain covenants. Additionally the School entered into a revolving line of credit with a maximum borrowing capacity of $1,000,000 bearing interest at Prime Rate minus 50 basis points (2.75% as of the date of the agreement). The line expires in October 2012.

The Organization evaluated subsequent events through November 18, 2011, the date on which the financial statements were issued.

SUPPLEMENTARY INFORMATION

Brooks School

Schedules of Additions to Property, Plant, and Equipment
Years Ended June 30, 2011 and 2010

	2011	2010
Furnishings, fixtures & equipment:		
Hot water heating system	**$ -**	$ 9,675
IT-Central UPS system	**36,515**	-
IT-Redundant storage network	**40,409**	-
Kingsbury computer room	**-**	6,526
Library chiller compressor	**-**	14,350
Total furnishings, fixtures & equipment	**$ 76,924**	$ 30,551
Trustee approved projects:		
10 stall garage doors	**$ 630**	$ 6,000
Advancement kitchen renovations	**10,839**	-
Arel House boiler replacement	**18,518**	-
Athletic Center card reader	**-**	7,306
Auditorium carpeting	**3,670**	18,077
Auditorium fire curtain	**14,150**	-
Auditorium front stairs	**21,712**	-
Blake House carpet and flooring	**-**	23,750
Boiler 3 rebuild	**70,337**	-
Business office reconfiguration	**11,915**	-
Chapel exterior painting	**10,875**	-
Fire alarm - wireless connection	**-**	26,630
Fire safety improvements	**17,024**	63,611
Gardner window replacement	**21,738**	15,804
Headmaster's residence renovations	**-**	6,175
Hettinger faculty kitchens	**27,683**	-
Hettinger replacement windows	**26,410**	-
Initial design phase - new dormitory	**164,495**	-
IT switch overhaul	**48,350**	-
Johnston roof	**-**	16,050
Library elevator	**12,671**	-
Merriman dorm expansion	**-**	191,153
Old Whitney/Gardner hot water boiler	**13,132**	-
Old Whitney heating control	**-**	8,080
Old Whitney carpet and flooring	**-**	10,856
Roads on campus - paving	**-**	-
Science Center	**-**	249,127
Sewer stations/cross connections	**24,157**	8,081
Stevens House exterior renovation	**-**	43,080
Stevens/Bigelow driveway	**-**	20,240
Synthetic turf fields	**-**	17,715
Thompson House renovation	**-**	47,499
Wireless PA system	**-**	1,309
Total trustee approved projects	**$ 518,306**	$ 780,543
Total additions to school plant	**$ 595,230**	$ 811,094

Brooks School

Schedules of Cash Gifts Received
Years Ended June 30, 2011 and 2010

	Unrestricted	Restricted	Total
2011:			
Current unrestricted fund	$ 2,482,588	$ -	$ 2,482,588
Current restricted fund	-	1,439,747	1,439,747
Endowment fund	-	789,009	789,009
Plant fund	34,985	1,668,557	1,703,542
	$ 2,517,573	$ 3,897,313	$ 6,414,886
2010:			
Current unrestricted fund	$ 2,448,826	$ -	$ 2,448,826
Current restricted fund	-	715,278	715,278
Endowment fund	-	344,822	344,822
Plant fund	170,106	539,205	709,311
	$ 2,618,932	$ 1,599,305	$ 4,218,237