# Perkins School for the Blind

**Financial Statements**
**June 30, 2012 and 2011**

# Perkins School for the Blind
## Index
## June 30, 2012 and 2011

## Report of Independent Auditors

To the Board of Trustees of
Perkins School for the Blind

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Perkins School for the Blind (the "School") at June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

November 2, 2012

## Perkins School for the Blind
### Statements of Financial Position
### June 30, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,714,710 | $ 1,984,658 |
| Accounts receivable, net of reserve of $480,552 and $421,308 for 2012 and 2011, respectively | 5,732,287 | 3,462,473 |
| Interest and dividends receivable | 2,561 | 1,643 |
| Grants receivable | 147,594 | 222,565 |
| Pledges receivable, net (Note 2) | 7,714,740 | 8,693,881 |
| Other assets | 997,697 | 1,056,270 |
| Deposit with trustees (Note 11) | - | 2,128,044 |
| Inventory, net (Note 3) | 6,154,612 | 5,470,693 |
| Investments, at market (Note 4) | 226,667,242 | 245,114,335 |
| Assets held by outside trusts (Note 4, 6) | 9,870,710 | 10,081,337 |
| Land, buildings and equipment, net (Note 7) | 75,603,775 | 70,473,056 |
| Total assets | $ 334,605,928 | $ 348,688,955 |
| **Liabilities and Net Assets** | | |
| Accounts payable | $ 1,550,782 | $ 2,905,504 |
| Accrued payroll and other liabilities | 6,312,169 | 7,416,684 |
| Other long-term liability | 893,991 | 942,540 |
| Short-term note and bond payable (Note 11) | 581,565 | 475,632 |
| Long-term note and bond payable (Notes 10 and 11) | 42,942,803 | 41,699,794 |
| Asset retirement obligation | 1,417,259 | 1,349,770 |
| Total liabilities | 53,698,569 | 54,789,924 |
| Commitments and contingencies (Note 12) | | |
| Unrestricted net assets | | |
| Undesignated | 119,286,788 | 122,575,461 |
| Net investment in plant | 42,079,407 | 40,425,674 |
| | 161,366,195 | 163,001,135 |
| Temporarily restricted net assets | | |
| Designated for special purposes | 60,382,823 | 72,510,361 |
| Assets held by outside trusts | 521,664 | 709,871 |
| | 60,904,487 | 73,220,232 |
| Permanently restricted net assets | | |
| Assets held by the School | 49,287,631 | 48,306,198 |
| Assets held by outside trusts | 9,349,046 | 9,371,466 |
| | 58,636,677 | 57,677,664 |
| Total net assets | 280,907,359 | 293,899,031 |
| Total liabilities and net assets | $ 334,605,928 | $ 348,688,955 |

The accompanying notes are an integral part of these financial statements.

# Perkins School for the Blind
## Statements of Activities
## Years Ended June 30, 2012 and 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2012 Total | 2011 Total |
|---|---|---|---|---|---|
| **Operating** | | | | | |
| Revenues and other support | | | | | |
| Tuition | $ 31,948,629 | $ - | $ - | $ 31,948,629 | $ 31,576,983 |
| Income from outside trusts | 361,926 | - | - | 361,926 | 375,803 |
| Library services | 2,456,049 | - | - | 2,456,049 | 2,431,629 |
| Private grants | 3,155,720 | - | - | 3,155,720 | 2,409,272 |
| Government grants | 433,566 | - | - | 433,566 | 641,257 |
| Annual donations | 3,575,870 | 2,771,891 | - | 6,347,761 | 5,752,278 |
| Sale of materials for the blind | 6,340,139 | - | - | 6,340,139 | 8,329,343 |
| Other governmental revenues | 2,369,806 | - | - | 2,369,806 | 2,213,295 |
| Other private revenues | 934,161 | - | - | 934,161 | 986,323 |
| Total operating revenues | 51,575,866 | 2,771,891 | - | 54,347,757 | 54,716,183 |
| Nonoperating assets transferred for operations | | 14,049,353 | | 14,049,353 | 3,836,067 |
| Net assets released and reclassified from restrictions | 14,049,353 | (14,049,353) | | - | - |
| Total operating revenues and other support | 65,625,219 | 2,771,891 | - | 68,397,110 | 58,552,250 |
| **Expenses** | | | | | |
| Administration (Note 11) | 9,200,819 | - | - | 9,200,819 | 7,958,948 |
| Development | 3,726,693 | - | - | 3,726,693 | 3,256,697 |
| Total educational programs | 37,466,583 | - | - | 37,466,583 | 37,678,018 |
| Supporting services | 16,761,056 | - | - | 16,761,056 | 16,865,665 |
| Total operating expenses | 67,155,151 | - | - | 67,155,151 | 65,759,328 |
| Change in net assets from operating activities | (1,529,932) | 2,771,891 | - | 1,241,959 | (7,207,078) |
| **Nonoperating** | | | | | |
| Investment income | 1,076,323 | 308,167 | 18,086 | 1,402,576 | 1,159,777 |
| Gifts and legacies | 1,171,498 | 238,076 | 1,146,909 | 2,556,483 | 2,394,947 |
| Realized investment gains | 3,128,326 | 3,141,431 | 62,780 | 6,332,537 | 2,458,021 |
| Unrealized investment gains (losses) | (5,349,604) | (4,727,335) | (4,707) | (10,081,646) | 43,159,834 |
| Change in value of split interest | (131,551) | 1,378 | (264,055) | (394,228) | 1,345,115 |
| Nonoperating assets used for operations | | (14,049,353) | | (14,049,353) | (3,836,067) |
| Change in net assets from nonoperating activities | (105,008) | (15,087,636) | 959,013 | (14,233,631) | 46,681,627 |
| Total change in net assets | (1,634,940) | (12,315,745) | 959,013 | (12,991,672) | 39,474,549 |
| **Net assets** | | | | | |
| Beginning of year | 163,001,135 | 73,220,232 | 57,677,664 | 293,899,031 | 254,424,482 |
| End of year | $ 161,366,195 | $ 60,904,487 | $ 58,636,677 | $ 280,907,359 | $293,899,031 |

The accompanying notes are an integral part of these financial statements.

# Perkins School for the Blind
## Statement of Activities
## Year Ended June 30, 2011

| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2011 Total |
|---|---|---|---|---|
| **Operating** | | | | |
| Revenues and other support | | | | |
| Tuition | $ 31,576,983 | $ - | $ - | $ 31,576,983 |
| Income from outside trusts | 375,803 | - | - | 375,803 |
| Library services | 2,431,629 | - | - | 2,431,629 |
| Private grants | 2,409,272 | - | - | 2,409,272 |
| Government grants | 641,257 | - | - | 641,257 |
| Annual donations | 3,525,155 | 2,227,123 | - | 5,752,278 |
| Sale of materials for the blind | 8,329,343 | - | - | 8,329,343 |
| Other governmental revenues | 2,213,295 | - | - | 2,213,295 |
| Other private revenues | 986,323 | - | - | 986,323 |
| Total operating revenues | 52,489,060 | 2,227,123 | - | 54,716,183 |
| Nonoperating assets transferred for operations | - | 3,836,067 | - | 3,836,067 |
| Net assets released and reclassified from restrictions | 3,836,067 | (3,836,067) | - | - |
| Total operating revenues and other support | 56,325,127 | 2,227,123 | - | 58,552,250 |
| **Expenses** | | | | |
| Administration | 7,958,948 | - | - | 7,958,948 |
| Development | 3,256,697 | - | - | 3,256,697 |
| Total educational programs | 37,678,018 | - | - | 37,678,018 |
| Supporting services | 16,865,665 | - | - | 16,865,665 |
| Total operating expenses | 65,759,328 | - | - | 65,759,328 |
| Change in net assets from operating activities | (9,434,201) | 2,227,123 | - | (7,207,078) |
| **Nonoperating** | | | | |
| Investment income | 965,779 | 178,998 | 15,000 | 1,159,777 |
| Gifts and legacies | 1,378,535 | 323,610 | 692,802 | 2,394,947 |
| Realized investment gains | 1,231,411 | 1,195,298 | 31,312 | 2,458,021 |
| Unrealized investment gains | 24,905,375 | 18,233,337 | 21,122 | 43,159,834 |
| Change in value of split interest | (119,834) | 94,964 | 1,369,985 | 1,345,115 |
| Nonoperating assets used for operations | - | (3,836,067) | - | (3,836,067) |
| Change in net assets from nonoperating activities | 28,361,266 | 16,190,140 | 2,130,221 | 46,681,627 |
| Total change in net assets | 18,927,065 | 18,417,263 | 2,130,221 | 39,474,549 |
| **Net assets** | | | | |
| Beginning of year | 144,074,070 | 54,802,969 | 55,547,443 | 254,424,482 |
| End of year | $ 163,001,135 | $ 73,220,232 | $ 57,677,664 | $ 293,899,031 |

The accompanying notes are an integral part of these financial statements.

# Perkins School for the Blind
## Statements of Cash Flows
## Years Ended June 30, 2012 and 2011

| | 2012 | 2011 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ (12,991,672) | $ 39,474,549 |
| Adjustments to reconcile total change in net assets to net cash used by operations | | |
| Depreciation expense | 4,948,617 | 4,130,728 |
| Contributed securities | (45,873) | (213,801) |
| Proceeds restricted for long-term investment | (1,146,909) | (692,802) |
| Interest and dividends restricted for long-term investment | (18,086) | (15,000) |
| Realized investment gains | (6,332,537) | (2,458,021) |
| Unrealized investment losses (gains) | 10,081,646 | (43,159,834) |
| Change in value of outside trusts | 210,627 | (1,707,117) |
| Change in operating assets and liabilities | | |
| Accounts receivable | (2,269,814) | 221,278 |
| Interest and dividends receivable | (918) | 16,595 |
| Grants receivable | 74,971 | 109,861 |
| Pledges receivable | 979,141 | 1,608,395 |
| Other assets | 58,573 | 4,020 |
| Inventory | (683,919) | (1,557,206) |
| Accounts payable | 11,634 | 260,542 |
| Asset retirement obligation | 67,489 | 821,241 |
| Accrued payroll and other liabilities | (951,056) | 2,210,783 |
| Net cash (used) by operating activities | (8,008,086) | (945,789) |
| **Cash flows from investing activities** | | |
| Purchases of land, buildings and equipment | (11,445,692) | (26,416,970) |
| Proceeds from sales of investments | 62,227,942 | 58,085,980 |
| Purchase of investments | (47,484,085) | (51,321,318) |
| Change in deposit with trustees | 2,128,044 | 16,965,458 |
| Net cash provided by/(used) investing activities | 5,426,209 | (2,686,850) |
| **Cash flows from financing activities** | | |
| Contributions restricted for long-term investment | 1,146,909 | 692,802 |
| Interest and dividends restricted for long-term investment | 18,086 | 15,000 |
| Payments to annuitants | (202,008) | (190,965) |
| Proceeds from the issuance of debt | 3,866,897 | 2,175,426 |
| Payments of debt | (2,517,955) | - |
| Net cash provided by financing activities | 2,311,929 | 2,692,263 |
| Net (decrease) in cash | (269,948) | (940,376) |
| **Cash and cash equivalents** | | |
| Beginning of year | 1,984,658 | 2,925,034 |
| End of year | $ 1,714,710 | $ 1,984,658 |
| **Supplemental data** | | |
| Total interest paid | $ 1,507,740 | $ 707,086 |
| Capitalized interest | 126,738 | 867,724 |
| Property and equipment included in accounts payable | 259,598 | 1,625,954 |
| Contributed securities | 45,873 | 213,801 |

The accompanying notes are an integral part of these financial statements.

## 1. Significant Accounting Policies

Perkins School for the Blind (the "School") provides educational programs and services to individuals who are blind, deafblind or multi-impaired, and their parents and teachers. These services include the manufacture and distribution of educational products for individuals who are blind, deafblind or multi-impaired. This manufacture and distribution function is an integral part of the School's operations.

### Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting and present net assets and revenues, expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

***Unrestricted***

Net assets which are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.

***Temporarily Restricted***

Net assets whose use is limited by law or donor-imposed stipulations that will either expire with the passage of time or be fulfilled or removed by actions of the School.

***Permanently Restricted***

Reflects the historical amount of gifts (and in certain circumstances, the earnings from those gifts), subject to donor-imposed stipulations, which require the corpus to be invested in perpetuity to produce income for general or specific purposes.

### 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. Realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. It is the School's current policy that realized and unrealized gains and losses, which have been restricted and classified as temporarily restricted net assets, are regarded as endowment. Expirations of temporary restrictions on net assets are classified as "net assets released from restrictions" in the Statement of Activities.

Nonoperating revenues include gifts and legacies, investment income, and realized and unrealized gains on investments and changes in value of split interests during the year that are classified as unrestricted, temporarily restricted and permanently restricted. To the extent the restrictions on temporarily restricted gifts, legacies, investment income, and gains are not met within the year, they are classified as temporarily restricted. Subsequently, as the restrictions are met and used for operations, they are reclassified as "nonoperating assets used for operations" on the Statement of Activities. All other activity is classified as operating revenue.

### Cash and Cash Equivalents

Cash equivalents consist of short-term highly liquid investments with maturities of 90 days or less at date of purchase.

### Contributions

Contributions, including assets held by outside trusts and unconditional pledges, are recognized as revenues in the period received. Conditional promises to give are not recorded until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets which a donor has stipulated be used to acquire land, building and equipment are reported as revenues of the temporarily restricted net asset class. The temporary restrictions are considered to be released at the time such long-lived assets are placed in service.

### Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost if purchased or constructed, at replacement cost appraisal value for assets acquired prior to September 1, 1985 (except for land that was not valued), or at fair market or appraised value on the date of donation in the case of gifts.

Depreciation expense is computed on the straight-line basis using the following useful lives

| | |
|---|---|
| Automobiles | 5 years |
| Furniture and equipment | 3–7 years |
| Machinery and equipment | 10 years |
| Building improvements | 20 years |
| Building | 27.5–40 years |

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts, and gains or losses are included in operations.

### Contracts and Grants

Revenues associated with exchange contracts and grants are recognized as the related costs are incurred. Expenses consist of direct costs incurred and related indirect costs as reimbursed under the terms and conditions of such agreements.

### Donated Services

Revenues and expenses include the value of donated services which otherwise would have been performed by salaried personnel. The total donated services were valued at $558,612 and $730,107 in 2012 and 2011, respectively, and are classified as unrestricted revenue.

### Tuition Revenue

The School receives tuition income from state and local agencies including cities and towns in the Commonwealth of Massachusetts based on established rates. These cities and towns are partially dependent on the Commonwealth of Massachusetts to provide sufficient local aid to assist them in supporting such educational programs. Tuition received from The Commonwealth of Massachusetts, Massachusetts local agencies, out of state agencies and private payers totaled $105,550, $21,577,954, $10,155,010 and $110,115 in 2012 and $154,930, $21,279,740, $10,028,934 and $113,379 in 2011, respectively.

**Expenses**

***Educational Program Expenses***

Educational program expenses include expenses for education and services to individuals who are blind, deafblind or multi-impaired, severely impaired, early intervention and their parents and teachers.

***Supporting Services Expenses***

Supporting services expenses include expenses for the manufacture and distribution of educational products as well as for the library, outreach services, and certain grant expenses.

**Functional Allocation of Expenses**

The School used several different methods to allocate costs to the programs, administrative, supporting services and fundraising functions. Time and expense reports and after-the-fact determinations of effort were used to distribute salary and wage expenses. Other expenses were allocated using one of the following bases: salary and wages; student full-time equivalents; square footage, or some other appropriate base.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Asset Retirement Obligations**

Asset retirement obligations ("ARO") are legal obligations associated with the retirement of long lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to the initial recognition, the School records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The School adjusts the ARO liabilities when the related obligations are settled. The asset retirement obligations were reported for the following amounts $1,417,259 and $1,349,770 for 2012 and 2011, respectively, in the Statement of Financial Position.

**Fair Value of Financial Instruments**

The fair value of the School's student accounts receivable, accounts payable and accrued expenses approximates the carrying value due to their short maturities.

**Tax Status**

The school is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**Reclassifications**

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentations.

## 2. Pledges Receivable

Pledges receivable as of June 30, 2012 and 2011 are expected to be realized in the following time frame:

| | 2012 | 2011 |
|---|---|---|
| One year or less | $ 3,719,401 | $ 3,394,251 |
| Between one year and nine | 4,287,045 | 5,879,797 |
| Less: Discount | (291,706) | (580,167) |
| Pledges receivables, net | $ 7,714,740 | $ 8,693,881 |

Pledges are recorded after discounting to the present value of future cash flows.

## 3. Inventory

Inventories consist of raw materials, work in progress and finished goods related to the production of braillers, appliances and other products of Perkins Products Division and are stated at the lower of cost (first-in, first-out method) or market.

The components of inventory at June 30, 2012 and 2011 include the following:

| | 2012 | 2011 |
|---|---|---|
| Raw material | $ 1,927,182 | $ 1,742,785 |
| Work in progress | 2,735,703 | 2,123,573 |
| Finished goods | 1,800,900 | 1,704,335 |
| Inventory reserve | (309,173) | (100,000) |
| Net inventory | $ 6,154,612 | $ 5,470,693 |

## 4. Investments

Effective July 1, 2008, the School adopted Accounting Standards Codification 820, Fair Value Measurements ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (at exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

ASC 820 establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the School for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2012, by caption on the Statement of Financial Position by the ASC 820 valuation hierarchy defined above:

| | Quotes Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|---|---|---|---|---|
| **Investments** | | | | |
| Cash and cash equivalents | $ 3,390,313 | $ - | $ - | $ 3,390,313 |
| Domestic bond funds | 6,500,635 | - | - | 6,500,635 |
| International bond funds | 2,816,689 | 3,211,344 | - | 6,028,033 |
| Domestic equity | 36,908,064 | - | - | 36,908,064 |
| International equity | 15,655,350 | - | - | 15,655,350 |
| Commodities | 22,074 | - | - | 22,074 |
| Real estate | 11,459 | - | 11,302,238 | 11,313,697 |
| Private equity | - | 54,739,761 | 20,968,177 | 75,707,938 |
| Hedge | 37,093 | 31,428,775 | 39,675,270 | 71,141,138 |
| Total investments | 65,341,677 | 89,379,880 | 71,945,685 | 226,667,242 |
| Assets held by outside trusts | - | - | 9,870,710 | 9,870,710 |
| Total assets at fair value | $65,341,677 | $89,379,880 | $ 81,816,395 | $236,537,952 |

The following table presents the financial instruments carried at fair value as of June 30, 2011, by caption on the Statement of Financial Position by the ASC 820 valuation hierarchy defined above:

| | Quotes Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
|---|---|---|---|---|
| **Investments** | | | | |
| Cash and cash equivalents | $ 10,916,074 | $ - | $ - | $ 10,916,074 |
| Domestic bond funds | 1,573,055 | - | - | 1,573,055 |
| International bond funds | 3,020,038 | 2,980,359 | - | 6,000,397 |
| Domestic equity | 48,736,318 | - | - | 48,736,318 |
| International equity | 14,641,481 | - | - | 14,641,481 |
| Commodities | 5,078 | - | - | 5,078 |
| Real estate | 8,793 | - | 11,150,459 | 11,159,252 |
| Private equity | - | 67,077,515 | 18,621,539 | 85,699,054 |
| Hedge | 22,224 | 30,201,180 | 30,095,515 | 60,318,919 |
| Investment receivable | 6,064,707 | - | - | 6,064,707 |
| Total investments | 84,987,768 | 100,259,054 | 59,867,513 | 245,114,335 |
| Assets held by outside trusts | - | - | 10,081,337 | 10,081,337 |
| Total assets at fair value | $ 84,987,768 | $ 100,259,054 | $ 69,948,850 | $ 255,195,672 |

Following is a description of the School's valuation methodologies for assets and liabilities measured at fair value.

Level 1 Quoted prices in active markets that the School has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The School does not adjust the quoted price for such assets and liabilities.

Level 2 Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 Valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consists of the School's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments (as defined on the American Institute of Certified Public Accountants' document, *A Practice Guide for Auditors: Alternative Investments-Audit Consideration)* represents the ownership interest in the net asset value (NAV) of the respective partnership. Approximately 63% of investments held by the partnerships consist of marketable securities and 37% are securities that do not have readily determinable fair values. The fair values (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The School has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2012.

Beneficial and perpetual trusts held by 3rd parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables are rollforwards of the Statement of Financial Position amounts for financial instruments classified by the School within Level 3 of the fair value hierarchy defined above as of June 30, 2012 and 2011:

| | Fair Value July 1, 2011 | Realized Gains (Losses) | Unrealized Gains (Losses) | Purchases | Sales | Fair Value June 30, 2012 |
|---|---|---|---|---|---|---|
| Real estate | $ 11,150,459 | $ - | $ 514,767 | $ 550,000 | $ (912,988) | $11,302,238 |
| Private equity | 18,621,539 | 201,758 | 322,058 | 3,809,544 | (1,986,722) | 20,968,177 |
| Hedge | 30,095,515 | - | (138,500) | 10,547,761 | (829,506) | 39,675,270 |
| Total investments | 59,867,513 | 201,758 | 698,325 | 14,907,305 | (3,729,216) | 71,945,685 |
| Assets held by outside trusts | 10,081,337 | - | (247,262) | 36,635 | - | 9,870,710 |
| Total investments | $ 69,948,850 | $ 201,758 | $ 451,063 | $14,943,940 | $(3,729,216) | $81,816,395 |

| | Fair Value July 1, 2010 | Realized Gains (Losses) | Unrealized Gains (Losses) | Purchases | Sales | Fair Value June 30, 2011 |
|---|---|---|---|---|---|---|
| Real estate | $ 9,625,671 | $(1,176,038) | $ 1,758,401 | $ 2,569,224 | $(1,629,799) | $11,147,459 |
| Private equity | 15,638,559 | (886,016) | 3,343,416 | 2,851,870 | (2,326,290) | 18,621,539 |
| Hedge | 25,694,998 | - | 4,400,586 | - | (69) | 30,095,515 |
| Total investments | 50,959,228 | (2,062,054) | 9,502,403 | 5,421,094 | (3,956,158) | 59,864,513 |
| Assets held by outside trusts | 8,374,220 | - | 1,470,126 | 236,991 | - | 10,081,337 |
| Total investments | $ 59,333,448 | $(2,062,054) | $ 10,972,529 | $ 5,658,085 | $(3,956,158) | $69,945,850 |

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying Statement of Activities. Net unrealized gains (losses) relate to those financial instruments held by the School at June 30, 2012 and 2011.

For purposes of recording realized and unrealized gains and losses, the cost of securities sold is determined on a specific identification basis. Special investments are investments that due to donor intentions must be invested separately from the general funds. The general fund is a pooled investment fund.

As of June 30, 2012 investments and investment returns were as follows:

| | General | Special | Total |
|---|---|---|---|
| **Cost** | | | |
| Cash equivalents | $ 2,397,190 | $ 993,123 | $ 3,390,313 |
| Stocks and mutual funds | 48,382,167 | - | 48,382,167 |
| Bonds | 7,375,923 | 2,087,796 | 9,463,719 |
| Alternative investments | 124,055,833 | - | 124,055,833 |
| | $ 182,211,113 | $ 3,080,919 | $ 185,292,032 |
| **Market** | | | |
| Cash equivalents | $ 2,397,190 | $ 993,123 | $ 3,390,313 |
| Stocks and mutual funds | 52,634,040 | - | 52,634,040 |
| Bonds | 7,223,124 | 2,094,200 | 9,317,324 |
| Alternative investments | 161,325,565 | - | 161,325,565 |
| | $ 223,579,919 | $ 3,087,323 | $ 226,667,242 |
| **Investment return** | | | |
| Unrealized appreciation (depreciation) | $ (10,088,050) | $ 6,404 | $ (10,081,646) |
| Net realized gains | 6,332,537 | - | 6,332,537 |
| Investment income | 1,388,349 | 14,227 | 1,402,576 |
| Total investment return (loss) | $ (2,367,164) | $ 20,631 | $ (2,346,533) |

As of June 30, 2011 investments and investment returns were as follows:

| | General | Special | Total |
|---|---|---|---|
| **Cost** | | | |
| Cash equivalents | $ 13,919,588 | $ 3,061,193 | $ 16,980,781 |
| Stocks and mutual funds | 54,898,166 | - | 54,898,166 |
| Bonds | 4,484,029 | - | 4,484,029 |
| Alternative investments | 117,249,610 | - | 117,249,610 |
| | $190,551,393 | $ 3,061,193 | $193,612,586 |
| **Market** | | | |
| Cash equivalents | $ 13,919,588 | $ 3,061,193 | $ 16,980,781 |
| Stocks and mutual funds | 63,413,894 | - | 63,413,894 |
| Bonds | 4,593,093 | - | 4,593,093 |
| Alternative investments | 160,126,567 | - | 160,126,567 |
| | $242,053,142 | $ 3,061,193 | $245,114,335 |
| **Investment return** | | | |
| Unrealized appreciation | $ 43,159,834 | $ - | $ 43,159,834 |
| Net realized gains | 2,458,021 | - | 2,458,021 |
| Investment income | 1,159,234 | 543 | 1,159,777 |
| Total investment return (loss) | $ 46,777,089 | $ 543 | $ 46,777,632 |

The fair values of alternative investments are represented by the net asset value of the partnership. The objective of these investments is to generate long term returns significantly higher than public equity markets on a risk adjusted basis. Redemption terms for those investments in Level 2 and Level 3 valued at net asset value consist of the following as of June 30, 2012:

| | Bond Fund | Real Estate | Private Equity | Hedge | Total Investments |
|---|---|---|---|---|---|
| **Redemption terms** | | | | | |
| Monthly (30–60 days written notice) | $ 3,211,344 | $ - | $16,783,195 | $ 3,812,802 | $ 23,807,341 |
| Quarterly (30–90 days written notice) | - | - | 37,956,566 | 27,615,973 | 65,572,539 |
| Semi-annually/annually (30–180 days written notice) | - | - | 474 | 29,419,842 | 29,420,316 |
| 1–5 years | - | 2,722,606 | - | 10,255,428 | 12,978,034 |
| 6–10 years | - | 3,374,714 | 15,123,270 | - | 18,497,984 |
| 11–15 years | - | 5,204,918 | 5,844,433 | - | 11,049,351 |
| Fair value June 30, 2012 | $ 3,211,344 | $11,302,238 | $75,707,938 | $71,104,045 | $161,325,565 |

Redemption terms for those investments in Level 2 and Level 3 valued at net asset value consist of the following as of June 30, 2011:

| | Bond Fund | Real Estate | Private Equity | Hedge | Total Investments |
|---|---|---|---|---|---|
| **Redemption terms** | | | | | |
| Monthly (30–60 days written notice) | $ 2,980,359 | $ - | $26,870,674 | $ 4,316,428 | $ 34,167,461 |
| Quarterly (30–90 days written notice) | - | - | 40,206,841 | 25,884,752 | 66,091,593 |
| Semi-annually/annually (30–180 days written notice) | - | - | 5,627 | 30,095,515 | 30,101,142 |
| 1–5 years | - | 3,218,683 | - | - | 3,218,683 |
| 6–10 years | - | 3,354,267 | 13,503,632 | - | 16,857,899 |
| 11–15 years | - | 4,577,509 | 5,112,280 | - | 9,689,789 |
| Fair value June 30, 2011 | $ 2,980,359 | $11,150,459 | $85,699,054 | $60,296,695 | $160,126,567 |

In connection with the investments in certain limited partnership agreements, the School has an additional $8,883,057 and $9,646,482 committed for calls as of June 30, 2012 and 2011, respectively that are scheduled to be funded over a number of years.

The School may have exposure to derivative financial instruments through its mutual fund investments and alternative investments. Derivatives, such as forward foreign currency and future contracts, are used by the funds to hedge against risk.

Investment management fees of $2,865,831 and $3,235,691 are offset against net realized and unrealized gains for fiscal years 2012 and 2011, respectively.

## 5. Endowments and Net Assets

The School's endowment consists of approximately 100 individual donor restricted endowment funds and board designated funds functioning as endowment funds. These funds are for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The 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.

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

- The duration and preservation of the fund.

- The purposes of the School and the donor restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the School.
- The investment policies of the School.

The School had the following endowment activities during the years ended June 30, 2012 and 2011 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment and net asset composition by type of fund as of June 30, 2012:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor funds and earnings | $ 14,654,040 | $62,328,165 | $ 49,287,631 | $126,269,836 |
| Loan fund | 600,000 | (1,945,342) | - | (1,345,342) |
| Assets held by outside trusts | - | 521,664 | 9,349,046 | 9,870,710 |
| Net investment in plant | 42,079,407 | - | - | 42,079,407 |
| Undesignated funds | 104,032,748 | - | - | 104,032,748 |
| Total endowment and net asset funds | $161,366,195 | $60,904,487 | $ 58,636,677 | $280,907,359 |

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

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor funds and earnings | $ 3,756,524 | $ 73,780,615 | $ 48,306,198 | $125,843,337 |
| Loan fund | 600,000 | (1,270,254) | - | (670,254) |
| Assets held by outside trusts | - | 709,871 | 9,371,466 | 10,081,337 |
| Net investment in plant | 40,425,674 | - | - | 40,425,674 |
| Undesignated funds | 118,218,937 | - | - | 118,218,937 |
| Total endowment and net asset funds | $163,001,135 | $73,220,232 | $ 57,677,664 | $293,899,031 |

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

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Endowment and net assets, beginning of year** | $163,001,135 | $73,220,232 | $ 57,677,664 | $293,899,031 |
| Investment return | | | | |
| Investment income | 1,076,323 | 308,167 | 18,086 | 1,402,576 |
| Net realized | 3,128,326 | 3,141,431 | 62,780 | 6,332,537 |
| Net unrealized | (5,349,604) | (4,727,335) | (4,707) | (10,081,646) |
| Total investment return | (1,144,955) | (1,277,737) | 76,159 | (2,346,533) |
| Gifts | 1,171,498 | 238,076 | 1,146,909 | 2,556,483 |
| Restricted annual donations | - | 2,771,891 | - | 2,771,891 |
| Change in value of split interest | (131,551) | 1,378 | (264,055) | (394,228) |
| Appropriation of net assets for expenditure | (15,579,285) | - | - | (15,579,285) |
| Net assets released and reclassification from restriction | 14,049,353 | (14,049,353) | - | - |
| **Endowment and net assets, end of year** | $161,366,195 | $60,904,487 | $ 58,636,677 | $280,907,359 |

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

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Endowment and net assets, beginning of year** | $144,074,070 | $54,802,969 | $ 55,547,443 | $254,424,482 |
| Investment return | | | | |
| Investment income | 965,779 | 178,998 | 15,000 | 1,159,777 |
| Net realized | 1,231,411 | 1,195,298 | 31,312 | 2,458,021 |
| Net unrealized | 24,905,375 | 18,233,337 | 21,122 | 43,159,834 |
| Total investment return | 27,102,565 | 19,607,633 | 67,434 | 46,777,632 |
| Gifts | 1,378,535 | 323,610 | 692,802 | 2,394,947 |
| Restricted annual donations | - | 2,227,123 | - | 2,227,123 |
| Change in value of split interest | (119,834) | 94,964 | 1,369,985 | 1,345,115 |
| Appropriation of net assets for expenditure | (13,270,268) | - | - | (13,270,268) |
| Net assets released and reclassification from restriction | 3,836,067 | (3,836,067) | - | - |
| **Endowment and net assets, end of year** | $163,001,135 | $73,220,232 | $ 57,677,664 | $293,899,031 |

### Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets

#### *Permanently Restricted Net Assets*

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by Massachusetts UPMIFA:

| | 2012 | 2011 |
|---|---|---|
| **Endowment permanently restricted net assets** | | |
| Faculty | $ 2,557,618 | $ 1,557,618 |
| General (including program) | 46,308,921 | 46,327,722 |
| Students | 421,092 | 420,858 |
| Endowment permanently restricted net assets | 49,287,631 | 48,306,198 |
| Outside trust | 9,349,046 | 9,371,466 |
| Total endowment and net assets classified as permanently restricted net assets | $ 58,636,677 | $ 57,677,664 |

#### *Temporarily Restricted Net Assets*

| | 2012 | 2011 |
|---|---|---|
| **Endowment temporarily restricted net assets** | | |
| Facilities | $ 4,271,753 | $ 4,543,914 |
| Faculty | 786,013 | 704,099 |
| General (including program) | 45,798,487 | 51,311,700 |
| Students | 2,333,423 | 2,465,502 |
| Endowment temporarily restricted net assets | 53,189,676 | 59,025,215 |
| Loan - Program | (1,945,342) | (1,270,254) |
| Gifts - Donor specified | 9,138,489 | 14,755,400 |
| Outside trust - General | 521,664 | 709,871 |
| Total endowment and net assets classified as temporarily restricted net assets | $ 60,904,487 | $ 73,220,232 |

### Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of temporarily restricted net assets. Deficits of this nature reported in temporarily restricted net assets were $44,701 and $5,894 as of June 30, 2012 and 2011, respectively. These deficits resulted from unfavorable market fluctuations.

**Return Objectives and Risk Parameters**
The School's endowment investment and spending activities attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The School expects its endowment funds over time, to provide an average rate of return of approximately 6.0 percent annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Investment Objectives**
To achieve its long-term rate of return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The School targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**Endowment Spending Allocation and Relationship to the School's Budget Process and Investment Objectives**
The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. The School determines its endowment allocation for its Budget in May for the following fiscal year. Calculations are performed for the endowment funds at a rate determined by the Board of the rolling 12 quarter average market value. The corresponding calculated spending allocations are distributed in equal quarterly installments on the first day of each quarter from the current net total or accumulated net total investment returns from the endowment funds. In establishing the budget, the Board considered the expected long term rate of return on its endowment.

## 6. Assets Held by Outside Trusts

Assets held by outside trusts are funds designated to continue in trust with income to be received by the School as beneficiary. During the fiscal years 2012 and 2011, the School recorded approximately $361,926 and $375,803 of interest income and $(372,387) and $1,216,206 of unrealized losses and gains, respectively, from these outside trusts. The value of split interest agreements held by outside trust increased $161,760 and $490,910 for the fiscal years 2012 and 2011, respectively. The changes represent realized and unrealized gains and losses, as well as additions and dissolutions. The current market value of the School's share of these trusts as reported by the outside trustees, at the latest market valuation dates, was $9,870,710 and $10,081,337 as of June 30, 2012 and 2011, respectively.

## 7. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30, 2012 and 2011:

| | 2012 | 2011 |
|---|---|---|
| Land and buildings | $ 57,939,351 | $ 47,750,718 |
| Building improvements | 81,923,096 | 67,750,998 |
| Furniture and equipment | 17,236,004 | 17,013,126 |
| Construction in progress | 1,576,015 | 16,576,177 |
| Machinery | 4,110,033 | 4,087,818 |
| Automobiles | 1,176,894 | 957,246 |
| | 163,961,393 | 154,136,083 |
| Less: Accumulated depreciation | (88,357,618) | (83,663,027) |
| | $ 75,603,775 | $ 70,473,056 |

Depreciation expense for the years ended June 30, 2012 and 2011 was $4,948,617 and $4,130,728, respectively. During the fiscal year ended 2012 several assets were disposed.

Interest expense capitalized was $126,738 and $867,724 for the years ended June 30, 2012 and 2011, respectively.

## 8. Retirement Plan

The Retirement Plan (the "Plan") qualifies under code sections 401(a), 501(a), and 404(c) of the Internal Revenue Code. The Plan has discretionary basic contributions and supplemental discretionary contributions.

Employees with a year of continuous service who work 500 or more hours qualify for the discretionary basic contributions of the Plan. Contributions are determined annually by the Board of Trustees based on a percentage of eligible gross salary. The School contributed 3.5% of eligible employees' salaries to the Plan in 2012 and 2011. Total pension expense for the years ended June 30, 2012 and 2011 was $906,969 and $880,703, respectively, for the discretionary basic portion of the Plan.

The supplemental discretionary contributions of the Plan are made by the School based on employees' years of service. Total pension expense under this portion of the Plan for the years ended June 30, 2012 and 2011 was $1,280,107 and $1,145,516, respectively.

## 9. Conrad N. Hilton Foundation Grant

In 1989, the Hilton/Perkins Program (the "Program") was established with a five-year grant from the Conrad N. Hilton Foundation (the "Foundation"). The purpose of the Program is to develop programs for the multi-handicapped blind individuals and their parents and teachers. In 1994, 1999, 2004 and 2009, the Foundation approved additional five-year grants for the purpose of continuing the Program and establishing the Conrad N. Hilton Endowment Fund at Perkins. In 2009, a five-year grant of $5,000,000 was approved and payments of $1,000,000 and $1,500,000 were received in fiscal year 2012 and 2011, respectively.

## 10. Conrad N. Hilton Foundation Loan

The Foundation approved a $15,000,000 loan in support of the Hilton/Perkins Program (the "Program"). The terms of the agreement initially included payment in three installments of $5,000,000 every five years beginning March 1, 1994. The loan, which proceeds are to be invested, was originally set to mature March 1, 2009. The terms of the loan agreement were modified on September 24, 2008 to repay $5,000,000 of the loan on March 1, 2009 and to extend the remaining balance of the loan until March 1, 2014. The total Conrad N. Hilton Foundation loan as of June 30, 2012 and 2011 was $10,000,000. The Foundation agreed to forgive the loan on its due date of March 1, 2014 provided all interest payments have been paid thru March 1, 2014.

Interest is payable quarterly to the Foundation at a rate of 2% per annum. A total of $200,000 was expensed for each of the years ended June 30, 2012 and 2011. According to the terms of the loan agreement, net investment returns between 2% and 6% should be distributed to the Program to meet operating expenses. Returns above the 6% (on a five-year cumulative basis) are required to be added to the Hilton Endowment.

The Foundation modified the terms of the agreement in 1998 such that the accumulated return above 6% at November 1, 1998 from the initial $5,000,000 loan could be used for the Hilton/Perkins Brailler Subsidy Program. The purpose of the Hilton/Perkins Brailler Subsidy Program is to subsidize the cost of braillers to individuals in developing countries.

## 11. Bond and Loan Payable

### Bond Payable

The Massachusetts Development Finance Agency issued thirty million in Revenue Bonds, Perkins School for the Blind Issue, Series 2010. On February 12, 2010, these Bonds, maturing in 2035, were issued at a fixed rate of 4.5% for 15 years with a 25 year amortization schedule. The bond is subject to mandatory tender by the Bondowner on February 1, 2025. The Bondowner is TD BANK. The School has covenants of banking relationships, ratios and reporting requirements during each year. It has met all of its covenants. The proceeds are for the Lower School Project and a Central Cooling Plant, (Construction Project). The Construction Project is for a new Lower School classroom building, renovation of residences at the Lower School, and renovation of areas for other uses of the School, including a new Central Chilling Plant that will have the capacity to potentially air condition the entire School. In accordance with the guidance of Accounting Standard Codification 835-20 on "Capitalized Interest", the School has capitalized its interest on the Bonds during the construction period. During the first eighteen months, the School was obligated to pay interest only on the bonds. As of June 30, 2012, the outstanding bond is $29,524,368 of which $501,565 is short term debt, with the following required principal payments:

| **Year Ended June 30,** | |
|---|---|
| 2013 | $ 501,565 |
| 2014 | 524,933 |
| 2015 | 549,391 |
| 2016 | 571,391 |
| 2017 and thereafter | 27,377,088 |
| | $ 29,524,368 |

The balance of the bond funds, $0 and $2,128,044 for the years ended June 30, 2012 and 2011, respectively, are deposited with a trustee.

### Loan Payable

On December 1, 2010, the School entered into a two year Construction Credit Note (loan) for up to $10,000,000 with TD BANK for the construction of the Grousbeck Center for Students and Technology with interest only payments due on the outstanding balance at a variable rate of interest 1.60% above London Interbank Offered Rate (LIBOR) each month. The loan converts to a term loan on December 1, 2012 with a maturity date of December 1, 2014, with principal and interest due monthly. The loan has the same covenants as the Bond. As of June 30, 2012, the outstanding loan amount was $4,000,000 of which $80,000 is short term debt with the following required principal payments:

| | |
|---|---|
| FY 13 | $ 80,000 |
| FY 14 | 160,000 |
| FY 15 | 3,760,000 |
| | $ 4,000,000 |

For fiscal years 2012 and 2011, administration costs include the bond and loan interest expense of $1,307,740 and $507,086 respectively.

## 12. Contingency

During 1992, in connection with the removal of several oil tanks, the School discovered contaminated soil. At this time, it is not possible for management to reasonably estimate the costs associated with this contamination.

## 13. John Milton Society

The School received $5,197 and $55,104 related to gifts and earned $12 and $232 in investment returns in 2012 and 2011, respectively. The John Milton Society had expenses of $33,968 and $32,994 during fiscal years 2012 and 2011 and had $773,793 and $802,552 in net assets at June 30, 2012 and 2011, respectively. According to a New York court ruling, the John Milton Society unrestricted net assets are to be used by Perkins School for the Blind and the restricted net assets should be used for the restricted purposes originally designated by the donors. Accordingly, the assets received from the John Milton Society have been recorded as a temporarily or permanently restricted contribution. There were no inter-company transactions during the fiscal year.

## 14. Kilimanjaro Blind Trust, Inc.

On December 12, 2006, the Kilimanjaro Blind Trust, Inc. was incorporated as a 501(c)(3) organization. Its mission is to raise funds to support Perkins School for the Blind. During the fiscal years ended June 30, 2012 and 2011, the Kilimanjaro Blind Trust raised $225,233 and $236,802, respectively, in gifts and pledges and lost and earned $(3,143) and $21,288, respectively, in investment returns. The Trust had expenses of $167,046 and $145,208 in fiscal years 2012 and 2011, respectively. The Trust had $1,079,504 and $1,024,460 in net assets at June 30, 2012 and 2011, respectively. There were no intercompany transactions during the fiscal year.

## 15. Related Parties

The following related party transactions occurred during the years ended June 30, 2012 and 2011:

Choate, Hall & Stewart billed the School a total $9,818 and $89,211 for legal services during 2012 and 2011, respectively. One Board member and one officer of the School are each partners at Choate, Hall & Stewart.

The School paid Fiduciary Trust Company $66,885 and $18,000 in 2012 and $66,513 and $18,000 in 2011 for its services as Custodian and services of the Treasurer's office. During 2012 and 2011, a board member who is also an officer of the School was a Director and a Vice President of Fiduciary Trust Company. In addition, another officer of the School is a Vice President of Fiduciary Trust Company.

During the fiscal year ended June 30, 2012, the School's investment with Westfield Capital Management was $7,659,109 that was liquated on May 1, 2012. Prior to liquidating the fund, the fund reported investment income of $69,788, gains of $266,740 and management fees paid of $44,729. During the fiscal year ended June 30, 2011, the School's investments with Westfield Capital Management was $14,434,746 that included investment income of $227,268, gains of $3,677,759 and management fees paid of $84,413. A Director of Westfield Capital Management serves as a volunteer on the School's investment committee.

As of June 30, 2012 and 2011, $932 and $24,435, respectively, was due to Choate, Hall & Stewart.

## 16. Subsequent Events

Subsequent to June 30, 2012, management evaluated all events or transactions that occurred after June 30, 2012 up through November 2, 2012, the date these audited financial statements were issued and concluded that the subsequent event of amending the bond agreement on September 10, 2012 reduced the interest rate from 4.5% to 2.774% over the remaining term of the Bond events.