PERKINS SCHOOL FOR THE BLIND

Consolidated Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Report Thereon)

PERKINS SCHOOL FOR THE BLIND

June 30, 2017 and 2016

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KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Perkins School for the Blind:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Perkins School for the Blind and its subsidiaries (the School), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the School as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Boston, Massachusetts
November 7, 2017

PERKINS SCHOOL FOR THE BLIND

Consolidated Statements of Financial Position

June 30, 2017 and 2016

	2017	2016
Assets		
Cash	$ 4,090,978	$ 3,559,950
Accounts receivable, net of reserves of $111,420 and $165,000 for 2017 and 2016, respectively	5,507,557	5,468,621
Grants receivable	1,161,779	1,720,329
Pledges receivable, net (Note 3)	1,415,556	1,615,997
Prepaid expense and other assets	1,726,502	1,751,613
Inventory, net (Note 4)	3,816,850	4,652,130
Investments (Note 5)	283,206,411	258,097,164
Assets held by outside trusts (Note 2)	9,147,644	8,845,718
Fixed assets, net (Note 8)	66,846,390	66,722,369
Total assets	$ 376,919,667	$ 352,433,891
Liabilities and Net Assets		
Accounts payable and accrued liabilities	$ 7,547,952	$ 8,003,522
Bond payable (Note 10)	30,749,036	27,427,338
Asset retirement obligations	1,467,751	1,500,620
Total liabilities	39,764,739	36,931,480
Unrestricted net assets	$ 185,076,223	$ 174,297,369
Temporarily restricted net assets (Note 6)	77,018,559	66,737,619
Permanently restricted net assets (Note 6)	75,060,146	74,467,423
Total net assets	337,154,928	315,502,411
Total liabilities and net assets	$ 376,919,667	$ 352,433,891

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND

Consolidated Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Operating				
Revenues and other support				
Tuition (note 2)	$ 30,308,171	$ -	$ -	$ 30,308,171
Income from outside trusts	359,443	-	-	359,443
Library services	2,714,424	-	-	2,714,424
Private grants	1,502,348	-	-	1,502,348
Government revenue	6,900,003	-	-	6,900,003
Annual donations	3,334,089	1,650,597	-	4,984,686
Sales of materials for the blind	8,039,525	-	-	8,039,525
Other revenues	1,233,598	-	-	1,233,598
Total operating revenues	54,391,601	1,650,597	-	56,042,198
Endowment return utilized in operations	13,993,729	-	-	13,993,729
Net assets released from restrictions and transfers	1,935,617	(1,935,617)	-	-
Total operating revenues and other support	70,320,947	(285,020)	-	70,035,927
Expenses				
Program expense				
Educational programs	38,503,512	-	-	38,503,512
Supporting services	21,104,520	-	-	21,104,520
Administration	10,285,384	-	-	10,285,384
Fundraising	3,753,288	-	-	3,753,288
Total operating expenses	73,646,704	-	-	73,646,704
Change in net assets from operating activities	(3,325,757)	(285,020)	-	(3,610,777)
Nonoperating				
Net investment return (note 5)	18,779,940	17,397,600	233,299	36,410,839
Endowment return utilized in operations	(7,123,589)	(6,870,140)	-	(13,993,729)
Gifts and legacies	2,452,409	-	66,076	2,518,485
Change in value of split interest agreements	(4,149)	38,500	293,348	327,699
Change in net assets from nonoperating activities	14,104,611	10,565,960	592,723	25,263,294
Total change in net assets	10,778,854	10,280,940	592,723	21,652,517
Net assets				
Beginning of year	174,297,369	66,737,619	74,467,423	315,502,411
End of year	$ 185,076,223	$ 77,018,559	$ 75,060,146	$ 337,154,928

See accompanying notes to the consolidated financial statement

PERKINS SCHOOL FOR THE BLIND

Consolidated Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Operating				
Revenues and other support				
Tuition (note 2)	$ 30,285,517	$ -	$ -	$ 30,285,517
Income from outside trusts	429,860	-	-	429,860
Library services	2,736,120	-	-	2,736,120
Private grants	1,900,384	-	-	1,900,384
Government revenue	6,335,706	-	-	6,335,706
Annual donations	3,401,388	2,247,389	-	5,648,777
Sales of materials for the blind	8,293,584	-	-	8,293,584
Other revenues	1,361,469	-	-	1,361,469
Total operating revenues	54,744,028	2,247,389	-	56,991,417
Endowment return utilized in operations	13,464,543	-	-	13,464,543
Net assets released from restrictions and transfers	2,765,377	(2,765,377)	-	-
Total operating revenues and other support	70,973,948	(517,988)	-	70,455,960
Expenses				
Program expense				
Educational programs	37,833,253	-	-	37,833,253
Supporting services	20,561,759	-	-	20,561,759
Administration	9,914,659	-	-	9,914,659
Fundraising	4,418,405	-	-	4,418,405
Total operating expenses	72,728,076	-	-	72,728,076
Change in net assets from operating activities	(1,754,128)	(517,988)	-	(2,272,116)
Nonoperating				
Net investment return (note 5)	(4,364,740)	(4,187,072)	71,737	(8,480,075)
Endowment return utilized in operations	(6,891,636)	(6,572,907)	-	(13,464,543)
Gifts and legacies	727,812	-	66,835	794,647
Change in value of split interest agreements	(35,512)	(23,941)	(518,002)	(577,455)
Change in net assets from nonoperating activities	(10,564,076)	(10,783,920)	(379,430)	(21,727,426)
Total change in net assets	(12,318,204)	(11,301,908)	(379,430)	(23,999,542)
Net assets				
Beginning of year	186,615,573	78,039,527	74,846,853	339,501,953
End of year	$ 174,297,369	$ 66,737,619	$ 74,467,423	$ 315,502,411

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND

Consolidated Statements of Functional Expenses

Years Ended June 30, 2017 and 2016

Year End June 30, 2017	Program Expense	Administration	Fundraising	2017 Total
Employee Compensation & Related Benefits	37,152,427	6,055,957	2,091,348	45,299,732
Occupancy	4,175,005	493,586	309,919	4,978,510
Other Programs/ Operating Expenses	9,988,315	359,385	213,028	10,560,728
Subcontract Expense	855,440	-	-	855,440
Direct Administrative Expense	3,028,124	2,776,416	1,080,356	6,884,896
Other Expense	12,000	10,000	-	22,000
Depreciation	4,396,721	590,040	58,637	5,045,398
Total Expense	$ 59,608,032	$ 10,285,384	$ 3,753,288	$ 73,646,704

Year End June 30, 2016	Program Expense	Administration	Fundraising	2016 Total
Employee Compensation & Related Benefits	36,455,960	5,958,872	2,307,695	44,722,527
Occupancy	3,344,036	698,911	261,948	4,304,895
Other Programs/ Operating Expenses	9,923,611	319,989	261,640	10,505,240
Subcontract Expense	793,949	-	-	793,949
Direct Administrative Expense	3,309,598	2,412,582	1,158,054	6,880,234
Other Expense	162,872	7,871	375,133	545,876
Depreciation	4,404,986	516,434	53,935	4,975,355
Total Expense	$ 58,395,012	$ 9,914,659	$ 4,418,405	$ 72,728,076

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND

Consolidated Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 21,652,517	$ (23,999,542)
Adjustments to reconcile change in net assets to net cash used in operations		
Depreciation expense	5,045,398	4,975,355
Contributed securities	(212,996)	(219,069)
Contributions restricted for long-term investment	(66,076)	(66,835)
Interest and dividends restricted for long-term investment	(17,778)	(19,594)
Realized investment gains	(3,795,007)	(4,960,206)
Unrealized investment (gains) losses	(31,150,327)	14,999,882
Change in value of assets held by outside trusts	(331,849)	532,802
Change in operating assets and liabilities:		
Accounts receivable	(38,936)	(338,502)
Grants receivable	558,550	379,108
Pledges receivable	200,441	789,086
Prepaid expenses and other assets	25,111	(18,999)
Inventory	835,280	(27,762)
Accounts payable and accrued liabilities	(500,940)	76,850
Asset retirement obligations	(32,869)	(120,665)
Net cash used in operating activities	(7,829,481)	(8,018,091)
Cash flows from investing activities		
Purchases of fixed assets	(5,013,226)	(2,136,772)
Proceeds from sales of investments	71,714,051	72,972,991
Purchases of investments	(61,664,968)	(65,224,486)
Net cash provided by investing activities	5,035,857	5,611,733
Cash flows from financing activities		
Contributions restricted for long-term investment	66,076	66,835
Interest and dividends restricted for long-term investment	17,778	19,594
Annuity payments	(110,823)	(128,544)
Proceeds from debt issuance	4,100,000	-
Payments of debt	(778,302)	(521,137)
Proceeds from outside trust distribution	29,923	3,410,300
Net cash provided by financing activities	3,324,652	2,847,048
Net increase in cash	531,028	440,690
Cash		
Beginning of year	3,559,950	3,119,260
End of year	$ 4,090,978	$ 3,559,950
Supplemental data		
Interest paid	$ 817,093	$ 781,247
Change in accounts payable attributable to fixed assets	156,193	(51,406)

See accompanying notes to the consolidated financial statements

(1) Organization

Perkins School for the Blind (the "School") provides educational programs, services, and products 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 of educational products is an integral part of the School's operations. The School's consolidated financial statements include two separate subsidiaries, referred to in Notes 12 and 13, respectively: The John Milton Society for the Blind and the Kilimanjaro Blind Trust, Inc. All significant intercompany transactions and balances have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles 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 that are not subject to donor-imposed stipulations and available for general operations of the School. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees, including to function as endowment.

Temporarily Restricted

Net assets subject to donor-imposed stipulations as to the timing of their availability or use for a particular purpose. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs in accordance with the School's endowment spending guideline and any restrictions on use imposed by donors.

Permanently Restricted

Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. The School classifies the following portions of donor-restricted endowment funds as permanently restricted net assets: (a) the original value of assets contributed to permanently restricted net assets, (b) subsequent contributions to such funds valued at the date of contribution, and (c) reinvested earnings on permanent endowment when specified by the donor.

(b) Revenues

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions or by law, in which case they are reported as increases in temporarily or permanently restricted net assets. Expirations of temporary restrictions are reflected in the statement of activities as net assets released from restrictions. Net realized gains (losses) from the sale or other disposition of investments and the change in unrealized appreciation (depreciation) of investments are reported as revenue in unrestricted net assets, unless use of these gains is restricted by donor-imposed stipulations or by law. Expenses are reported as decreases in unrestricted net assets.

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

Revenues associated with contracts and grants are recognized as the related expenses 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 $591,484 and $593,237 in 2017 and 2016, respectively, and are classified as unrestricted revenue.

Tuition Revenue

The School receives tuition revenue 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 revenue is received from the following sources:

	2017	2016
Massachusetts local agencies	$ 22,184,876	$ 20,653,482
Out of state agencies	7,572,896	9,474,786
Private payers	550,399	157,249
Tuition revenue	$ 30,308,171	$ 30,285,517

The School defines tuition revenue as the funds earned for providing educational and other services to students who attend the School. Evidence of these arrangements exists in the form of signed contracts that the School has with each student's city/town and State agency. Services are considered rendered each day the student attends school. The School is allowed to consider services rendered even on days when students are absent, up to twenty school days in a row. After twenty school days, the School can no longer consider services rendered from that point forward until the student returns to school, at which point the School can resume considering services provided. The School’s price to the student is determined in accordance with the daily rates set each year by the Massachusetts Operational Services Division (MA OSD). In some instances, the School has certain partial day rates or individualized extended day rates approved by the MA OSD and these rates are in the aforementioned contract with the student's city/town and State agency.

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

(d) Functional Allocation of Expenses

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

(e) Nonoperating Activities

The consolidated statements of activities report the changes in net assets from operating and nonoperating activities. Nonoperating activities include gifts and legacies, net investment income, an offset for endowment return appropriated for operating activities, changes in value of split interests, and other nonoperating revenues during the year if applicable. Nonoperating activities are classified as unrestricted, temporarily restricted or permanently restricted. Subsequently, as applicable restrictions are met, they are reclassified into unrestricted net assets as net assets released from restrictions on the consolidated statements of activities.

(f) Cash and Cash Equivalents

The School maintains its cash at one financial institution. The School maintains its cash in deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts. The School believes it is not exposed to any significant credit risk on cash. Cash equivalents consist of short-term highly liquid investments with maturities of 90 days or less at date of purchase and are included in investments in the consolidated statements of financial position.

(g) Fixed Assets

Fixed assets are recorded at cost if purchased or constructed, or at fair market or appraised value on the date of donation in the case of gifts. The School has not valued its land holdings. Land is not expected to be disposed of for financial gain and therefore is not capitalized.

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.

(h) 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 and as ARO liabilities are settled.

(i) Fair Value Measurements

The School reports required types of assets and liabilities at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs are used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The School utilizes the valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

(j) Assets Held by Outside Trusts

Assets held by outside trusts include split interest agreements and perpetual trusts which are held by external trustees, as specified by the donors, and are reported by the School at fair value. Trust income is distributed at least annually to the School in accordance with the terms of the trusts and is recorded as revenue. Changes in fair value of the trusts are recorded as increases or decreases to net assets depending on the nature of the restriction. The outside trusts are all classified in Level 3 in the fair value hierarchy because they are held by the trustees in perpetuity.

The following table present activity for the years ended June 30, 2017 and 2016 for assets held by outside trusts that are classified in Level 3 of the fair value hierarchy:

	2017	2016
Fair value, beginning	$ 8,845,718	$ 12,788,820
Unrealized gains (losses)	331,849	(532,802)
Distributions received	(29,923)	(3,410,300)
Fair value, ending	$ 9,147,644	$ 8,845,718

(k) Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Estimates are used in the allowances for doubtful accounts and reserve for inventory excess and obsolescence. Actual results could differ from those estimates.

(l) Tax Status

The School is a tax-exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from federal and state income taxes under Section 501(a) of the IRC and applicable state laws. The School believes it has no significant uncertain tax positions.

(m) Reclassifications

Certain 2016 information has been reclassified to conform to the 2017 presentation.

(3) Pledges Receivable

Pledges receivable as of June 30, 2017 and 2016 are expected to be realized in the following time frame:

	2017	2016
One year or less	$ 1,200,831	$ 1,105,967
More than one year and less than five	374,478	683,606
More than five years	-	5,349
Less: Present value discount	(9,753)	(18,925)
Less: Allowance for uncollectible pledges	(150,000)	(160,000)
Pledges receivable, net	$ 1,415,556	$ 1,615,997

Pledges are recorded after discounting to the present value of future cash flows with discount rates ranging from 1.20% to 2.40% depending upon the anticipated pledge fulfillment date.

(4) Inventory

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

The components of inventory at June 30, 2017 and 2016 include the following:

	2017	2016
Raw material	$ 2,824,932	$ 2,035,340
Work in progress	361,266	1,416,888
Finished goods	654,337	1,240,500
Inventory reserve	(23,685)	(40,598)
Net inventory	$ 3,816,850	$ 4,652,130

(5) Investments

The investment objective of the School is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund a portion of its spending and to increase investment value after inflation. The School diversifies its investments among asset classes by incorporating several strategies and managers. Major investment decisions are authorized by the School's Trustee Investment Committee that oversees the School's investments.

In addition to equity and fixed income investments, the School may also hold shares or units in institutional funds and alternative investment funds involving hedged, private equity, and real estate strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds and securities sold short and often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material.

Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Investments also include assets associated with gift annuities.

Investments are reported at estimated fair value. If an investment is held directly by the School and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. These investments are classified in Level 1 of the fair value hierarchy. The School's interests in alternative investment funds are generally reported at net asset values (NAV) reported by fund managers, which are used as a practical expedient to estimate the fair value of the School's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2017 and 2016, the School had no plans or intentions to sell investments at amounts different from NAV.

The School's investments at June 30, 2017 are summarized in the following table by strategy, and as applicable their fair value hierarchy classification:

	NAV	Level 1	Total
Investments			
Cash and cash equivalents	$ -	$ 14,453,227	$ 14,453,227
Domestic bond funds	-	3,860,906	3,860,906
International bond funds	11,945,182	10,480,327	22,425,509
Domestic equity	-	61,081,008	61,081,008
International equity	8,706,191	9,860,445	18,566,636
Real estate limited partnerships	3,038,395	-	3,038,395
Private equity	55,981,128	-	55,981,128
Hedge	103,799,602	-	103,799,602
Total investments	$ 183,470,498	$ 99,735,913	$ 283,206,411

The School's investments at June 30, 2016 are summarized in the following table by strategy, and as applicable their fair value hierarchy classification:

	NAV	Level 1	Total
Investments			
Cash and cash equivalents	$ -	$ 11,762,301	$ 11,762,301
International bond funds	12,114,875	9,748,340	21,863,215
Domestic equity	-	52,633,673	52,633,673
International equity	-	15,989,861	15,989,861
Real estate limited partnerships	6,747,006	357,644	7,104,650
Private equity	47,065,740	-	47,065,740
Hedge	101,677,724	-	101,677,724
Total investments	$ 167,605,345	$ 90,491,819	$ 258,097,164

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.

For purposes of recording realized and unrealized gains and losses, the cost of securities sold is determined on a specific identification basis.

The following table represents liquidity information, based on redemption terms, for investments as of June 30, 2017:

	Daily	Monthly	Quarterly	Annual	Illiquid	Total Investments
Cash and cash equivalents	$ 14,453,227	$ -	$ -	$ -	$ -	$ 14,453,227
Domestic bond funds	3,860,906					3,860,906
International bond funds	10,480,327	11,945,182	-	-	-	22,425,509
Domestic equity	61,081,008	-	-	-	-	61,081,008
International equity	18,566,636	-	-	-	-	18,566,636
Real estate limited partnerships	-	-	-	-	3,038,395	3,038,395
Private equity	-	31,778,352	-	-	24,202,776	55,981,128
Hedge	-	-	76,779,609	27,019,993	-	103,799,602
Total	$ 108,442,104	$ 43,723,534	$ 76,779,609	$27,019,993	$ 27,241,171	$ 283,206,411

The following table represents liquidity information, based on redemption terms, for investments as of June 30, 2016:

	Daily	Monthly	Quarterly	Annual	Illiquid	Total Investments
Cash and cash equivalents	$ 11,762,301	$ -	$ -	$ -	$ -	$ 11,762,301
International bond funds	9,748,340	12,114,875	-	-	-	21,863,215
Domestic equity	52,633,673	-	-	-	-	52,633,673
International equity	15,989,861		-	-	-	15,989,861
Real estate limited partnerships	357,644	-	-	-	6,747,006	7,104,650
Private equity	-	22,979,173	-	-	24,086,567	47,065,740
Hedge	-	-	76,308,078	25,369,646	-	101,677,724
Total	$ 90,491,819	$ 35,094,048	$ 76,308,078	$ 25,369,646	$ 30,833,573	$ 258,097,164

Commitments

In connection with the investments in certain limited partnership agreements, the School has an additional $11,184,337 and $11,529,501 committed for capital calls as of June 30, 2017 and 2016, 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, at the discretion of the investment managers, to hedge against risk.

As of June 30, 2017 and 2016 investment return was as follows:

	2017	2016
Investment return		
Net change in unrealized appreciation	$ 31,150,327	$ (14,999,882)
Net realized gains	3,795,007	4,960,206
Interest and dividends	1,465,505	1,559,601
Net investment return	$ 36,410,839	$ (8,480,075)

Net investment return is net of investment management fees of $2,735,501 and $2,338,693 for fiscal years 2017 and 2016, respectively.

(6) Net Assets

(a) Temporarily Restricted Net Assets

The composition of temporarily restricted net assets as of June 30 is as follows:

	2017	2016
Restricted contributions for endowment	$ 1,637,701	$ 1,859,757
Unspent net endowment return and term endowments	69,513,797	59,060,717
Restricted annual gifts	3,869,953	3,734,447
Pledges receivable, net	1,415,556	1,539,647
Assets held by outside trusts	581,552	543,051
Total temporarily restricted net assets	$ 77,018,559	$ 66,737,619

(b) Permanently Restricted Net Assets

The composition of permanently restricted net assets as of June 30 is as follows:

	2017	2016
Donor-restricted endowment funds	$ 66,494,054	$ 66,164,756
Assets held by outside trusts	8,566,092	8,302,667
Total permanently restricted net assets	$ 75,060,146	$ 74,467,423

(7) Endowment

The School's endowment is pooled for investment purposes and consists of approximately 100 individual funds established for a variety of purposes. The endowment consists of both donor restricted endowment funds and board designated funds functioning as endowment funds (quasi- endowment). 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 by 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.

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. Donor-restricted amounts reported below include term endowments and appreciation, net of underwater funds, which are reported as unrestricted net assets.

Endowment composition by type of fund as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ -	$ 71,151,498	$ 66,494,054	$ 137,645,552
Quasi (Board-designated)	144,147,861	-	-	144,147,861
Total	$ 144,147,861	$ 71,151,498	$ 66,494,054	$ 281,793,413

Endowment composition by type of fund as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (207,995)	$ 60,920,474	$ 66,164,756	$ 126,877,235
Quasi (Board-designated)	130,050,464	-	-	130,050,464
Total	$ 129,842,469	$ 60,920,474	$ 66,164,756	$ 256,927,699

Changes in endowment for the year ended June 30, 2017 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at June 30, 2016	$ 129,842,469	$ 60,920,474	$ 66,164,756	$ 256,927,699
Net investment return	18,605,751	17,397,600	233,299	36,236,650
Contributions	2,692,181	228	66,076	2,758,485
Outside trust distribution	-	-	29,923	29,923
Transfers	10,713	(10,713)	-	-
Released from restriction	120,336	(285,951)	-	(165,615)
Utilized in operations	(7,123,589)	(6,870,140)	-	(13,993,729)
Endowment at June 30, 2017	$ 144,147,861	$ 71,151,498	$ 66,494,054	$ 281,793,413

Changes in endowment for the year ended June 30, 2016 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment at June 30, 2015	$ 140,229,995	$ 71,680,453	$ 62,316,147	$ 274,226,595
Net investment return	(4,364,740)	(4,187,072)	71,737	(8,480,075)
Contributions	736,053	-	65,000	801,053
Outside trust distribution	-	-	3,410,300	3,410,300
Transfers	132,797	-	301,572	434,369
Utilized in operations	(6,891,636)	(6,572,907)	-	(13,464,543)
Endowment at June 30, 2016	$ 129,842,469	$ 60,920,474	$ 66,164,756	$ 256,927,699

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. When these donor endowments deficits exist, they are classified as a reduction of unrestricted net assets.

Deficits of this nature reported in unrestricted net assets were $0 and $207,995 as of June 30, 2017 and 2016, 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% 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

The School invests its endowment funds and allocates the related return for expenditure. The utilization of the endowment is determined by guidelines established by the Board of Trustees of the School. For the years ended June 30, 2017 and 2016, the established guideline was up to 5% of the average fair value of applicable endowments over the prior 12 quarters towards operational expenses and 1% towards the repayment of debt. The actual endowment draw was 5.40% and 5.43% for the years ended June 30, 2017 and 2016, respectively.

(8) Fixed Assets

Fixed assets consist of the following as of June 30, 2017 and 2016:

	2017	2016
Buildings	$ 59,632,186	$ 59,632,186
Building improvements	94,801,149	90,326,363
Furniture and equipment	19,666,090	19,023,889
Construction in progress	266,325	314,282
Machinery	4,373,045	4,299,345
Automobiles	1,445,821	1,419,132
	180,184,616	175,015,197
Less: Accumulated depreciation	(113,338,226)	(108,292,828)
	$ 66,846,390	$ 66,722,369

Depreciation expense for the years ended June 30, 2017 and 2016 was $5,045,398 and $4,975,355, respectively.

(9) Retirement Plan

The Retirement Plan (the “Plan”) is a defined contribution plan that 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 2017 and 2016. Total retirement plan expense for the years ended June 30, 2017 and 2016 was $1,047,038 and $1,031,907, 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 retirement plan expense under this portion of the Plan for the years ended June 30, 2017 and 2016 was $1,327,598 and $1,287,144, respectively.

(10) Bonds Payable

The Massachusetts Development Finance Agency issued $30,000,000 in Revenue Bonds, Perkins School for the Blind Issue, Series 2010 in February, 2010. The Bondowner is TD Bank. The proceeds of the Bond were for the Lower School Project and a Central Cooling Plant. The agreement had a 15 year term, 25 year amortization, maturing in 2035, with a fixed interest rate of 4.5%. In September 10, 2012, the Bond was amended with a fix rate of 2.774% until February 2025, at which time the bond is subject to a mandatory tender. All other terms of the original issuance remain unchanged. The School has covenants of banking relationships, liquidity ratios and reporting requirements during each year. The bank requires the School to maintain a liquidity ratio.

The Massachusetts Development Finance Agency issued $4,100,000 in Revenue Bonds, Perkins School for the Blind Issue, Series 2016 in September 2016. The bondholder is TD Bank. The agreement has a 10 year term, 15 year amortization, with a fixed interest rate of 1.98%. The proceeds of the bond have been used for renovations to the Hilton and Howe buildings and for other capital needs.

The School has met all of its covenants at June 30, 2017 and 2016.

As of June 30, 2017 and 2016, the outstanding balance of the bonds is $30,749,036 and $27,427,338, respectively. The School's principal payment obligations as of June 30, 2017 are as follows:

Year Ended June 30,	
2018	$ 867,427
2019	901,518
2020	933,716
2021	973,996
2022	1,012,661
Thereafter	26,059,718
Carrying amount of Bonds	$ 30,749,036

For fiscal years 2017 and 2016 the bond interest expense was $827,466 and $778,840, respectively.

(11) Commitments and Contingencies

The School is engaged in legal cases that have arisen in the normal course of its operations. The School believes that the outcomes of these cases will not have a material adverse effect on the financial position of the School.

(12) John Milton Society

John Milton Society is a Section 501(c)(3) organization. Its mission is to support one of the Perkins International Programs. John Milton Society's financial information is as follows:

	2017	2016
Investments	$ 702,758	$ 646,855
Total net assets	702,758	646,855
Contributions and grants	$ 223	$ 252
Investment income	13,107	603
Unrealized gains	77,968	-
Expenses	(35,395)	(36,455)
Revenue less expenses	$ 55,903	$ (35,600)

(13) Kilimanjaro Blind Trust, Inc.

The Kilimanjaro Blind Trust, Inc. is a Section 501(c)(3) organization. Its mission is to raise funds to support Perkins School for the Blind. Kilimanjaro Blind Trust, Inc's financial information is as follows:

	2017	2016
Pledges receivable	$ 34,066	$ 52,146
Prepaid expenses and other assets	99,771	119,073
Investments	241,579	357,144
Total net assets	375,416	528,363
Contributions and grants	$ 8,700	$ 8,201
Investment income	7,234	11,992
Unrealized gains (losses)	43,046	(32,522)
Expenses	(185,157)	(96,045)
Revenue less expenses	$ (126,177)	$ (108,374)

(14) Related Parties

Members of the School's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the School. The School as a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees may participate in any decision in which he or she has a material financial interest. Each Trustee is required to certify compliance with the conflict of interest policy on an annual basis as well as disclose any potential related party transactions to the audit committee.

When such a relationship exists, the School requires that such transactions be conducted at arms' length with terms that are fair and reasonable to and for the benefit of the School. For senior management, the School requires annual disclosure of significant financial interests in, or governance of employment or consulting relationships with, entities doing business with the School. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interest of the School.

(15) UFR Surplus Revenue (Deficit) Retention (Unaudited)

In accordance with the Commonwealth of Massachusetts' Operational Services Division (the "OSD") regulation 808 CMR 1.03 (7), a provider of human services is allowed to retain a portion of the excess of revenues over expenses in a fiscal year (the "Surplus"). A provider may retain as its surplus up to 20% of its total revenue from the Commonwealth of Massachusetts during the fiscal year. The OSD can recoup or reduce future program service fees for the amount of any Commonwealth surplus in excess of 20% of Commonwealth revenues. Perkins did not have a surplus of Commonwealth revenues in excess of 20% during fiscal years 2017 and 2016.

(16) Subsequent Events

Management has evaluated events subsequent to June 30, 2017 and through November 7, 2017, the date on which these audited consolidated financial statements were issued.