

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Children's Center for Communication, Beverly School for the Deaf, (a non-profit organization) which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center for Communication, Beverly School for the Deaf as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A

K.E.McGillivray & Company, LLC

September 12, 2013

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

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS:		
Cash and cash equivalents	\$ 2,213,520	\$ 1,746,471
Accounts receivable:		
Tuition, less allowance for doubtful accounts of \$5,000 in 2013 and 2012	288,135	206,965
Contributions, net	118,000	25,500
Marketable Securities	-	1,380
Prepaid expenses	15,778	16,484
Restricted cash	2,988	-
Property, plant and equipment	5,984,619	5,712,304
Intangible asset, net of amortization of \$3,646 in 2013 and \$10,958 in 2012	<u>51,047</u>	<u>36,005</u>
TOTAL ASSETS	<u>\$ 8,674,087</u>	<u>\$ 7,745,109</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 120,233	\$ 131,061
Bonds payable	5,403,377	-
Notes payable	45,525	5,242,313
Capital Lease	<u>8,523</u>	<u>-</u>
Total liabilities	<u>5,577,658</u>	<u>5,373,374</u>
NET ASSETS		
Unrestricted	2,912,790	2,274,785
Temporarily restricted	154,701	68,012
Permanently restricted	<u>28,938</u>	<u>28,938</u>
Total net assets	<u>3,096,429</u>	<u>2,371,735</u>
TOTAL LIABILITIES AND ASSETS	<u>\$ 8,674,087</u>	<u>\$ 7,745,109</u>

See Notes to Financial Statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
SUPPORT AND REVENUES:					
Tuition and fees, academic year	\$ 4,870,363	\$ -	\$ -	\$ 4,870,363	\$ 4,187,004
Other programs	105,733	-	-	105,733	93,235
Grant income	27,333	228,201	-	255,534	146,136
Contributions	104,457	49,128	-	153,585	99,228
Interest and dividends	3,248	-	-	3,248	4,938
Net unrealized and realized gains (losses) on investments	(41)	-	-	(41)	(33)
Rental income	185,123	-	-	185,123	162,653
Special Events	48,420	-	-	48,420	36,989
Other income	34,334	-	-	34,334	62,076
Satisfaction of time and program restrictions	<u>190,640</u>	<u>(190,640)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total support and revenues	 <u>5,569,610</u>	 <u>86,689</u>	 <u>-</u>	 <u>5,656,299</u>	 <u>4,792,226</u>
EXPENSES:					
Instructional and program related	3,543,186	-	-	3,543,186	3,007,972
Other programs	119,264	-	-	119,264	158,280
Physical plant	398,818	-	-	398,818	463,241
Fund raising	158,929	-	-	158,929	145,378
Administration and general	676,969	-	-	676,969	792,252
Loss on bond refinancing	<u>34,439</u>	<u>-</u>	<u>-</u>	<u>34,439</u>	<u>-</u>
 Total expenses	 <u>4,931,605</u>	 <u>-</u>	 <u>-</u>	 <u>4,931,605</u>	 <u>4,567,123</u>
 CHANGE IN NET ASSETS	 <u>\$ 638,005</u>	 <u>\$ 86,689</u>	 <u>\$ -</u>	 <u>\$ 724,694</u>	 <u>\$ 225,103</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, 2013 AND 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</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	\$ 2,274,785	\$ 68,012	\$ 28,938	\$ 2,371,735
Change in net assets	<u>638,005</u>	<u>86,689</u>	<u>-</u>	<u>724,694</u>
NET ASSETS, JUNE 30, 2013	<u>\$ 2,912,790</u>	<u>\$ 154,701</u>	<u>\$ 28,938</u>	<u>\$ 3,096,429</u>

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

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 724,694	\$ 225,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	274,815	241,158
Donation of equipment	(38,487)	-
Loss on bond refinancing	34,439	
Net unrealized and realized (gains) losses on investments	41	33
Change in assets and liabilities:		
Accounts receivable, tuition	(81,170)	76,317
Marketable securities	1,339	(1,413)
Contributions receivable	(92,500)	17,272
Prepaid expenses	706	(594)
Accounts payable and accrued expenses	<u>(10,828)</u>	<u>40,640</u>
Net cash provided by (used in) operating activities	<u>813,049</u>	<u>598,516</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment, net of dispositions	(467,690)	(141,645)
Restricted cash	<u>(2,988)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(470,678)</u>	<u>(141,645)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from (repayment of) bonds payable, net	5,348,684	-
Proceeds from (repayment of) notes payable, net	<u>(5,224,006)</u>	<u>(86,138)</u>
Net cash provided by (used in) investing activities	<u>124,678</u>	<u>(86,138)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	467,049	370,733
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,746,471</u>	<u>1,375,738</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,213,520</u>	<u>\$1,746,471</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, 2013

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, 2013 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, 2013

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, 2013

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, 2013.

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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies (Continued)

Income taxes - 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.

All tax exempt entities are subject to review and audit by federal, state and local agencies. Such agencies may review the taxability of unrelated business income, or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes. Currently, there are no audits of the Organization. With few exceptions, the Organization is no longer liable to federal or state examinations for tax years before 2009.

Capitalized Lease Obligations - Long-term lease transactions relating to the financing of property and equipment are accounted for as installment purchases of property and equipment. The capitalized lease obligations reflect, as a liability, the present value of future rental payments and corresponding amounts are capitalized as the cost of the assets and are depreciated over the estimated economic life of the assets using the straight-line method.

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 12, 2013, 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, 2012 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, 2013

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, 2013 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, 2013.

Contributions receivable, net, at June 30, 2013 is as follows:

Unconditional promises expected to be collected in:	<u>Temporarily</u> <u>Restricted</u>
Less than one year	\$ 68,000
One year to five years	<u>50,000</u>
Contribution receivable	<u>\$ 118,000</u>

Note 3 - Property and Equipment

A summary of property and equipment at June 30, 2013 is as follows:

Land and improvements	\$ 124,081
Buildings and improvements	7,171,302
Furnishings and equipment	749,605
Vehicles	<u>126,346</u>
	8,171,334
Less: accumulated depreciation	<u>(2,186,715)</u>
	<u>\$ 5,984,619</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 4 - Bond Payable

On November 1, 2012, the Massachusetts Development Finance Agency ("the issuer") issued a bond in the amount of \$5,485,000. Monthly principal and interest payments are due in the amount of \$27,018, thru November 2017, at an effective interest rate of 3.35%. Commencing December 2017, the Organization will pay principal and interest based on a 20 year amortization schedule, at a rate of .76 times the sum of the Federal Home Loan Bank Rate plus 3%. Maturity date of the bond is November 2037.

To the extent the bond is redeemed prior to the stated maturity, from a financial institution other than the Bondowner, the bond is subject to the following redemption premium:

<u>Redemption Period</u>	<u>Redemption Premium</u>
Closing date to November 8, 2014; November 9, 2017 to November 8, 2019:	3%
November 9, 2014 to November 8, 2016; November 9, 2019 to November 8, 2012:	2%
November 9, 2016 to November 8, 2017; November 9, 2021 to November 8, 2022:	1%

The bond is secured by a first position lien on all business assets of the Organization, as well as the assignment of all rental income. The agreement imposes certain restrictions on the Organization as to the disposition of assets, the incurrence of debt and the encumbering of property, in addition to certain financial covenants. At June 30, 2013, the Organization believes it is in compliance with all restrictions imposed by the Agreements.

Annual maturities and payments relating to the bond obligations at June 30, 2013 are as follows:

<u>Years ending June 30,</u>	
2014	\$ 145,481
2015	150,430
2016	155,547
2017	160,838
2018	166,310
Thereafter	<u>4,624,771</u>
Total	<u>\$ 5,403,377</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 5 - Notes Payable

A summary of long-term debt at June 30, 2013 is as follows:

4.74% to 7.99% installment notes payable to Ford Credit, collateralized by five vehicles, with principal and interest payable in annual installments of \$2,498 through August 2013, \$1,872 through October 2014, \$1,254 through December 2014 and \$567 through December 2016. \$ 45,525

The combined annual maturities for long-term debt at June 30, 2013 are as follows:

<u>Years ending June 30,</u>	
2014	\$ 22,623
2015	13,262
2016	6,805
2017	<u>2,835</u>
 Total	 <u>\$ 45,525</u>

Note 6 - Obligations Under Capital Leases

At June 30, 2013, the cost and accumulated depreciation of assets held under capital lease obligations, included with machinery and equipment in the accompanying balance sheets, are as follows:

Cost	\$ 8,523
Less accumulated depreciation	<u>-0-</u>
	<u>\$ 8,523</u>

Future minimum lease payments under this capital lease, together with the present value of the net minimum lease payments, as of June 30, 2013, are as follows:

<u>Years ended June 30,</u>	
2014	\$ 1,907
2015	1,907
2016	1,907
2017	1,907
2018	<u>1,907</u>
 Total minimum lease payments	 9,533
Less amount representing interest	<u>1,010</u>
 Present value of net minimum lease payments	 8,523
Less current portion	<u>1,555</u>
 Net long-term portion	 <u>\$ 6,968</u>

THE CHILDREN'S CENTER FOR COMMUNICATION
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NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 7 - Restricted Net Assets

Following is a summary of temporarily and permanently restricted net assets at June 30, 2013:

Temporarily Restricted:		
Technology		\$ 4,327
Physical therapy program		9,000
Speech therapy program		28,000
Ball field and new building		<u>113,373</u>
		<u>\$ 154,700</u>
Permanently Restricted:		
Endowment funds without income restrictions		\$ 23,721
Endowment funds with income restrictions		<u>5,217</u>
		<u>\$ 28,938</u>

Note 8 - 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, 2013, 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-	\$ 154,700	\$ 28,938	\$ 183,638
Board-designated endowment funds	<u>18,391</u>	<u>-</u>	<u>-</u>	<u>18,391</u>
Total funds	<u>\$ 18,391</u>	<u>\$ 154,700</u>	<u>\$ 28,938</u>	<u>\$ 202,029</u>

Changes in the endowment net assets for the year ended June 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,380	\$ 68,012	\$ 28,938	\$ 115,330
Contributions	11	277,328	-	277,339
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(190,640)</u>	<u>-</u>	<u>(190,640)</u>
Endowment net assets, end of year	<u>\$ 18,391</u>	<u>\$ 154,700</u>	<u>\$ 28,938</u>	<u>\$ 202,029</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

Note 9 - Cash Flow Information

During the year ended June 30, 2013 the Organization paid interest of \$244,381.

Note 10 - Concentrations

The Organization accounts for approximately 83 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 11 - Lease Income

The Organization leases the three of its facilities to three separate organizations. The lease terms are for one, two and three years, expiring in March 2014, May 2014 and January 2015, respectively. Total minimum future receipts for the years ended June 30, 2014 and 2015, amount to \$161,167 and \$15,500, respectively.

Note 12 - 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>
2013	\$ 142,040	\$ -
1993 - 2012	<u>(2,664,552)</u>	<u>-</u>
Cumulative surplus (deficit)	<u>\$ (2,522,512)</u>	<u>\$ -</u>

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

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 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 2015.

Litigation - Certain claims and complaints arising in the ordinary course of business have been filed or are pending against the Organization. In the opinion of management, all such matters are adequately covered by insurance, or if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a significant effect on the financial position of the Company if disposed of unfavorably.

Note 14 - 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 Organization matches 100% of the first 5% of total compensation that a participant contributes 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 \$60,570 during the year ended June 30, 2013.

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, 2013, 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.



KEMcGillivray & Company, LLC

September 12, 2013

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

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

(WITH COMPARATIVE TOTALS FOR 2012)

	<u>Instructional</u>	<u>Other Programs</u>	<u>Physical Plant</u>	<u>Fund raising</u>	<u>Administration and general</u>	<u>2013</u>	<u>Totals 2012</u>
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 4,881	\$ 4,881	\$ 6,603
Depreciation	85,047	2,854	175,804	3,620	7,490	274,815	241,158
Dues	-	-	-	-	15,740	15,740	15,717
Employee benefits	238,351	7,998	8,611	10,145	20,991	286,096	255,590
Food service	17,725	-	-	-	-	17,725	14,316
Insurance	-	-	-	-	67,988	67,988	68,597
Interest	-	-	-	-	229,643	229,643	311,887
Interpreting	3,538	-	-	-	-	3,538	3,514
Miscellaneous	-	-	-	-	2,729	2,729	4,659
Outside services	2,419	-	-	-	8,574	10,993	23,459
Payroll taxes	211,202	7,087	7,630	8,990	18,600	253,509	228,945
Postage and mailing	-	-	-	-	3,889	3,889	5,441
Professional fees	-	-	-	-	20,169	20,169	28,465
Repairs and maintenance	-	-	48,510	-	-	48,510	34,261
Salaries and wages	2,822,954	94,727	101,980	120,158	248,608	3,388,427	3,077,380
Supplies	106,175	1,981	3,698	15,573	5,732	133,159	113,966
Training and conferences	42,671	-	-	-	-	42,671	14,552
Travel and entertainment	2,691	4,268	4,720	-	9,558	21,237	30,789
Unemployment compensation	10,413	349	376	443	917	12,498	24,180
Utilities and telephone	-	-	47,489	-	11,460	58,949	63,644
	<u>-</u>	<u>-</u>	<u>47,489</u>	<u>-</u>	<u>11,460</u>	<u>58,949</u>	<u>63,644</u>
Totals, June 30, 2013	<u>\$ 3,543,186</u>	<u>\$ 119,264</u>	<u>\$ 398,818</u>	<u>\$ 158,929</u>	<u>\$ 676,969</u>	<u>\$ 4,897,166</u>	
Totals, June 30, 2012	<u>\$ 3,053,695</u>	<u>\$ 161,536</u>	<u>\$ 404,517</u>	<u>\$ 148,044</u>	<u>\$ 799,331</u>		<u>\$ 4,567,123</u>

See Independent Auditors' Report on Accompanying Information.