Perkins School for the Blind

Financial Statements
June 30, 2013 and 2012

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Independent Auditor's Report

To the Board of Trustees of
Perkins School for the Blind

We have audited the accompanying financial statements of Perkins School for the Blind (the "School"), which comprise the balance sheets as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and fair presentation 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 the 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 our 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, we consider internal control relevant to the School'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 School'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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School at 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.

PricewaterhouseCoopers LLP

October 31, 2013

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Perkins School for the Blind
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Cash and cash equivalents	$ 2,514,926	$ 1,714,710
Accounts receivable, net of reserve of $459,723 and $480,552 for 2013 and 2012, respectively	5,776,593	5,732,287
Interest and dividends receivable	76	2,561
Grants receivable	1,504,108	147,594
Pledges receivable, net (Note 2)	6,099,119	7,714,740
Other assets	1,334,482	997,697
Inventory, net (Note 3)	4,982,112	6,154,612
Investments, at market (Note 4)	249,084,292	226,667,242
Assets held by outside trusts (Note 4, 6)	10,755,044	9,870,710
Land, buildings and equipment, net (Note 7)	72,167,027	75,603,775
Total assets	$ 354,217,779	$ 334,605,928
Liabilities and Net Assets		
Accounts payable	$ 2,043,071	$ 1,550,782
Accrued payroll and other liabilities	5,892,178	6,312,169
Other long-term liability	848,180	893,991
Short-term note and bond payable (Notes 10 and 11)	11,036,856	581,565
Long-term note and bond payable (Note 11)	29,905,948	42,942,803
Asset retirement obligation	1,477,803	1,417,259
Total liabilities	51,204,036	53,698,569
Commitments and contingencies (Note 12)		
Unrestricted net assets		
Undesignated	132,688,083	119,286,788
Net investment in plant	41,224,223	42,079,407
	173,912,306	161,366,195
Temporarily restricted net assets		
Designated for special purposes	66,545,456	60,382,823
Assets held by outside trusts	567,449	521,664
	67,112,905	60,904,487
Permanently restricted net assets		
Assets held by the School	51,800,937	49,287,631
Assets held by outside trusts	10,187,595	9,349,046
	61,988,532	58,636,677
Total net assets	303,013,743	280,907,359
Total liabilities and net assets	$ 354,217,779	$ 334,605,928

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

Perkins School for the Blind
Statements of Activities
Years Ended June 30, 2013 and 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
Operating					
Revenues and other support					
Tuition	$ 32,381,741	$ -	$ -	$ 32,381,741	$ 31,948,629
Income from outside trusts	358,451			358,451	361,926
Library services	2,613,512			2,613,512	2,456,049
Private grants	2,835,407			2,835,407	3,155,720
Government grants	2,147,976			2,147,976	433,566
Annual donations	3,472,447	1,963,332		5,435,779	6,347,761
Sale of materials for the blind	8,571,871			8,571,871	6,340,139
Other governmental revenues	2,890,350			2,890,350	2,369,806
Other private revenues	1,044,040			1,044,040	934,161
Total operating revenues	56,315,795	1,963,332	-	58,279,127	54,347,757
Nonoperating assets transferred for operations		9,441,191		9,441,191	14,049,353
Net assets released and reclassified from restrictions	9,292,530	(9,441,191)	148,661	-	-
Total operating revenues and other support	65,608,325	1,963,332	148,661	67,720,318	68,397,110
Expenses					
Administration (Note 11)	8,015,902			8,015,902	7,947,479
Development	3,966,703			3,966,703	3,745,001
Total educational programs	38,233,528			38,233,528	38,506,759
Supporting services	20,422,765			20,422,765	16,955,912
Total operating expenses	70,638,898	-	-	70,638,898	67,155,151
Change in net assets from operating activities	(5,030,573)	1,963,332	148,661	(2,918,580)	1,241,959
Nonoperating					
Investment income	1,350,512	389,414	22,550	1,762,476	1,402,576
Gifts and legacies	1,231,427	114,275	2,639,981	3,985,683	2,556,483
Realized investment gains	1,900,337	1,878,615	48,490	3,827,442	6,332,537
Unrealized investment gains (losses)	11,164,579	11,270,156	11,684	22,446,419	(10,081,646)
Change in value of split interest	(134,171)	33,817	480,489	380,135	(394,228)
Other Nonoperating revenue	2,064,000			2,064,000	
Nonoperating assets used for operations		(9,441,191)		(9,441,191)	(14,049,353)
Change in net assets from nonoperating activities	17,576,684	4,245,086	3,203,194	25,024,964	(14,233,631)
Total change in net assets	12,546,111	6,208,418	3,351,855	22,106,384	(12,991,672)
Net assets					
Beginning of year	161,366,195	60,904,487	58,636,677	280,907,359	293,899,031
End of year	$ 173,912,306	$ 67,112,905	$ 61,988,532	$ 303,013,743	$ 280,907,359

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

Perkins School for the Blind
Statement of Activities
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Operating				
Revenues and other support				
Tuition	$ 31,948,629	$ -	$ -	$ 31,948,629
Income from outside trusts	361,926	-	-	361,926
Library services	2,456,049	-	-	2,456,049
Private grants	3,155,720	-	-	3,155,720
Government grants	433,566	-	-	433,566
Annual donations	3,575,870	2,771,891	-	6,347,761
Sale of materials for the blind	6,340,139	-	-	6,340,139
Other governmental revenues	2,369,806	-	-	2,369,806
Other private revenues	934,161	-	-	934,161
Total operating revenues	51,575,866	2,771,891	-	54,347,757
Nonoperating assets transferred for operations		14,049,353		14,049,353
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
Expenses				
Administration (Note 11)	7,947,479	-	-	7,947,479
Development	3,745,001	-	-	3,745,001
Total educational programs	38,506,759	-	-	38,506,759
Supporting services	16,955,912	-	-	16,955,912
Total operating expenses	67,155,151	-	-	67,155,151
Change in net assets from operating activities	(1,529,932)	2,771,891	-	1,241,959
Nonoperating				
Investment income	1,076,323	308,167	18,086	1,402,576
Gifts and legacies	1,171,498	238,076	1,146,909	2,556,483
Realized investment gains	3,128,326	3,141,431	62,780	6,332,537
Unrealized investment gains (losses)	(5,349,604)	(4,727,335)	(4,707)	(10,081,646)
Change in value of split interest	(131,551)	1,378	(264,055)	(394,228)
Nonoperating assets used for operations		(14,049,353)		(14,049,353)
Change in net assets from nonoperating activities	(105,008)	(15,087,636)	959,013	(14,233,631)
Total change in net assets	(1,634,940)	(12,315,745)	959,013	(12,991,672)
Net assets				
Beginning of year	163,001,135	73,220,232	57,677,664	293,899,031
End of year	$ 161,366,195	$ 60,904,487	$ 58,636,677	$ 280,907,359

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

Perkins School for the Blind
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	$ 22,106,384	$ (12,991,672)
Adjustments to reconcile total change in net assets to net cash used by operations		
Depreciation expense	5,329,946	4,948,617
Contributed securities	(73,519)	(45,873)
Proceeds restricted for long-term investment	(2,639,981)	(1,146,909)
Interest and dividends restricted for long-term investment	(22,550)	(18,086)
Realized investment gains	(3,827,442)	(6,332,537)
Unrealized investment losses (gains)	(22,446,419)	10,081,646
Change in value of outside trusts	(884,334)	210,627
Change in operating assets and liabilities		
Accounts receivable	(44,306)	(2,269,814)
Interest and dividends receivable	2,485	(918)
Grants receivable	(1,356,514)	74,971
Pledges receivable	1,615,621	979,141
Other assets	(336,785)	58,573
Inventory	1,172,500	(683,919)
Accounts payable	687,339	11,634
Asset retirement obligation	60,544	67,489
Accrued payroll and other liabilities	(255,713)	(951,056)
Net cash (used) by operating activities	(912,744)	(8,008,086)
Cash flows from investing activities		
Purchases of land, buildings and equipment	(2,089,946)	(11,445,692)
Proceeds from sales of investments	37,994,758	62,227,942
Purchase of investments	(34,062,730)	(47,484,085)
Change in deposit with trustees	-	2,128,044
Net cash provided by investing activities	1,842,082	5,426,209
Cash flows from financing activities		
Contributions restricted for long-term investment	2,639,981	1,146,909
Interest and dividends restricted for long-term investment	22,550	18,086
Payments to annuitants	(210,089)	(202,008)
Proceeds from the issuance of debt	-	3,866,897
Payments of debt	(2,581,564)	(2,517,955)
Net cash provided by/(used) in financing activities	(129,122)	2,311,929
Net increase (decrease) in cash	800,216	(269,948)
Cash and cash equivalents		
Beginning of year	1,714,710	1,984,658
End of year	$ 2,514,926	$ 1,714,710
Supplemental data		
Net interest paid	$ 1,254,675	$ 1,515,895
Capitalized interest	110,875	126,738
Total interest paid	1,365,550	1,642,633
Property and equipment included in accounts payable	64,547	259,598
Contributed securities	73,519	45,873

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 .Revenue is recognized on the accrual basis of accounting.

Revenue is recognized in accordance with the provisions of GAAP when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred and/or services have been rendered; (3) the seller's price to the buyer is fixed or determinable; (4) ownership has transferred and (5) collectablitiy is reasonably assured. The operating and non-operating revenues on the Statement of Activities meet the criteria.

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. During fiscal year 2013 Other Non-operating revenue of $2,064,000 was from the sale of historical tax credits issued by the Massachusetts Secretary of State's office for the renovations in prior years of the School's building. 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. During fiscal year 2013, the School had a contract that allowed some expenses to be reimbursed at market values.

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 $623,803 and $558,612 in 2013 and 2012, 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 $80,880, $21,656,450, $10,541,575, and $102,836 in 2013 and $105,550, $21,577,954, $10,155,010 and $110,115 in 2012, 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 $1,477,803 and $1,417,259 for 2013 and 2012, 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
Bond and Loan interest expense in the 2012 financial statements have been reclassified to conform to the 2013 presentations.

2. Pledges Receivable

Pledges receivable as of June 30, 2013 and 2012 are expected to be realized in the following time frame:

	2013	2012
One year or less	$ 3,778,659	$ 3,719,401
Between one year and nine	2,468,316	4,287,045
Less: Discount	(147,856)	(291,706)
Pledges receivables, net	$ 6,099,119	$ 7,714,740

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, 2013 and 2012 include the following:

	2013	2012
Raw material	$ 1,769,205	$ 1,927,182
Work in progress	2,414,527	2,735,703
Finished goods	999,648	1,800,900
Inventory reserve	(201,268)	(309,173)
Net inventory	$ 4,982,112	$ 6,154,612

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, 2013, 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	$ 5,735,090	$ -	$ -	$ 5,735,090
Domestic bond funds	2,023,869	-	-	2,023,869
International bond funds	5,696,575	6,189,292	-	11,885,867
Domestic equity	43,439,933	-	-	43,439,933
International equity	17,903,893	-	-	17,903,893
Commodities	-	-	-	-
Real estate	-	-	11,381,362	11,381,362
Private equity	-	68,147,099	21,710,114	89,857,213
Hedge	-	30,794,186	36,042,786	66,836,972
Investment Receivable	20,093	-	-	20,093
Total investments	74,819,453	105,130,577	69,134,262	249,084,292
Assets held by outside trusts			10,755,044	10,755,044
Total assets at fair value	$ 74,819,453	$ 105,130,577	$ 79,889,306	$ 259,839,336

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

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 55% of investments held by the partnerships consist of marketable securities and 45% 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, 2013.

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, 2013 and 2012:

	Fair Value July 1, 2012	Realized Gains (Losses)	Unrealized Gains (Losses)	Purchases	Sales	Fair Value June 30, 2013
Real estate	$ 11,302,238	$ -	$ 594,238	$ 200,000	$ (715,114)	$ 11,381,362
Private equity	20,968,177	930,171	1,126,393	2,913,286	(4,227,913)	21,710,114
Hedge	39,675,270	2,022,777	2,802,375	-	(8,457,636)	36,042,786
Total investments	71,945,685	2,952,948	4,523,005	3,113,286	(13,400,663)	69,134,262
Assets held by outside trusts	9,870,710	924,233	(39,899)	-	-	10,755,044
Total investments	$ 81,816,395	$ 3,877,181	$ 4,483,106	$ 3,113,286	$ (13,400,663)	$ 79,889,306

	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

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, 2013 and 2012.

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, 2013 investments and investment returns were as follows:

	General	Special	Total
Cost			
Cash equivalents	$ 4,899,795	$ 855,388	$ 5,755,183
Stocks and mutual funds	51,971,751	-	51,971,751
Bonds	6,256,228	1,728,796	7,985,024
Alternative investments	119,505,813	-	119,505,813
	$ 182,633,587	$ 2,584,184	$ 185,217,771
Market			
Cash equivalents	$ 4,899,795	$ 855,388	$ 5,755,183
Stocks and mutual funds	61,343,826	-	61,343,826
Bonds	5,987,448	1,732,996	7,720,444
Alternative investments	174,264,839	-	174,264,839
	$ 246,495,908	$ 2,588,384	$ 249,084,292
Investment return			
Unrealized appreciation (depreciation)	$ 22,448,623	$ (2,204)	$ 22,446,419
Net realized gains	3,819,467	7,975	3,827,442
Investment income	1,735,438	27,038	1,762,476
Total investment return (loss)	$ 28,003,528	$ 32,809	$ 28,036,337

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)

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, 2013:

	Bond Fund	Real Estate	Private Equity	Hedge	Total Investments
Redemption terms					
Monthly (30–60 days written notice)	$ 6,189,292	$ -	$ 20,255,346	$ 3,578,710	$ 30,023,348
Quarterly (30–90 days written notice)	-	-	47,891,753	27,215,476	75,107,229
Semi-annually/annually (30–180 days written notice)	-	-	290	24,450,915	24,451,205
1–5 years	-	2,709,147	-	11,591,871	14,301,018
6–10 years	-	3,493,139	15,313,775	-	18,806,914
11–15 years	-	5,179,076	6,396,049	-	11,575,125
Fair value June 30, 2013	$ 6,189,292	$ 11,381,362	$ 89,857,213	$ 66,836,972	$ 174,264,839

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

In connection with the investments in certain limited partnership agreements, the School has an additional $8,770,156 and $8,883,057 committed for calls as of June 30, 2013 and 2012, 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 $3,652,705 and $2,865,831 are offset against realized and unrealized gains for fiscal years 2013 and 2012, respectively.

5. Endowments and Net Assets

The School's endowment consists of approximately 100 individual donor restricted endowment funds and undesignated 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 and are reported on the Statement of Financial Position as undesignated.

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, 2013 and 2012 delineated by net asset class and donor-restricted versus undesignated funds:

Endowment and net asset composition by type of fund as of June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor funds and earnings	$ 10,558,728	$ 68,068,088	$ 51,800,937	$ 130,427,753
Loan fund	600,000	(1,522,632)		(922,632)
Assets held by outside trusts		567,449	10,187,595	10,755,044
Net investment in plant	41,224,223			41,224,223
Undesignated funds	121,529,355			121,529,355
Total endowment and net asset funds	$ 173,912,306	$ 67,112,905	$ 61,988,532	$ 303,013,743

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and net assets, beginning of year	$ 161,366,195	$ 60,904,487	$ 58,636,677	$ 280,907,359
Investment return				
Investment income	1,350,512	389,414	22,550	1,762,476
Net realized	1,900,337	1,878,615	48,490	3,827,442
Net unrealized	11,164,579	11,270,156	11,684	22,446,419
Total investment return	14,415,428	13,538,185	82,724	28,036,337
Gifts	1,231,427	114,275	2,639,981	3,985,683
Restricted annual donations		1,963,332		1,963,332
Change in value of split interest	(134,171)	33,817	480,489	380,135
Appropriation of net assets for expenditure	(14,323,103)			(14,323,103)
Other non-operating revenue*	2,064,000			2,064,000
Net assets released and reclassification from restriction	9,292,530	(9,441,191)	148,661	-
Endowment and net assets, end of year	$ 173,912,306	$ 67,112,905	$ 61,988,532	$ 303,013,743

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

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:

	2013	2012
Endowment permanently restricted net assets		
Faculty	$ 2,607,618	$ 2,557,618
General (including program)	48,771,912	46,308,921
Students	421,407	421,092
Endowment permanently restricted net assets	51,800,937	49,287,631
Outside trust	10,187,595	9,349,046
Total endowment and net assets classified as permanently restricted net assets	$ 61,988,532	$ 58,636,677

Temporarily Restricted Net Assets

	2013	2012
Endowment temporarily restricted net assets		
Facilities	$ 4,677,612	$ 4,271,753
Faculty	1,129,089	786,013
General (including program)	52,948,773	45,798,487
Students	2,568,945	2,333,423
Endowment temporarily restricted net assets	61,324,419	53,189,676
Loan - Program	(1,522,632)	(1,945,342)
Gifts - Donor specified	6,743,669	9,138,489
Outside trust - General	567,449	521,664
Total endowment and net assets classified as temporarily restricted net assets	$ 67,112,905	$ 60,904,487

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 ($2,628) and ($44,701) as of June 30, 2013 and 2012, 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 values. 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 2013 and 2012, the School recorded approximately $358,451 and $361,926 of interest income and $404,539 and $(372,387) of unrealized gains and losses, respectively, from these outside trusts. The value of split interest agreements held by outside trust increased $479,794 and $161,760 for the fiscal years 2013 and 2012, 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 $10,755,044 and $9,870,710 as of June 30, 2013 and 2012, respectively.

7. Land, Buildings and Equipment

Land, buildings and equipment consist of the following as of June 30, 2013 and 2012:

	2013	2012
Land and buildings	$ 57,939,351	$ 57,939,351
Building improvements	83,926,121	81,923,096
Furniture and equipment	17,622,029	17,236,004
Construction in progress	921,958	1,576,015
Machinery	4,132,248	4,110,033
Automobiles	1,312,884	1,176,894
	165,854,591	163,961,393
Less: Accumulated depreciation	(93,687,564)	(88,357,618)
	$ 72,167,027	$ 75,603,775

Depreciation expense for the years ended June 30, 2013 and 2012 was $5,329,946 and $4,948,617, respectively.

Interest expense capitalized was $110,875 and $126,738 for the years ended June 30, 2013 and 2012, 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 2013 and 2012. Total pension expense for the years ended June 30, 2013 and 2012 was $861,333 and $906,969, 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, 2013 and 2012 was $1,204,514 and $1,280,107, 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 $500,000 and $1,000,000 were received in fiscal year 2013 and 2012, 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, 2013 and 2012 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, 2013 and 2012. 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. On September 10, 2012, the Bond was amended with a fix rate of 2.774% for the remaining years with the same amortization schedule and covenants of the original issuance on February 12, 2010. 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, 2013, the outstanding bond is $29,022,803 of which $876,856 is short term debt, with the following required principal payments:

Year Ended June 30,	
2014	$ 876,856
2015	794,586
2016	778,840
2017	762,393
2018 and thereafter	25,810,128
	$ 29,022,803

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, 2013, the outstanding loan amount was $1,920,001 of which $160,000 is short term debt with the following required principal payments:

FY 14	$ 160,000
FY 15	1,760,001
	$ 1,920,001

For fiscal years 2013 and 2012 the bond and loan interest expense of $997,401 and $1,307,740 respectively. The interest was allocated to administrative, development and educational and supportive programs based on square footage allocated to each expense category.

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 $15,817 and $5,197 related to gifts and earned $82 and $12 in investment returns in 2013 and 2012, respectively. The John Milton Society had expenses of $34,128 and $33,968 during fiscal years 2013 and 2012 and had $755,564 and $773,793 in net assets at June 30, 2013 and 2012, 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, 2013 and 2012, the Kilimanjaro Blind Trust raised $36,869 and $225,233, respectively, in gifts and pledges and investment returns and losses of $56,715 and $(3,143), respectively. The Trust had expenses of $140,093 and $167,046 in fiscal years 2013 and 2012, respectively. The Trust had $1,032,995 and $1,079,504 in net assets at June 30, 2013 and 2012, respectively. There were no inter-company transactions during the fiscal year.

15. Related Parties

The following related party transactions occurred during the years ended June 30, 2013 and 2012:

Choate, Hall & Stewart billed the School a total $16,149 and $9,818 for legal services during 2013 and 2012, respectively. During 2013 one Board member was a partner at Choate, Hall & Stewart. During 2012 one Board member and one officer of the School were each partners at Choate, Hall & Stewart.

The School paid Fiduciary Trust Company $70,765 and $18,000 in 2013 and $66,885 and $18,000 in 2012 for its services as Custodian and services of the Treasurer's office. During 2013 two Board members who are also officers of the School are Vice Presidents of Fiduciary Trust Company. During 2012, a Board member, who is also an officer of the School, is a Vice President of Fiduciary Trust Company, and another officer is also a Vice President of Fiduciary Trust Company.

During the fiscal year ended June 30, 2013, the School did not have any investments with Westfield Capital Management. 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. A Director of Westfield Capital Management serves as a volunteer on the School's investment committee.

The School paid Technical Development Corporation, dba TDC, a not for profit $32,877 for consulting services in 2013. The President of TDC is also a board member.

As of June 30, 2013 and 2012, $7,729 and $932, respectively, was due to Choate, Hall & Stewart, and as of June 30, 2013 $3,564 was due to TDC. Both are related parties.

16. Subsequent Events

Subsequent to June 30, 2013, management evaluated all events or transactions that occurred after June 30, 2013 up through October 31, 2013, the date these audited financial statements were issued and concluded that entering into a line of credit for $5,000,000 occurred on July 1, 2013 is a subsequent event.