PERKINS SCHOOL FOR THE BLIND

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

PERKINS SCHOOL FOR THE BLIND

June 30, 2022 and 2021

Table of Contents

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

Independent Auditors' Report

The Board of Trustees
Perkins School for the Blind:

Opinion

We have audited the consolidated financial statements of Perkins School for the Blind (the School), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Boston, Massachusetts
October 25, 2022

PERKINS SCHOOL FOR THE BLIND

Consolidated Statements of Financial Position

June 30, 2022 and 2021

Assets		**2022**	**2021**
Cash	$	11,764,520	8,941,244
Accounts receivable, net		8,773,741	6,517,864
Grants receivable		1,409,703	1,857,508
Pledges receivable, net (note 4)		921,550	1,733,630
Prepaid expense and other assets		1,463,507	1,982,967
Inventory, net (note 5)		4,924,311	5,264,785
Investments (note 6)		317,289,585	365,286,697
Assets held by outside trusts (note 2)		9,445,039	11,549,315
Fixed assets, net (note 8)		56,111,074	57,622,369
Total assets	$	412,103,030	460,756,379
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	8,541,018	11,784,394
Bond payable (note 10)		26,059,719	27,072,379
Asset retirement obligations (note 2)		1,423,531	1,423,531
Total liabilities		36,024,268	40,280,304
Without donor restrictions (note 11)		202,923,314	226,147,021
With donor restrictions (note 11)		173,155,448	194,329,054
Total net assets		376,078,762	420,476,075
Total liabilities and net assets	$	412,103,030	460,756,379

See accompanying notes to the consolidated financial statements.

PERKINS SCHOOL FOR THE BLIND

Consolidated Statement of Activities

Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	2022 Total
Operating:			
Revenues and other support (note 2)			
Tuition	$ 37,585,759	—	37,585,759
Program service revenue	8,120,858	—	8,120,858
Sales of materials for the blind	5,373,373	—	5,373,373
Government grants	9,025,547	—	9,025,547
Gifts and private grants	3,294,942	3,789,472	7,084,414
Contributions of nonfinancial assets	199,380	—	199,380
Other revenues	298,714	—	298,714
Income from outside trusts	536,546	—	536,546
Total operating revenues	64,435,119	3,789,472	68,224,591
Endowment return utilized in operations	20,263,171	—	20,263,171
Net assets released from restrictions and transfers	3,273,302	(3,273,302)	—
Total operating revenues and other support	87,971,592	516,170	88,487,762
Expenses:			
Program expense:			
Educational programs	48,166,192	—	48,166,192
Supporting services	20,540,765	—	20,540,765
Administration	12,184,210	—	12,184,210
Fundraising	2,978,613	—	2,978,613
Total operating expenses	83,869,780	—	83,869,780
Change in net assets from operating activities	4,101,812	516,170	4,617,982
Nonoperating:			
Net investment return	(18,376,526)	(18,151,888)	(36,528,414)
Endowment return utilized in operations	(13,672,351)	(6,590,820)	(20,263,171)
Gifts and legacies	4,696,963	5,157,208	9,854,171
Change in value of split-interest agreements	26,395	(2,104,276)	(2,077,881)
Change in net assets from nonoperating activities	(27,325,519)	(21,689,776)	(49,015,295)
Total change in net assets	(23,223,707)	(21,173,606)	(44,397,313)
Net assets:			
Beginning of year	226,147,021	194,329,054	420,476,075
End of year	$ 202,923,314	173,155,448	376,078,762

See accompanying notes to the consolidated financial statements.

PERKINS SCHOOL FOR THE BLIND

Consolidated Statement of Activities

Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	2021 Total
Operating:			
Revenues and other support (note 2)			
Tuition	$ 35,107,201	—	35,107,201
Program service revenue	7,472,473	—	7,472,473
Sales of materials for the blind	5,234,419	—	5,234,419
Government grants	5,439,626	—	5,439,626
Gifts and private grants	3,690,243	3,203,861	6,894,104
Contributions of nonfinancial assets	20,327	—	20,327
Other revenues	324,425	—	324,425
Income from outside trusts	509,063	—	509,063
Total operating revenues	57,797,777	3,203,861	61,001,638
Endowment return utilized in operations	14,149,715	—	14,149,715
Net assets released from restrictions and transfers	3,675,057	(3,675,057)	—
Total operating revenues and other support	75,622,549	(471,196)	75,151,353
Expenses:			
Program expense:			
Educational programs	42,072,381	—	42,072,381
Supporting services	19,223,391	—	19,223,391
Administration	11,452,003	—	11,452,003
Fundraising	3,684,110	—	3,684,110
Total operating expenses	76,431,885	—	76,431,885
Change in net assets from operating activities	(809,336)	(471,196)	(1,280,532)
Nonoperating:			
Net investment return	45,164,717	43,743,896	88,908,613
Endowment return utilized in operations	(7,692,500)	(6,457,215)	(14,149,715)
Gifts and legacies	1,554,734	493,445	2,048,179
Change in value of split-interest agreements	(18,320)	2,207,551	2,189,231
Change in net assets from nonoperating activities	39,008,631	39,987,677	78,996,308
Total change in net assets	38,199,295	39,516,481	77,715,776
Net assets:			
Beginning of year	187,947,726	154,812,573	342,760,299
End of year	$ 226,147,021	194,329,054	420,476,075

See accompanying notes to the consolidated financial statements.

PERKINS SCHOOL FOR THE BLIND

Consolidated Statements of Functional Expenses

Years Ended June 30, 2022 and 2021

		Program Expense	Administration	Fundraising	2022 Total
Year End June 30, 2022:					
Employee Compensation & Related Benefits	$	48,139,924	8,133,043	1,898,485	58,171,452
Occupancy		4,824,318	705,380	96,954	5,626,652
Other Programs/ Operating Expenses		10,335,524	330,406	70,933	10,736,863
Subcontract Expense		168,455	—	—	168,455
Direct Administrative Expense		1,584,320	2,493,744	882,940	4,961,004
Depreciation		3,654,416	521,637	29,301	4,205,354
Total Expense	$	68,706,957	12,184,210	2,978,613	83,869,780

		Program Expense	Administration	Fundraising	2021 Total
Year End June 30, 2021:					
Employee Compensation & Related Benefits	$	42,441,697	6,970,714	2,096,496	51,508,907
Occupancy		4,249,501	537,399	100,052	4,886,952
Other Programs/ Operating Expenses		9,201,008	440,174	54,312	9,695,494
Subcontract Expense		86,560	—	—	86,560
Direct Administrative Expense		1,598,639	3,066,031	1,353,540	6,018,210
Other Expense		12,000	—	—	12,000
Depreciation		3,706,367	437,685	79,710	4,223,762
Total Expense	$	61,295,772	11,452,003	3,684,110	76,431,885

See accompanying notes to the consolidated financial statements.

PERKINS SCHOOL FOR THE BLIND

Consolidated Statement of Cash Flows

June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (44,397,313)	77,715,776
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation expense	4,205,354	4,223,762
Contributed securities	(130,368)	(74,423)
Contributions restricted for long-term investment	(5,157,208)	(493,445)
Interest and dividends restricted for long-term investment	(39,672)	(22,536)
Realized investment gains	(15,193,549)	(19,727,242)
Unrealized investment gains (losses)	54,961,824	(67,356,005)
Change in value of assets held by outside trusts	2,104,276	(2,207,551)
Change in operating assets and liabilities:		
Accounts receivable	(2,255,877)	1,084,337
Grants receivable	447,805	(948,904)
Pledges receivable	812,080	620,923
Prepaid expenses and other assets	519,460	91,128
Inventory	340,474	(742,497)
Accounts payable and accrued liabilities	(2,895,554)	1,738,497
Net cash used in operating activities	(6,678,268)	(6,098,180)
Cash flows from investing activities:		
Purchases of fixed assets	(2,989,196)	(2,629,775)
Proceeds from sales of investments	118,973,146	99,324,568
Purchases of investments	(110,613,941)	(87,129,061)
Net cash provided by investing activities	5,370,009	9,565,732
Cash flows from financing activities:		
Contributions restricted for long-term investment	5,157,208	493,445
Interest and dividends restricted for long-term investment	39,672	22,536
Annuity payments	(27,746)	(27,746)
Payments on capital leases	(24,939)	(35,812)
Payments of debt	(1,012,660)	(973,996)
Net cash provided by (used in) financing activities	4,131,535	(521,573)
Net increase in cash	2,823,276	2,945,979
Cash:		
Beginning of year	8,941,244	5,995,265
End of year	11,764,520	8,941,244
Supplemental data:		
Interest paid	$ 725,886	751,720

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 a separate subsidiary of The John Milton Society for the Blind, referred to in Note 15. 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 ("GAAP"). The financial statements present information on the School's financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions but may be designated for specific purposes by action of the Board of Trustees, including to function as an endowment.

With Donor Restrictions

Net assets that are subject to donor-imposed restrictions that expire with the passage of time, can be fulfilled by actions pursuant to the restrictions, or which may be perpetual.

Changes in net assets are classified as operating and nonoperating. Changes in nonoperating net assets include: investment income on long-term investments, less amounts distributed for operating purposes; bequests; changes in value of split-interest agreements; net assets released from restrictions for capital expenditures; and certain nonrecurring transactions.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions, in which case they are reported as increases in net assets with donor restrictions. Expirations of donor 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 net assets without donor restriction, unless use of these gains (losses) is restricted by donor-imposed stipulations, in which case they are reported as revenue in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

(b) Cash and Cash Equivalents

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

(Continued)

statements of financial position. Money market funds held for investment purposes are classified as investments and are not reflected as cash equivalents in the statement of cash flows.

(c) Fair Value Measurements

The School reports required types of investments at fair value. Fair value represents the price that would be received upon the sale or transfer of an investment 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 investments.

Level 2 – Inputs other than quoted prices that are observable for the investments, 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 technique 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 investment. Transfers between fair value categories are recognized at the end of the reporting period.

(d) 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 the 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 classified as Level 3 in the fair value hierarchy because they are held by the trustees in perpetuity.

The following table presents activity for the years ended June 30, 2022 and 2021 for assets held by outside trusts:

		2022	2021
Fair value, beginning	$	11,549,315	9,341,764
Unrealized (loss) gain		(2,104,276)	2,207,551
Fair value, ending	$	9,445,039	11,549,315

(e) 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.

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.

(f) 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.

(g) Revenue Recognition

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 was received from the following sources for the years ended June 30:

		2022	2021
Massachusetts local agencies	$	29,958,502	27,828,570
Out of state agencies		7,092,302	6,998,563
Private payers		534,955	280,068
Tuition revenue	$	37,585,759	35,107,201

The School defines tuition revenue as the funds earned for providing educational and other services to students who attend the School's on-campus programs. 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 rendered. 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.

Program Service Revenue

Program service revenue is comprised of revenue from various activities including community programs, library services, transitional services, international training programs and accessibility consulting. Revenue is recognized when services have been delivered.

Sales of Materials for the Blind

Revenue from the sales of educational products for individuals who are blind, deafblind, or multi-impaired is recognized when delivery has occurred. Delivery occurs when the ownership of the goods has transferred to the customer, per the shipping terms. The School's shipping term is for transfer of ownership to occur when the product has shipped.

Federal Grants

Federal grants are accounted for as nonexchange transactions. Revenue is 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.

Gifts and Grants

Gifts and grants, 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.

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

Contributed Nonfinancial Assets

Contributed services are recognized as in-kind revenues at their estimated fair value if they create or enhance nonfinancial assets or they require specialized skills that would need to be purchased if they were not donated. Revenues and expenses include the value of donated services which otherwise would have been performed by salaried personnel. The School also receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the statement of activities for these fundraising and special projects because the criteria for recognition have not been satisfied.

Contributed nonfinancial assets recognized within revenue include gift cards, entertainment events, sporting event tickets, overnight hotel stays, and fashion accessories. These contributed auction items are to be sold at special events held throughout the year. They are valued at the fair value of the item received. The proceeds of the auction items sold are classified as revenue without donor restrictions. It is the School's policy to sell all contributed items at special events held throughout the year.

(h) Expenses

Educational program expenses include expenses for education and services to individuals who are blind, deafblind or multi-impaired and to 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, international programs, and federal grant expenses.

(i) Methods Used for Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the School. Those expenses include the operation and maintenance of facilities (occupancy), depreciation and certain costs in the president's office. Occupancy costs and depreciation are allocated based on square footage and costs in the president's office are allocated based on estimates of time and effort.

(j) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 in the reserves for excess and obsolete inventory. Actual results could differ from those estimates.

(k) 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.

(l) Recent Accounting Pronouncements

ASU 2020-07: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* was issued by the FASB in September 2020. It amends Accounting Standard Codification (ASC) 958-605, which covers revenue for not-for-profit entities. The new ASU is intended to enhance the presentation and disclosures when not-for-profits receive donations of nonfinancial assets or contributed services. The ASU became effective for the School for the year ended June 30, 2022. The School's adoption of ASU 2020-07, on a modified prospective basis, on July 1, 2020, did not have a material effect on its financial statements.

(m) Reclassifications

With the adoption of ASU 2020-07, the School reevaluated the presentation of certain of its activities. Accordingly, the School reclassified certain 2021 information to conform to the 2022 presentation.

(3) Financial Assets and Liquidity Resources

As of June 30, 2022 and 2021 financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital expenditures not financed with debt, were as follows:

		2022	2021
Financial assets			
Cash and cash equivalents	$	11,764,520	8,941,244
Accounts receivable, net		8,773,741	6,517,864
Grants receivable		1,409,703	1,857,508
Pledges receivable, available for use within one year		50,000	175,000
Operational funds within investments		—	558,840
Board designations			
Budgeted endowment payout		24,995,012	19,503,700
Total financial assets available within one year	$	46,992,976	37,554,156

Resources available to fund general expenditures have seasonal variations related to the timing of tuition and other student related billing, receipts of gifts and grants, pledge payments, program service revenue and sales of materials. These resources, along with the financial assets available within one year, have historically been sufficient to cover annual general expenditures. The school's board-designated endowment has been set aside for debt repayment, capital expenditures, program support and strategic initiatives. Although the School does not intend to spend from its board-designated endowment funds other than amounts appropriated for spending, amounts could be made available if necessary. As of June 30, 2022, the School has approximately $110 million in board-designated endowment funds that could be liquidated within one year. In addition, the School has a $5 million line of credit facility.

(4) Pledges Receivable

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

		2022	2021
Less than one year	$	624,126	1,516,732
One to five years		438,836	299,654
Less: Present value discount		(67,935)	(9,279)
Less: Allowance for uncollectible pledges		(73,477)	(73,477)
Pledges receivable, net	$	921,550	1,733,630

Pledges are recorded after discounting to the present value of future cash flows with discount rates ranging from .60% to 3.60% depending upon the anticipated pledge fulfillment date.

(5) Inventory

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

Inventory is comprised of the following as of June 30:

		2022	2021
Raw material	$	3,412,805	3,573,111
Work in progress		282,438	348,211
Finished goods		1,251,089	1,365,904
Inventory reserve		(22,021)	(22,441)
Net inventory	$	4,924,311	5,264,785

(6) 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 Board of Trustees Investment Committee, who 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 and implement long/short investment strategies. Alternative investment funds often hold securities or other financial instruments for which a ready market exists, but may also hold securities and financial instruments that 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, 2022 and 2021, the School had no plans or intentions to sell investments at amounts different from NAV.

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.

Investments are summarized in the following table by strategy and fair value hierarchy classification as of June 30, 2022:

		Investments measured at fair value Level 1	Investments measured at NAV	Total
Investments				
Cash equivalents	$	11,045,496	—	11,045,496
Domestic bond funds		28,234,450	—	28,234,450
International bond funds		—	11,327,249	11,327,249
Domestic equity		76,090,519	—	76,090,519
International equity		15,649,789	—	15,649,789
Private equity		—	76,055,507	76,055,507
Hedged strategies		—	98,886,575	98,886,575
Total investments	$	131,020,254	186,269,331	317,289,585

Investments are summarized in the following table by strategy and fair value hierarchy classification as of June 30, 2021:

	Investments measured at fair value Level 1	Other Investments measured at NAV	Total
Investments			
Cash equivalents	$ 8,408,761	—	8,408,761
Domestic bond funds	31,459,508	—	31,459,508
International bond funds	—	13,631,575	13,631,575
Domestic equity	97,612,890	—	97,612,890
International equity	21,222,086	—	21,222,086
Private equity	—	78,733,315	78,733,315
Hedged strategies	—	114,218,562	114,218,562
Total investments	$ 158,703,245	206,583,452	365,286,697

The following table presents liquidity information, based on redemption terms, for investments as of June 30, 2022:

	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Total Investments
Cash equivalents	$ 11,045,496	—	—	—	—	—	11,045,496
Domestic bond funds	28,234,450	—	—	—	—	—	28,234,450
International bond funds	—	—	11,327,249	—	—	—	11,327,249
Domestic equity	76,090,519	—	—	—	—	—	76,090,519
International equity	9,597,701	6,052,088	—	—	—	—	15,649,789
Private equity	—	7,633,313	14,460,415	—	—	53,961,779	76,055,507
Hedged strategies	—	—	—	72,851,669	18,887,866	7,147,040	98,886,575
Total	$ 124,968,166	13,685,401	25,787,664	72,851,669	18,887,866	61,108,819	317,289,585

(Continued)

The following table represents liquidity information, based on redemption terms, for investments as of June 30, 2021:

	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Total Investments
Cash equivalents	$ 8,408,761	—	—	—	—	—	8,408,761
Domestic bond funds	31,459,508	—	—	—	—	—	31,459,508
International bond funds	—	—	13,631,575	—	—	—	13,631,575
Domestic equity	97,612,890	—	—	—	—	—	97,612,890
International equity	12,515,033	8,707,052	—	—	—	—	21,222,085
Private equity	—	—	40,011,193	—	—	38,722,122	78,733,315
Hedged strategies	—	—	—	87,375,688	26,842,874	—	114,218,562
Total	$ 149,996,192	8,707,052	53,642,768	87,375,688	26,842,874	38,722,122	365,286,696

Commitments

In connection with the investments in certain limited partnership agreements, the School has an additional $19.6 and $22.7 million committed for capital calls as of June 30, 2022 and 2021, respectively, which 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 futures contracts, are used by the funds, at the discretion of the fund managers.

(7) Endowment

The School's endowment is pooled for investment purposes and consists of approximately 60 individual funds established for a variety of purposes. The endowment consists of funds with donor restrictions as well as funds without donor restriction but designated by the board to function as endowment funds (quasi-endowment). The net assets associated with each endowment fund 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 value of donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the School classifies as net assets with donor restrictions, (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted funds, 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.

The School's endowment is comprised of the following as of June 30, 2022:

		Without donor restrictions	With donor restrictions	Total
Donor restricted	$	—	157,927,747	157,927,747
Quasi (Board-designated)		159,253,644	—	159,253,644
Total	$	159,253,644	157,927,747	317,181,391

The School's endowment is comprised of the following as of June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Donor restricted	$	—	177,581,343	177,581,343
Quasi (Board-designated)		186,426,620	—	186,426,620
Total	$	186,426,620	177,581,343	364,007,963

Changes in the School's endowment are as follows for the year ended June 30, 2022:

		Without donor restrictions	With donor restrictions	Total
Endowment at June 30, 2021	$	186,426,620	177,581,343	364,007,963
Net investment return		(18,238,873)	(18,219,984)	(36,458,857)
Contributions		4,738,248	5,157,208	9,895,456
Utilized in operations		(13,672,351)	(6,590,820)	(20,263,171)
Endowment at June 30, 2022	$	159,253,644	157,927,747	317,181,391

(Continued)

Changes in the School's endowment are as follows for the year ended June 30, 2021:

		Without donor restrictions	With donor restrictions	Total
Endowment at June 30, 2020	$	147,577,021	139,801,217	287,378,238
Net investment return		44,986,121	43,743,896	88,730,017
Contributions		1,554,734	493,445	2,048,179
Transfers		1,244	—	1,244
Utilized in operations		(7,692,500)	(6,457,215)	(14,149,715)
Endowment at June 30, 2021	$	186,426,620	177,581,343	364,007,963

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 endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. As of June 30, 2022, one fund with a corpus of $208,493 has a donor endowment deficit balance of $16,953. As of June 30, 2021, there were no endowment funds with deficits.

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 emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending

The School invests its endowment funds and allocates the related return for expenditure. Utilization of the endowment is determined by guidelines established by the School's Board of Trustees. The established guideline for annual spending is up to 5% of the average fair market value of the endowment for operating and capital expenses and an additional 1% for debt service. The average fair market value is equal to the 12 quarter moving average as of the preceding December 31. At their discretion, the Board of Trustees may approve a higher rate. The endowment spending rate was 5.57% and 4.85% for the years ended June 30, 2022 and 2021, respectively. The rate for the year ended June 30, 2022, includes .4% (or

$1,327,000) in additional endowment spending approved by the Board of Trustees in the fourth quarter of the year.

(8) Fixed Assets

Fixed assets are comprised of the following as of June 30, 2022 and 2021:

		2022	2021
Buildings	$	59,632,186	59,632,186
Building improvements		103,089,924	102,270,309
Furniture and equipment		21,606,582	20,915,143
Construction in progress		1,237,335	148,158
Machinery		4,678,233	4,617,405
Automobiles		1,589,333	1,589,333
		191,833,593	189,172,534
Less: Accumulated depreciation		(135,722,519)	(131,550,165)
	$	56,111,074	57,622,369

Depreciation expense for the years ended June 30, 2022 and 2021 was $4,205,354 and $4,223,762, respectively.

(9) Note Payable – Line of Credit

The School has available a revolving line of credit not to exceed $5,000,000 with TD Bank, N.A. under a Loan Agreement dated July 1, 2013. The Loan Agreement is subject to annual extensions. On March 31, 2022, an amendment to the Loan Agreement extended the maturity date to March 31, 2023. The line of credit bears interest at the Prime Rate minus 1.40%. There are no amounts outstanding as of June 30, 2022 and 2021. Annual fees to maintain the line of credit were $10,139 for each of the fiscal years ended June 30, 2022 and 2021.

(10) Bonds Payable

The Massachusetts Development Finance Agency issued $30,000,000 in private placement Revenue Bonds, Perkins School for the Blind Issue, Series 2010 in February, 2010. The Bond owner is TD Bank. The proceeds of the Bond were for a 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%. On September 10, 2012, the Bond was amended with a fixed 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 annual reporting requirements. The outstanding balance of the Bond is $23,388,790 and $24,141,258 as of June 30, 2022 and 2021, respectively.

The Massachusetts Development Finance Agency issued $4,100,000 in private placement 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 outstanding balance of the bond is $2,670,929 and $2,931,121 as of June 30, 2022 and 2021, respectively.

Principal payments are due as follows as of June 30, 2022:

Year Ended June 30:		
2023	$	1,052,991
2024		1,092,149
2025		1,138,817
2026		1,184,601
2027		1,232,369
Thereafter		20,358,792
Total principal payments	$	26,059,719

Interest expense was $723,717 and 749,637 for the years ended June 30, 2022 and 2021, respectively.

(11) Net Assets

(a) Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following as of June 30:

		2022	2021
Quasi (Board-designated) endowment	$	159,253,644	186,426,620
Other net assets without donor restrictions		43,669,670	39,720,401
Total	$	202,923,314	226,147,021

The School's board-designated endowment has been set aside for debt repayment, capital expenditures, program support, and strategic initiatives.

(b) Net Assets With Donor Restrictions

Net assets with donor restrictions are comprised of the following as of June 30:

		2022	2021
Donor restricted endowment funds	$	74,631,407	69,691,221
Accumulated unspent endowment return		83,364,385	107,890,122
Restricted annual gifts		4,793,067	3,464,766
Pledges receivable, net		921,550	1,733,630
Assets held by outside trusts		9,445,039	11,549,315
Total	$	173,155,448	194,329,054

(12) Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities are comprised of the following as of June 30:

		2022	2021
Auction items	$	15,132	3,800
Contributed services		184,248	16,527
Total contributed nonfinancial assets	$	199,380	20,327

(13) 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 provides for discretionary basic and supplemental contributions by the School. Contributions are made based on employee compensation, as defined by the Plan, at contribution rates determined annually by the Board of Trustees.

Employees become eligible for basic contributions when they have one year of continuous service and have worked 500 or more hours. The basic contribution rate was 3.5% for the 2022 and 2021 Plan years. Total retirement plan expense for the basic portion of the Plan was $1,367,264 and $1,244,112 for the years ended June 30, 2022 and 2021, respectively.

Employees are also eligible for supplemental contributions if as of the beginning of the plan year they were eligible for basic contributions. The supplemental contribution rate was 3.5% and 0% for the 2022 and 2021 Plan years, respectively. The annual rate is multiplied by defined factors based on an employee’s years of service. Total retirement plan expense for the supplemental portion of the Plan was $1,421,477 and $160,280 for the years ended June 30, 2022 and 2021, respectively.

(Continued)

(14) 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.

(15) 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 as of June 30:

		2022	2021
Investments	$	836,003	935,290
Total net assets	$	836,003	935,290
Gifts and grants	$	258	402
Net investment return		(88,610)	223,208
Expenses		(10,935)	(135)
Revenue less expenses	$	(99,287)	223,475

(16) 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 has 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.

(17) 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 2022 and 2021.

(18) Subsequent Events

Management has evaluated events subsequent to June 30, 2022 and through October 25, 2022, the date on which these audited consolidated financial statements were available to be issued.