THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Children's Center for Communication, Beverly School for the Deaf
Beverly, Massachusetts

We have audited the accompanying statement of financial position of The Children's Center for Communication, Beverly School for the Deaf (a non-profit organization) as of June 30, 2010 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 Organization '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 Organization 's June 30, 2009 financial statements and, in our report dated September 18, 2009; 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, 2010 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

October 20, 2010

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	2010	2009
ASSETS:		
Cash and cash equivalents	$ 657,018	$ 364,702
Accounts receivable:		
Tuition, less allowance for doubtful accounts of $5,000 in 2010 and 2009	302,175	240,643
Prepaid expenses	9,251	17,750
Investments, at market	-	262,872
Property, plant and equipment	1,534,493	546,231
Intangible asset, net of amortization of $1,565 in 2010	45,397	-
TOTAL ASSETS	$ 2,548,334	$ 1,432,198
LIABILITIES:		
Accounts payable and accrued expenses	$ 98,839	$ 163,127
Notes payable	47,993	27,025
Notes payable, construction loan	793,392	-
Total liabilities	940,224	190,152
NET ASSETS		
Unrestricted	1,427,216	1,211,452
Temporarily restricted	151,956	1,656
Permanently restricted	28,938	28,938
Total net assets	1,608,110	1,242,046
TOTAL LIABILITIES AND ASSETS	$ 2,548,334	$ 1,432,198

See Notes to Financial Statements.

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR 2009)

	Unrestriced	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
SUPPORT AND REVENUES:					
Tuition and fees, academic year	$ 3,356,563	$ -	$ -	$ 3,356,563	$ 3,047,616
Summer programs	338,277	-	-	338,277	266,653
Other programs	84,823	-	-	84,823	117,781
Grant income	-	12,100	-	12,100	6,250
Contributions	57,686	202,630	-	260,316	120,189
Interest and dividends	3,157	-	-	3,157	6,876
Net unrealized and realized gains (losses) on investments	1,886	-	-	1,886	3,586
Rental income	147,848	-	-	147,848	201,237
Special Events	44,917	-	-	44,917	34,943
Other income	80,866	-	-	80,866	91,618
Satisfaction of time and program restrictions	64,430	(64,430)	-	-	-
Total support and revenues	4,180,453	150,300	-	4,330,753	3,896,749
EXPENSES:					
Instructional and program related	2,695,909	-	-	2,695,909	2,404,183
Summer	10,814	-	-	10,814	8,341
Other programs	163,335	-	-	163,335	230,265
Physical plant	327,000	-	-	327,000	264,384
Fund raising	189,898	-	-	189,898	91,424
Administration and general	577,733	-	-	577,733	697,585
Total expenses	3,964,689	-	-	3,964,689	3,696,182
CHANGE IN NET ASSETS	$ 215,764	$ 150,300	$ -	$ 366,064	$ 200,567

See Notes to Financial Statements.

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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
Change in net assets	215,764	150,300	-	366,064
NET ASSETS, JUNE 30, 2010	$ 1,427,216	$ 151,956	$ 28,938	$ 1,608,110

See Notes to Financial Statements.

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 366,064	$ 200,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	108,390	81,831
Net unrealized and realized (gains) losses on investments	(1,886)	(3,586)
Donation of equipment	-	(6,975)
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, tuition	(61,532)	(715)
(Increase) decrease in prepaid expenses	8,499	(8,494)
Increase (decrease) in accounts payable and accrued expenses	(64,288)	49,735
Increase (decrease) in deferred income	-	(5,208)
Net cash provided by (used in) operating activities	355,247	307,155
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments, net of purchases	264,758	(5,991)
Purchase of property, plant and equipment, net of dispositions	(318,230)	(63,484)
Net cash provided by (used in) investing activities	(53,472)	(69,475)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) notes payable, net	(9,420)	(3,797)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	292,355	233,883
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	364,702	130,819
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 657,057	$ 364,702

See Notes to Financial Statements.

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies

Nature of Organization – The Children's Center for Communication, Beverly School for the Deaf (the "Organization") is a private nonprofit Department of Education approved facility incorporated in 1876 to provide educational programs designed to meet the academic and therapeutic needs of deaf and hearing children and their families, living with communication and developmental challenges by providing comprehensive educational and communication-rich 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 Organization'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 Organization 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.

Cash and Cash Equivalents - For the purposes of reporting cash flows, cash and cash equivalents includes cash in the Organization'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, 2010 and has established an allowance for doubtful accounts of $5,000.

Note 1 - Summary of Significant Accounting Policies (Continued)

Investments - Investments are presented in the financial statements at fair market value when readily determinable. Investments donated to the Organization 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 Organization'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 the Organization has interpreted the Massachusetts Management of Institutional Funds Law ("the Law"), governing the Organization'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 Organization may accumulate so much of the annual net income as is deemed prudent to meet (1) the long and short term needs of the Organization in carrying out its mission (2) problems specific to the Organization, (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 Organization may hold any or all accumulated income 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 Organization 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.

Investment and Spending Policies - The Organization has adopted investment and spending policies for endowment assets that attempt to provide an annual benefit to the 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 Organization 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 Organization 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 Organization places a greater emphasis on short term government bonds, thus minimize market risk and volatility, in order to achieve its long-term return objectives.

Note 1 - Summary of Significant Accounting Policies (Continued)

Endowments (continued)

The Organization's Trustees have the authority to spend up to 5% of the endowment funds each fiscal year. The intended use of these funds must be approved by a unanimous vote of the Executive Committee or a majority vote of the Board of Trustees. In establishing this policy, the Organization considered the long-term expected return on its endowment fund assets. Accordingly, over the long term, the Organization expects the current spending policy to be consistent with the Organization's objective to provide an annual benefit to the 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 Organization 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, 2010.

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.

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 order to meet this requirement, the services must either create or enhance a nonfinancial asset or require specialized skills that would need to be purchased by the Organization if they were not donated. Many individuals volunteer their time and perform a variety of tasks that assist the Organization, 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Advertising - During the year ended June 30, 2010, advertising costs in the amount of $440, which are included in administration and general expenses, are expensed as incurred.

Income Tax Status - The Organization 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.

The Organization'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 Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

Concentrations - The Organization 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 increased the FDIC limit on deposit currently insured at the $100,000 limit to $250,000.

The Organization 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 Organization performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from them.

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 Organization has evaluated subsequent events through October 20, 2010, which is the date these financial statements were issued.

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 Organization's financial statements for the year ended June 30, 2009 from which the summarized financial information was derived.

Note 1 - Summary of Significant Accounting Policies (Continued)

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). Subsequent pronouncements allowed tax-exempt entities to delay the full application of FIN 48 until fiscal years beginning after December 15, 2008. 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.

In September, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* Subsequent pronouncements allowed tax-exempt entities to delay the full application of SFAS No. 157 until fiscal years beginning after November 15, 2008. 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. The adoption of SFAS 157 did not have a material impact on the Organization's financial statements.

Through the year ended June 30, 2009, the Organization'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.

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, 2010 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, 2010.

Note 3 - Investments

The following schedule summarizes the relationship between cost and market values of investment assets at June 30, 2010:

	Cost	Market Value	Excess of Market over Cost
Balance, end of year	$ -0-	$ -0-	$ -0-
Balance, beginning of year	$ 255,568	$ 262,872	7,304
Increase (decrease) in unrealized appreciation			(7,304)
Realized net gain (loss) for the year			9,190
Total net gain (loss) for the year			$ 1,886

Note 4 - Property and Equipment

A summary of property and equipment at June 30, 2010 is as follows:

Land and improvements	$ 76,483
Buildings and improvements	1,465,853
Construction in progress (Reference is made to Note 16)	1,012,313
Furnishings and equipment	466,323
Vehicles	93,300
	3,114,272
Less: accumulated depreciation	(1,579,779)
	$ 1,534,493

Note 5 - Notes Payable

A summary of long-term debt at June 30, 2010 is as follows:

7.99% installment note payable to Ford Credit, collateralized by three vehicles, with principal and interest payable in annual installments of $1,245 through August 2013 and $618 through October 2014.	$ 47,993

The combined annual maturities for long-term debt at June 30, 2010 are as follows:

Years ending June 30,	
2011	$ 11,483
2012	12,443
2013	13,484
2014	8,152
2015	2,431
Total	$ 47,993

Note 6 - Notes Payable, Construction Loan

The Organization has an interest only loan with Salem Five charged at the Wall Street Journal prime rate plus 2.0%, but not less than 5.5% (the "Floor") through the earlier of the issuance of an occupancy certificate or twelve months from the loan closing date or March 2011. Subsequent to this date, interest will be fixed for five years at the Federal Home Loan Bank of Boston five year advance rate plus 300 basis points, but not less than the Floor. Principal and interest will be payable in monthly installments based on a twenty-five year amortization basis. Thereafter, the interest rate will be adjusted and fixed for each of the subsequent five year periods, but not less than the Floor. The loan is collateralized by all Organization assets presently owned and subsequently acquired and used in the construction, operation or maintenance of the Organization.

The loan is subject to certain financial covenants including a minimum debt service ratio and maximum leverage ratio. At June 30, 2010, the Organization was in compliance with these covenants.

As of June 30, 2010 total balance outstanding on the construction loan amounted to $793,392.

Note 7 - Line of Credit

The Organization has a revolving line of credit available from Salem Five to a maximum amount of $250,000 with variable interest payable monthly at the Wall Street Journal prime rate plus 2.0%, but not less than 5.5%. The line of credit is secured by a second mortgage on the Organization's land and improvements. As of June 30, 2010 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, 2010:

Temporarily Restricted:	
Library and media	$ 1,276
New building	150,680
	$ 151,956
Permanently Restricted:	
Endowment funds without income restrictions	$ 23,721
Endowment funds with income restrictions	5,217
	$ 28,938

Note 9 - 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. The endowment net asset composition by type of fund as of June 30, 2010, included in cash and cash equivalents in the statement of financial position, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -0-	$ 151,956	$ 28,938	$ 180,894
Board-designated endowment funds	16,976	-	-	16,976
Total funds	$ 16,976	$ 151,956	$ 28,938	$ 197,870

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -0-	$ 1,656	$ 28,938	$ 30,594
Appropriation of endowment assets for expenditure	16,976	150,300	-	167,276
Endowment net assets, end of year	$ 16,976	$ 151,956	$ 28,938	$ 197,870

Note 10 - Cash Flow Information

During the year ended June 30, 2010 the Organization paid interest of $5,207.

Schedule of Non Cash Investing and Financing Activities
For the year ended June 30, 2010, the Organization financed equipment and the construction of a new building in the amount of $823,780.

Note 11 - Concentrations

The Organization accounts for approximately 95 percent of its tuition and fees from local and state governmental units, primarily in Massachusetts.

Financial instruments that potentially subject the Organization 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 Organization 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 Organization performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral from them.

Note 12 - Lease Income

The Organization leases the Dormitory to Health and Education Services, Inc. (HES). The lease term is for ten years expiring in April 2012. The minimum future receipts under the Dormitory lease are as follows:

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

Note 13 - State Funding

Commencing with the year ended June 30, 1993, the Commonwealth of Massachusetts Operational Services Division (OSD) requires the Organization 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
2010	$ (30,008)	$ -
1993 - 2009	(2,638,961)	-
Cumulative surplus (deficit)	$ (2,668,969)	$ -

Note 14 - 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 Organization deems this contingency to be remote, because by accepting the gifts and their terms, it has accommodated the objectives of the organization to the provision of the gift.

Leases - The Organization leases equipment with estimated monthly costs of approximately $260 maturing at various dates over the next several years.

Note 15 - Retirement Plan

The Organization 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 immediately vested in the plan. The Organization's matching contributions to the plan were $58,364 in 2010.

Note 16 - Related Party Transactions

Two of the Organization's board member's are employees of one of the Organization's banking institutions. The bank is the holder of cash and cash equivalents totaling $146,916 at June 30, 2010.

One of the board members is the president of a college where the Organization holds a fundraising event. Payments to the college for this special event amounted to $9,764 during the year ended June 30, 2010.

Note 17 - Subsequent events

The Organization is in the process of constructing a new building on its existing property to support the growing academic and administrative needs of the Organization. The cost of the project is anticipated to be approximately $5,375,000. As of June 30, 2010, the Organization has incurred construction costs of $1,012,313 (Reference is made to Note 4). Through the date of this report, total costs incurred amounted to approximately $2,960,000. The expected completion date of the project is February 2011.

INDEPENDENT AUDITORS' REPORT ON ACCOMPANYING INFORMATION

To the Board of Trustees
The Children's Center for Communication, 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 The Children's Center for Communication, Beverly School for the Deaf for the year ended June 30, 2010, which is presented in the preceding section of this report. The information contained on page 17 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

October 20, 2010

THE CHILDREN'S CENTER FOR COMMUNICATION
BEVERLY SCHOOL FOR THE DEAF

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR 2009)

	Instructional	Summer	Other Programs	Physical Plant	Fund raising	Administration and general	Totals 2010	Totals 2009
Advertising	$ -	$ -	$ -	$ -	$ -	$ 440	$ 440	$ 7,412
Benefits	225,756	865	13,332	10,874	13,740	31,606	296,173	274,320
Depreciation	-	-	-	108,390	-	-	108,390	81,831
Dues	-	-	-	-	-	17,065	17,065	16,737
Equipment rental	3,250	-	-	-	-	-	3,250	8,452
Food service	14,016	-	-	-	-	-	14,016	13,728
Grants	899	-	-	-	-	-	899	-
Insurance	-	-	-	-	-	80,578	80,578	56,058
Interest	-	-	-	-	-	11,513	11,513	5,207
Interpreting	10,636	-	-	-	-	-	10,636	7,984
Miscellaneous	3,579	-	-	-	-	3,825	7,404	3,001
Outside services	47,047	-	-	-	-	5,758	52,805	18,199
Payroll taxes	162,476	622	9,595	7,826	9,888	22,747	213,154	187,276
Postage and mailing	-	-	-	-	-	5,247	5,247	11,107
Professional fees	238	-	-	-	-	76,277	76,515	213,742
Repairs and maintenance	-	-	-	45,956	-	-	45,956	39,496
Salaries and wages	2,135,773	8,180	126,126	102,875	129,985	299,009	2,801,948	2,575,746
Supplies	57,240	1,147	8,179	5,354	36,285	6,048	114,253	69,613
Training and conferences	24,511	-	-	-	-	-	24,511	21,527
Travel and entertainment	3,417	-	6,103	-	-	6,527	16,047	16,075
Unemployment compensation	7,071	-	-	-	-	-	7,071	20,124
Utilities and telephone	-	-	-	45,725	-	11,093	56,818	48,547
Totals, June 30, 2010	$ 2,695,909	$ 10,814	$ 163,335	$ 327,000	$ 189,898	$ 577,733	$ 3,964,689	
Totals, June 30, 2009	$ 2,404,183	$ 8,341	$ 230,265	$ 264,384	$ 91,424	$ 697,585		$ 3,696,182

See Independent Auditors' Report on Accompanying Information.