BEVERLY SCHOOL FOR THE DEAF

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

BEVERLY SCHOOL FOR THE DEAF

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Beverly School for the Deaf
Beverly, Massachusetts

We have audited the accompanying statement of financial position of Beverly School for the Deaf (a non-profit organization) as of June 30, 2009 and the related statements of activities, changes in net assets and cash flows for the year 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 audit. The prior year summarized comparative information has been derived from the School's June 30, 2008 financial statements and, in our report dated September 22, 2008, we expressed an unqualified opinion on those financial statements.

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 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 audit provides 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 Beverly School for the Deaf as of June 30, 2009 and the results of its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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K.E.McGillivray & Company, LLC

September 18, 2009

BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009 AND 2008

	2009	2008
ASSETS:		
Cash and cash equivalents	$ 364,702	$ 130,819
Accounts receivable:		
Tuition less allowance for doubtful accounts of $5,000 in 2009 and 2008	240,643	239,928
Prepaid expenses	17,750	9,256
Investments, at market	262,872	253,295
Property, plant and equipment	546,231	526,781
TOTAL ASSETS	$ 1,432,198	$ 1,160,079
LIABILITIES:		
Accounts payable and accrued expenses	$ 163,127	$ 113,392
Deferred income	-	5,208
Notes payable	27,025	-
Total liabilities	190,152	118,600
NET ASSETS		
Unrestricted	1,211,452	1,008,941
Temporarily restricted	1,656	3,600
Permanently restricted	28,938	28,938
Total net assets	1,242,046	1,041,479
TOTAL LIABILITIES AND ASSETS	$ 1,432,198	$ 1,160,079

See Notes to Financial Statements.

BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
SUPPORT AND REVENUES:					
Tuition and fees, academic year	$ 3,047,616	$ -	$ -	$ 3,047,616	$ 2,282,781
Summer programs	266,653	-	-	266,653	177,439
Other programs	117,781	-	-	117,781	89,313
Grant income	-	6,250	-	6,250	13,869
Contributions	44,423	75,766	-	120,189	136,251
Interest and dividends	6,876	-	-	6,876	10,620
Net unrealized and realized gains (losses) on investments	3,586	-	-	3,586	3,741
Rental income	201,237	-	-	201,237	226,482
Special Events	34,943	-	-	34,943	37,385
Other income	91,618	-	-	91,618	101,240
Satisfaction of time and program restrictions	83,960	(83,960)	-	-	-
Total support and revenues	3,898,693	(1,944)	-	3,896,749	3,079,121
EXPENSES:					
Instructional and program related	2,404,183	-	-	2,404,183	2,104,128
Summer	8,341	-	-	8,341	5,736
Other programs	230,265	-	-	230,265	124,016
Physical plant	264,384	-	-	264,384	250,457
Fund raising	91,424	-	-	91,424	75,652
Administration and general	697,585	-	-	697,585	403,056
Total expenses	3,696,182	-	-	3,696,182	2,963,045
CHANGE IN NET ASSETS	$ 202,511	$ (1,944)	$ -	$ 200,567	$ 116,076

See Notes to Financial Statements.

BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2009 AND 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
NET ASSETS, JUNE 30, 2007	$ 889,430	$ 7,035	$ 28,938	$ 925,403
Change in net assets	119,511	(3,435)	-	116,076
NET ASSETS, JUNE 30, 2008	$ 1,008,941	$ 3,600	$ 28,938	$ 1,041,479
Change in net assets	202,511	(1,944)	-	200,567
NET ASSETS, JUNE 30, 2009	$ 1,211,452	$ 1,656	$ 28,938	$ 1,242,046

See Notes to Financial Statements.

BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 200,567	$ 116,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	81,831	76,505
Net unrealized and realized (gains) losses on investments	(3,586)	(3,741)
Donation of equipment	(6,975)	-
(Increase) decrease in accounts receivable, tuition	(715)	(122,307)
(Increase) decrease in prepaid expenses	(8,494)	(1,150)
Increase (decrease) in accounts payable and accrued expenses	49,735	34,387
Increase (decrease) in deferred income	(5,208)	(436)
Net cash provided by (used in) operating activities	307,155	99,334
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments, net of purchases	(5,991)	(10,238)
Purchase of property, plant and equipment, net of dispositions	(63,484)	(79,907)
Net cash provided by (used in) investing activities	(69,475)	(90,145)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) notes payable, net	(3,797)	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	233,883	9,189
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	130,819	121,630
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 364,702	$ 130,819

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Nature of Organization - Beverly School for the Deaf is a private nonprofit Department of Education approved facility incorporated in 1876 to provide educational programs designed to meet special language and learning needs of deaf, hard of hearing, multi-handicapped and communication-impaired children. The School offers the following programs:

- Adapt Day - Instruction to multi-handicapped youngsters from 3 to 22 years old
- Summer Program - Instruction for deaf, multi-handicapped, communication-impaired children, ages 3 to 12, during summer months
- Parent/Infant-Toddler Program - Instructional services to families with infants and toddlers with hearing loss
- Outreach Program – Sign language instruction, evening classes

The School's support comes primarily from tuition paid by cities and towns located in Massachusetts, individual and corporate donor contributions, and government grants and subsidies.

Basis of Presentation - The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Expense Allocation - The costs of providing the various services and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Investment Gains – Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed stipulation or by law.

The School's management has interpreted Massachusetts General Law 180A to mean that unrealized and realized investment gains attributable to permanently restricted net assets (endowed funds) cannot be expended unless the School's Board has voted to appropriate those funds for their intended purpose. Amounts in excess of appropriations are treated as an increase in temporarily restricted net assets. At June 30, 2009 no appropriation has been voted for or made.

Note 1 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - For the purposes of reporting cash flows, cash and cash equivalents includes cash in the School's operating account, money market account and US Treasury obligations with maturities of less than three months.

Accounts Receivable - Accounts receivable are recorded at cost, net of any allowance for doubtful accounts. When necessary an allowance for doubtful accounts on customers' accounts is established and is based on management's estimate of the collectability of accounts receivable based on prior experience and knowledge of the customer. There is no interest accrued on outstanding balances. Management has reviewed accounts receivable as of June 30, 2009 and has established an allowance for doubtful accounts of $5,000.

Investments - Investments are presented in the financial statements at fair market value when readily determinable. Investments donated to the School are stated at fair market. Fair market value is determined using quoted marked prices at the date of the gift. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is shown in the statement of activities.

Endowments – The School's endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees of School has interpreted the Massachusetts Management of Institutional Funds Law ("the Law"), governing the School's net asset classifications of restricted endowment funds 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 may accumulate so much of the annual net income as is deemed prudent to meet (1) the long and short term needs of the School in carrying out its mission (2) problems specific to the School, (3) present and anticipated financial requirements, (4) expected total return on its investments, (5) price level trends, and (6) general economic conditions. In addition, the School may hold any or all of cash accumulated income for subsequent expenditure for the uses and purposes for which the endowment was established or may add any or all of the accumulated income to the principal endowment fund that is deemed prudent.

In accordance with the Law, the School considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of the organization and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of the organization, (vii) the investment policies of the organization.

Note 1 - Summary of Significant Accounting Policies (Continued)

Endowments (continued)

Investment and Spending Policies - 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 the endowment assets. Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

To satisfy its long-term rate-of-return objections, 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 places a greater emphasis on short term government bonds, thus minimize market risk and volatility, in order to achieve its long-term return objectives.

The School has a policy of appropriating 100% of the endowment earnings for distribution. In establishing this policy, the School considered the long-term expected return on its endowment fund assets. Accordingly, over the long term, the School expects the current spending policy to be consistent with the School's objective to provide a predictable stream of funding to programs supported by the endowment while maintaining the purchasing power of the endowment fund assets held in perpetuity.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires the School to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the Unites States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2009.

Property, Plant and Equipment – Expenditures for purchases, greater than $1,000 and an expected useful life exceeding one year, are capitalized and depreciated over their estimated useful life. Purchased assets are carried at cost; while donated assets are carried at their fair market value at the time of the donation. Maintenance, repairs and minor renewals are expensed as incurred. Renewals and betterments are capitalized. When an asset is retired or disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss on the disposition is credited or charged to income. Provision is made on the straight-line method for depreciation by annual charges to operations calculated to absorb the costs over the estimated useful lives of the assets.

Deferred Revenue and Expenses - Tuition deposits and prepayments are deferred to the year to which such amounts are applicable.

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributed Services - The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the School, but these services do not meet the criteria for recognition as contributed services.

Revenues - 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. Expirations of temporary restrictions on net assets by fulfillment of the donor-imposed stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets.

Satisfaction of Restrictions - Restricted contributions received and expended within the fiscal year and the capital gains and investment income earned thereon are classified directly to unrestricted net assets.

Comparative Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset category. 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 School's financial statements for the year ended June 30, 2008 from which the summarized financial information was derived.

Advertising - During the year ended June 30, 2009, advertising costs in the amount of $7,412, which are included in administration and general expenses, are expensed as incurred.

Income Tax Status - The School is qualified under Section 501 (c) (3) of the Internal Revenue Code and is exempt from Federal and state income taxes except for net revenue from unrelated business.

Pursuant to the FASB's Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, the School has elected to defer the application of FIN 48 to its fiscal year commencing July 1, 2009 (see Note 1 - Recent Accounting Pronouncements). The School's current policy is to recognize the effect of uncertain tax positions in the financial statements on as as-filed or to-be filed basis. Any changes in uncertain tax positions are recorded in the period when the ultimate outcome becomes known. The School does not believe its financial statements include (or reflect) any uncertain tax positions.

Concentrations - The School maintains its operating cash balances primarily with one financial institution. The balances in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Emergency Economic Stabilization Act of 2008 temporarily increased the FDIC limit on deposit currently insured at the $100,000 limit to $250,000. The temporary increase is effective through December 31, 2013. At June 30, 2009 no balances exceeded this limit.

The School grants credit to its customers, primarily parents of students and municipalities and government agencies located in New England, during the normal course of business. The School performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from them.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying notes. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, depreciation and amortization, taxes and contingencies. Actual results could differ from these estimates.

Impairment of Long-Lived Assets - Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Measurement of an impairment loss for long-lived assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Reclassifications - Certain comparative totals have been reclassified in order to conform to the current year's presentation.

Subsequent events - The School has evaluated subsequent events through September 23, 2009, which is the date these financial statements were issued.

Recent Accounting Pronouncements and Changes in Massachusetts General Laws:

In July, 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income tax positions recognized in an entity's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes.* FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an uncertain tax position taken or expected to be taken in a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006. In February, 2008, the FASB issued Staff Position No. FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* (FSP FIN 48-2), which amended FIN 48 to delay its effective date for certain nonpublic enterprises, including not-for-profit organizations, to fiscal years beginning after December 15, 2007. On December 30, 2008, the FASB issued Staff Position No. FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises,* which amended FIN 48 to provide an additional deferral of its effective date to give the FASB time to develop guidance on the application of FIN 48 by not-for-profit organizations and pass-through entities such as S-corporations and partnerships. FSP FIN 48-3 delays the effective date of FIN 48 for certain nonpublic enterprises to fiscal years beginning after December 15, 2008. FSP FIN 48-3 requires a nonpublic enterprise that elects to defer the application of FIN 48 to disclose that fact and its accounting policy for evaluating uncertain tax positions for each set of financial statements where the deferral applies (see Note 1 – Income Taxes). On September 2, 2009, the FASB issued additional implementation guidance on accounting for uncertainty in income taxes and disclosure for nonpublic entities which is effective upon adoption of FIN 48 by the School. The guidance addresses: (1) where an income tax paid by an entity is attributable to the entity or its owners; (2) what constitutes a tax position for a pass-through entity or a tax-exempt not-for-profit entity; and (3) how to apply the accounting for uncertainty in income taxes when a group of related entities comprise both taxable and nontaxable entities. The FASB also eliminated certain disclosures required by FIN 48 for nonpublic entities. The School does not believe that its adoption of FIN 48 in 2010 will have a material impact on the School's financial statements.

Note 1 - Accounting Policies (Continued)

Recent Accounting Pronouncements and Changes in Massachusetts General Laws: (continued)

In September, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, the FASB issued Staff Position No. 157-2, *Effective Date of FASB Statement No. 157* (FSP SFAS 157-2). FSP SFAS 157-2 amends SFAS 157 to delay the effective date of the standard to fiscal years beginning after November 15, 2008, as it relates to nonfinancial assets and nonfinancial liabilities. The School has adopted SFAS 157 for financial assets and financial liabilities, as required, effective as of July 1, 2008. The adoption of SFAS 157 did not have a material impact on the School's financial statements. The School does not believe that its adoption of SFAS 157 for nonfinancial assets and nonfinancial liabilities in 2010 will have a material impact on the School's financial statements.

Through the year ended June 30, 2009, the School's management and investment of donor-restricted endowment funds was subject to the provisions of the Massachusetts Uniform Management of Institutional Funds Act (UMIFA). On July 2, 2009, the Commonwealth of Massachusetts enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to all endowment funds in existence on or established after June 30, 2009. Massachusetts UPMIFA governs only decisions made on or actions taken on or after June 30, 2009. Massachusetts UPMIFA provides stronger guidance for investment management through a more exact set of rules for investing in a prudent manner. In addition, among its other provisions, Massachusetts UPMIFA eliminates the concept of historic dollar value; that is, the threshold amount below which an Organization could not spend from donor-restricted endowment funds. Accordingly, Massachusetts UPMIFA permits an organization to appropriate for expenditure or accumulate so much of an endowment funds as the organization determines to be prudent for its uses, benefits, purposes and duration for which the endowment fund is established. The School is currently reviewing the provisions of Massachusetts UPMIFA and evaluating the impact of its adoption on the School's financial statements.

Note 2 - 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 estimated fair value. Contributions to be received after June 30, 2009 are reported as receivables in the temporarily restricted net asset class and are discounted at an appropriate discount rate commensurate with the risks 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 contributions 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.

There are no conditional or unconditional promises at June 30, 2009.

Note 3 - Investments

Investments are comprised of the following at June 30, 2009:

	Cost	Market
Money market funds	$ 126,058	$ 126,058
Fixed income	129,510	136,814
	$ 255,568	$ 262,872

The following schedule summarizes the relationship between cost and market values of investment assets at June 30, 2009:

	Cost	Market Value	Excess of Market over Cost
Balance, end of year	$ 255,568	$ 262,872	$ 7,304
Balance, beginning of year	$ 249,577	$ 253,295	3,718
Increase (decrease) in unrealized appreciation			3,586
Realized net gain (loss) for the year			-0-
Total net gain (loss) for the year			$ 3,586

Endowment assets include those assets of donor-restricted funds that the School must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The endowment net assets consisted of permanently restricted funds in the amount of $28,938 as of June 30, 2009 and 2008.

Note 4 - Fair Value Measurements

Effective July 1, 2008, the Plan adopted FASB Statement No. 157, Fair Value Measurements, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described as follows:

Note 4 - Fair Value Measurements (continued)

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access. Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
- quoted prices for identical or similar assets in inactive markets

Level 2 Inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. SFAS No. 157 required the use of observable data if such data is available without undue costs and effort.

As of June 30, 2009 and 2008, the Plan's assets held for investments in the amount of $262,872 and $253,295, respectively, are all considered to be valued using Level 1 on the fair value hierarchy listed above.

Note 5 - Property and Equipment

A summary of property and equipment at June 30, 2009 is as follows:

Land and improvements	$ 76,483
Buildings and improvements	1,437,563
Furnishings and equipment	602,942
Vehicles	66,512
	2,183,500
Less: accumulated depreciation	(1,637,269)
	$ 546,231

Note 6 - Notes Payable

A summary of long-term debt at June 30, 2009 is as follows:

7.99% installment note payable to Ford Credit, collateralized by two vehicles, with principal and interest payable in annual installments of $627 through August 2013.	$ 27,025

Note 6 - Notes Payable (continued)

The combined annual maturities for long-term debt at June 30, 2009 are as follows:

Years ending June 30,	
2010	$ 6,043
2011	6,063
2012	6,566
2013	7,112
2014	1,241
Total	$ 27,025

Note 7 - Line of Credit

The School has a line of credit available from Beverly National Bank to a maximum amount of $275,000 with variable interest payable monthly at a rate not to exceed the Wall Street Journal published prime rate. The line of credit is unsecured and is payable on demand. As of June 30, 2009 no borrowings were outstanding on the line of credit.

Note 8 - Restricted Net Assets

Following is a summary of temporarily and permanently restricted net assets at June 30, 2009:

Temporarily Restricted:	
Contributions with purpose restrictions:	
Library & Media	$ 1,656
Permanently Restricted:	
Endowment funds without income restrictions	$ 23,721
Endowment funds with income restrictions	5,217
	$ 28,938

Note 9 - Cash Flow Information

During the year ended June 30, 2009 the School paid interest of $5,207.

Note 10 - Concentrations

The School accounts for approximately 94 percent of its tuition and fees from local and state governmental units, primarily in Massachusetts.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of investments held by broker/dealers and assets held in trust accounts with trustees located in Massachusetts.

The School grants credit to its customers, primarily parents of students and municipalities and government agencies located in New England, during the normal course of business. The School performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from them.

Note 11 - Lease Income

The School leases the Dormitory to Health and Education Services, Inc. (HES). The lease term is for ten years expiring in April 2012. As of August 2009, the School no longer leases the Hill House to HES. The School currently occupies and utilizes the space for administrative purposes.

The minimum future receipts under the Dormitory lease are as follows:

June 30, 2010	$ 140,000
June 30, 2011	$ 140,000
June 30, 2012	$ 116,667

Note 12 - State Funding

Commencing with the year ended June 30, 1993, the Commonwealth of Massachusetts Operational Services Division (OSD) requires the School to calculate and separately disclose the surplus (deficit) revenue retention as part of the current unrestricted operating fund balance. This calculation, computed annually, will include the aggregate surpluses and deficits generated in School provided programs receiving Commonwealth funds. Surpluses in excess of five percent annually and twenty percent cumulatively will be recorded as a liability to the Commonwealth.

The calculation of surplus (deficit) revenue retention, and any related liability, is as follows:

For the years ended June 30,	Surplus (deficit) Revenue retention	Liability
2009	$ (148,552)	$ -
1993 - 2008	(2,490,409)	-
Cumulative surplus (deficit)	$ (2,638,961)	$ -

Note 13 - Commitments and Contingencies

Grants, bequests, and endowments - Grants, bequests, and endowments may require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill these conditions, or in the case of endowments, failure to continue to fulfill them, could result in the return of the monies to grantors. The School deems this contingency to be remote, because by accepting the gifts and their terms, it has accommoda ted the objectives of the organization to the provision of the gift.

Leases - The School leases equipment with estimated monthly costs of approximately $900 maturing at various dates over the next year.

Note 14 - Retirement Plan

The School has a Tax Deferred Annuity Plan issued by the Teachers' Insurance and Annuity Association. All full-time employees are eligible to participate in the plan. The plan is a defined contribution plan that allows employees to contribute a portion of their salary upon employment, which is matched by an employer contribution of 5% of each employee's salary after one year, to the plan. The plan purchases annuity contracts with the proceeds from the employee and employer contributions. All employee contributions are immedia tely vested in the plan. The School's matching contributions to the plan were $53,073 in 2009.

Note 15 - Related Party Transactions

Two of the School’s board member’s are employees of the School’s primarily banking institute. The School has a line of credit available from this bank to a maximum amount of $275,000. No borrowings were outstanding as of June 30, 2009. The bank is the holder of cash and cash equivalents totaling $360,109 at June 30, 2009.

One of the board members is the president of a college where the School holds a fundraising event. Payment s to the college for this special event amounted to $7,810 during the year ended June 30, 2009.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

To the Board of Trustees
Beverly School for the Deaf
Beverly, Massachusetts

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of Beverly School for the Deaf for the year ended June 30, 2009, which is presented in the preceding section of this report. The information contained on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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KEMcGillivray & Company, LLC

September 18, 2009

BEVERLY SCHOOL FOR THE DEAF

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR 2008)

	Instructional	Summer	Other Programs	Physical Plant	Fund raising	Administration and general	Totals 2009	Totals 2008
Advertising	$ -	$ -	$ -	$ -	$ -	$ 7,412	$ 7,412	$ 3,431
Benefits	205,896	674	19,954	8,825	6,994	31,977	274,320	261,203
Depreciation	-	-	-	81,831	-	-	81,831	76,505
Dues	-	-	-	-	-	16,737	16,737	16,704
Equipment rental	8,452	-	-	-	-	-	8,452	11,504
Food service	13,728	-	-	-	-	-	13,728	11,772
Grants	-	-	-	-	-	-	-	3,671
Insurance	-	-	-	-	-	56,058	56,058	51,763
Interest	-	-	-	-	-	5,207	5,207	8,924
Interpreting	7,984	-	-	-	-	-	7,984	11,663
Miscellaneous	878	-	-	-	-	2,123	3,001	2,801
Outside services	9,245	-	-	-	-	8,954	18,199	14,166
Payroll taxes	140,563	460	13,623	6,025	4,775	21,830	187,276	154,348
Postage and mailing	-	-	-	-	-	11,107	11,107	6,613
Professional fees	2	-	-	-	-	213,740	213,742	21,755
Repairs and maintenance	-	-	-	39,496	-	-	39,496	32,348
Salaries and wages	1,933,269	6,330	187,361	82,865	65,672	300,249	2,575,746	2,128,242
Supplies	39,890	877	1,885	4,348	13,983	8,630	69,613	40,622
Training and conferences	21,001	-	-	-	-	526	21,527	21,049
Travel and entertainment	3,151	-	7,442	-	-	5,482	16,075	23,096
Unemployment compensation	20,124	-	-	-	-	-	20,124	24,318
Utilities and telephone	-	-	-	40,994	-	7,553	48,547	36,547
Totals, June 30, 2009	$ 2,404,183	$ 8,341	$ 230,265	$ 264,384	$ 91,424	$ 697,585	$ 3,696,182	
Totals, June 30, 2008	$ 2,104,128	$ 5,736	$ 124,016	$ 250,457	$ 75,652	$ 403,056		$ 2,963,045

See Independent Auditors' Report on Accompanying Information.