

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

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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, 2012 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, 2011 financial statements and, in our report dated October 20, 2011; 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, 2012 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.



K.E. McGillivray & Company, LLC

September 5, 2012

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash and cash equivalents	\$ 1,746,471	\$ 1,375,738
Accounts receivable:		
Tuition, less allowance for doubtful accounts of \$5,000 in 2012 and 2011	206,965	283,282
Contributions, net	25,500	42,772
Marketable Securities	1,380	-
Prepaid expenses	16,484	15,890
Property, plant and equipment	5,712,304	5,807,121
Intangible asset, net of amortization of \$10,958 in 2012 and \$6,262 in 2011	<u>36,005</u>	<u>40,701</u>
TOTAL ASSETS	<u>\$ 7,745,109</u>	<u>\$ 7,565,504</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 131,061	\$ 90,421
Notes payable	5,242,313	5,328,451
Notes payable, construction loan	<u>-</u>	<u>-</u>
Total liabilities	<u>5,373,374</u>	<u>5,418,872</u>
NET ASSETS		
Unrestricted	2,274,785	2,054,049
Temporarily restricted	68,012	63,645
Permanently restricted	<u>28,938</u>	<u>28,938</u>
Total net assets	<u>2,371,735</u>	<u>2,146,632</u>
TOTAL LIABILITIES AND ASSETS	<u>\$ 7,745,109</u>	<u>\$ 7,565,504</u>

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
SUPPORT AND REVENUES:					
Tuition and fees, academic year	\$ 4,187,004	\$ -	\$ -	\$ 4,187,004	\$ 3,421,858
Summer programs	-	-	-	-	370,306
Other programs	93,235	-	-	93,235	74,670
Grant income	16,200	54,605	-	70,805	13,100
Contributions	76,886	97,673	-	174,559	330,796
Interest and dividends	4,938	-	-	4,938	6,624
Net unrealized and realized gains (losses) on investments	(33)	-	-	(33)	-
Rental income	162,653	-	-	162,653	149,630
Special Events	36,989	-	-	36,989	42,387
Other income	62,076	-	-	62,076	67,590
Satisfaction of time and program restrictions	<u>147,911</u>	<u>(147,911)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 <u>4,787,859</u>	 <u>4,367</u>	 <u>-</u>	 <u>4,792,226</u>	 <u>4,476,961</u>
EXPENSES:					
Instructional and program related	3,007,972	-	-	3,007,972	2,668,237
Summer	-	-	-	-	4,590
Other programs	158,280	-	-	158,280	148,471
Physical plant	463,241	-	-	463,241	418,898
Fund raising	145,378	-	-	145,378	136,427
Administration and general	<u>792,252</u>	<u>-</u>	<u>-</u>	<u>792,252</u>	<u>561,816</u>
 Total expenses	 <u>4,567,123</u>	 <u>-</u>	 <u>-</u>	 <u>4,567,123</u>	 <u>3,938,439</u>
 CHANGE IN NET ASSETS	 <u>\$ 220,736</u>	 <u>\$ 4,367</u>	 <u>\$ -</u>	 <u>\$ 225,103</u>	 <u>\$ 538,522</u>

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, 2012 AND 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
NET ASSETS, JUNE 30, 2010	\$ 1,427,216	\$ 151,956	\$ 28,938	\$ 1,608,110
Change in net assets	<u>626,833</u>	<u>(88,311)</u>	<u>-</u>	<u>538,522</u>
NET ASSETS, JUNE 30, 2011	\$ 2,054,049	\$ 63,645	\$ 28,938	\$ 2,146,632
Change in net assets	<u>220,736</u>	<u>4,367</u>	<u>-</u>	<u>225,103</u>
NET ASSETS, JUNE 30, 2012	<u>\$ 2,274,785</u>	<u>\$ 68,012</u>	<u>\$ 28,938</u>	<u>\$ 2,371,735</u>

See Notes to Financial Statements.

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

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 225,103	\$ 538,522
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	241,158	130,681
Net unrealized and realized (gains) losses on investments	33	-
Donation of equipment	-	(20,000)
Change in assets and liabilities:		
Accounts receivable, tuition	76,317	18,893
Marketable securities	(1,413)	-
Contributions receivable	17,272	(42,772)
Prepaid expenses	(594)	(6,639)
Accounts payable and accrued expenses	<u>40,640</u>	<u>(8,418)</u>
Net cash provided by (used in) operating activities	<u>598,516</u>	<u>610,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net of dispositions	<u>(141,645)</u>	<u>(90,927)</u>
Net cash provided by (used in) investing activities	<u>(141,645)</u>	<u>(90,927)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) notes payable, net	<u>(86,138)</u>	<u>199,380</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	370,733	718,720
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,375,738</u>	<u>657,018</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,746,471</u>	<u>\$1,375,738</u>

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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.

- CCC Program - creates individualized educational services for multi-handicapped youths from 3 to 22 years old. The Organization utilizes a systematic approach to communication which includes the principles of Applied Behavioral Analysis (ABA) and other methodologies.
- BSD Program - provides access to language and information for all deaf and hard-of-hearing youths from 3 to 22 years old. The philosophy is based on the Center of ASL/English Bilingual Education and Research (CAEBER).

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, 2012 and has established an allowance for doubtful accounts of \$5,000.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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 market 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 objectives, 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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 United States of America, deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2012.

Property, Plant and Equipment – Expenditures for purchases, greater than \$2,000 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

The Organization's current policy is to recognize the effect of uncertain tax positions in the financial statements on an 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. Generally, these deposits may be redeemed upon demand and, therefore, bear minimal risk. All balances are insured by either the Federal Deposit Insurance Corporation (FDIC) or the Depositors Insurance fund (DIF).

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.

Subsequent events - The Organization has evaluated subsequent events through September 5, 2012, which is the date these financial statements were available to be 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, 2011 from which the summarized financial information was derived.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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, 2012 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 were no conditional promises to give as of June 30, 2012.

Contributions receivable, net, at June 30, 2012 is as follows:

Unconditional promises expected to be collected in:	<u>Temporarily</u> <u>Restricted</u>
Less than one year	\$ 10,000
One year to five years	<u>15,000</u>
Contribution receivable	<u>\$ 25,500</u>

Note 3 - Property and Equipment

A summary of property and equipment at June 30, 2012 is as follows:

Land and improvements	\$ 110,133
Buildings and improvements	6,777,872
Furnishings and equipment	642,282
Vehicles	<u>124,243</u>
	7,654,530
Less: accumulated depreciation	<u>(1,942,226)</u>
	<u>\$ 5,712,304</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 4 - Notes Payable

A summary of long-term debt at June 30, 2012 is as follows:

Note payable to Salem Five, secured by a mortgage lien on the land and buildings situated thereon, with original principle and interest payable in monthly installments of \$33,375 through May 2016. The rate is fixed for the first five years and adjusted thereafter for the ensuing five years at the Federal Home Loan Bank of Boston five year advance rate plus 300 basis points, with a floor of 5.5%. Monthly payments are based on a 25 year amortization basis.	\$ 5,199,056
7.99% installment note payable to Ford Credit, collateralized by four vehicles, with principal and interest payable in annual installments of \$1,931 through August 2013, \$1,304 through October 2014 and \$686 through December 2014.	<u>43,257</u>
Total	<u>\$ 5,242,313</u>

The combined annual maturities for long-term debt at June 30, 2012 are as follows:

<u>Years ending June 30,</u>	
2013	\$ 125,293
2014	126,289
2015	123,449
2016	123,897
2016	131,211
Thereafter	<u>4,612,174</u>
Total	<u>\$ 5,242,313</u>

The note payable to Salem Five is subject to certain financial covenants including a minimum debt service ratio and maximum leverage ratio. At June 30, 2012, management believes they are in compliance with all covenants.

Note 5 - 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, 2012 no borrowings were outstanding on the line of credit.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 6 - Restricted Net Assets

Following is a summary of temporarily and permanently restricted net assets at June 30, 2012:

Temporarily Restricted:		
Technology		\$ 29,724
Vocational room		12,564
Gym renovation		12,500
Ball field and new building		<u>13,224</u>
		<u>\$ 68,012</u>
Permanently Restricted:		
Endowment funds without income restrictions		\$ 23,721
Endowment funds with income restrictions		<u>5,217</u>
		<u>\$ 28,938</u>

Note 7 - 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, 2012, included in cash and cash equivalents in the statement of financial position, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -0-	\$ 68,012	\$ 28,938	\$ 96,950
Board-designated endowment funds	<u>18,380</u>	<u>-</u>	<u>-</u>	<u>18,380</u>
Total funds	<u>\$ 18,380</u>	<u>\$ 68,012</u>	<u>\$ 28,938</u>	<u>\$ 115,330</u>

Changes in the endowment net assets for the year ended June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 16,976	\$ 20,873	\$ 28,938	\$ 66,787
Contributions	1,404	152,276	-	153,680
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(105,137)</u>	<u>-</u>	<u>(105,137)</u>
Endowment net assets, end of year	<u>\$ 18,380</u>	<u>\$ 68,012</u>	<u>\$ 28,938</u>	<u>\$ 115,330</u>

Note 8 - Cash Flow Information

During the year ended June 30, 2012 the Organization paid interest of approximately \$312,000.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 9 - Concentrations

The Organization accounts for approximately 87 percent of its revenue 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 10 - Lease Income

The Organization leases the Dormitory and Hill House to two separate Massachusetts not-for-profit organizations. The lease terms are for two and three years, expiring in May 2014 and January 2015, respectively. Total minimum future receipts for the years ended June 30, 2013, 2014 and 2015, amount to \$171,000, \$147,667 and \$15,500, respectively.

Note 11 - 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:

<u>For the years ended June 30,</u>	<u>Surplus (deficit)</u> <u>Revenue retention</u>	<u>Liability</u>
2012	\$ (33,275)	\$ -
1993 - 2011	<u>(2,631,275)</u>	<u>-</u>
Cumulative surplus (deficit)	<u>\$ (2,664,552)</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

Note 12 - 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 \$220 maturing in March 2013.

Note 13 - 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. The employer's contribution to the plan is equal to 5% of each eligible employee's salary. 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 \$64,749 during the year ended June 30, 2012.



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, 2012, which is presented in the preceding section of this report. The information contained on page 16 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.

A handwritten signature in cursive script that reads 'KEMcGillivray & Company, LLC'.

KEMcGillivray & Company, LLC

September 5, 2012

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

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

(WITH COMPARATIVE TOTALS FOR 2011)

	<u>Instructional</u>	<u>Summer</u>	<u>Other Programs</u>	<u>Physical Plant</u>	<u>Fund raising</u>	<u>Administration and general</u>	<u>2012</u>	<u>2011</u>
Advertising	\$ -	\$ -	-	\$ -	\$ -	\$ 6,603	\$ 6,603	\$ 7,710
Depreciation	17,247	-	-	223,911	-	-	241,158	130,681
Dues	-	-	-	-	-	15,717	15,717	13,429
Employee benefits	204,254	-	10,561	9,165	8,647	22,963	255,590	248,959
Equipment rental	-	-	-	-	-	-	-	1,512
Food service	14,316	-	-	-	-	-	14,316	12,384
Grants	-	-	-	-	-	-	-	1,843
Insurance	-	-	-	-	-	68,597	68,597	60,052
Interest	-	-	-	-	-	311,887	311,887	89,665
Interpreting	3,514	-	-	-	-	-	3,514	5,907
Miscellaneous	268	-	-	-	-	4,391	4,659	2,965
Outside services	17,010	-	-	-	-	6,449	23,459	14,082
Payroll taxes	182,961	-	9,460	8,209	7,746	20,569	228,945	207,159
Postage and mailing	-	-	-	-	-	5,441	5,441	5,701
Professional fees	-	-	-	-	-	28,465	28,465	21,521
Repairs and maintenance	-	-	-	34,261	-	-	34,261	41,364
Salaries and wages	2,459,286	-	127,157	110,345	104,112	276,480	3,077,380	2,805,443
Supplies	73,296	-	5,475	5,817	24,055	5,323	113,966	98,801
Training and conferences	14,552	-	-	-	-	-	14,552	19,524
Travel and entertainment	1,944	-	4,628	17,328	-	6,889	30,789	63,024
Unemployment compensation	19,324	-	999	867	818	2,172	24,180	10,074
Utilities and telephone	-	-	-	53,338	-	10,306	63,644	76,639
Totals, June 30, 2012	\$ 3,007,972	\$ -	\$ 158,280	\$ 463,241	\$ 145,378	\$ 792,252	\$ 4,567,123	
Totals, June 30, 2011	\$ 2,668,237	\$ 4,590	\$ 148,471	\$ 418,898	\$ 136,427	\$ 561,816		\$ 3,938,439

See Independent Auditors' Report on Accompanying Information.