

PERKINS SCHOOL FOR THE BLIND

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

PERKINS SCHOOL FOR THE BLIND

June 30, 2023 and 2022

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KPMG LLP
Two Financial Center
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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, 2023 and 2022, 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, 2023 and 2022, 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
December 14, 2023

PERKINS SCHOOL FOR THE BLIND
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 1,117,295	11,764,520
Accounts receivable, net	10,459,991	8,773,741
Grants receivable	2,242,667	1,409,703
Pledges receivable, net (note 4)	4,428,006	921,550
Prepaid expense & other assets	3,063,795	1,463,507
Inventory, net (note 5)	5,504,599	4,924,311
Investments (note 6)	329,415,704	317,289,585
Assets held by outside trusts	9,715,147	9,445,039
Fixed assets, net (note 8)	52,376,517	56,111,074
Total assets	\$ 418,323,721	412,103,030
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 5,566,252	8,541,018
Note payable line of credit (note 9)	2,550,000	-
Bond payable (note 10)	25,006,728	26,059,719
Asset retirement obligations	1,423,531	1,423,531
Total liabilities	34,546,511	36,024,268
Without donor restrictions (note 11)	200,568,789	202,923,314
With donor restrictions (note 11)	183,208,421	173,155,448
Total net assets	383,777,210	376,078,762
Total liabilities and net assets	\$ 418,323,721	412,103,030

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND
Consolidated Statement of Activities and Changes in Net Assets
Year ended June 30, 2023

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2023 Total</u>
Operating:			
Revenues and other support			
Tuition	\$ 38,961,463	-	38,961,463
Program service revenue	8,642,871	-	8,642,871
Sales of materials for the blind	5,630,422	-	5,630,422
Government Grants	10,931,667	-	10,931,667
Gifts and private grants	3,506,881	7,795,431	11,302,312
Contributions of nonfinancial assets	901,589	-	901,589
Other revenues	221,196	-	221,196
Income from Outside Trust	450,284	-	450,284
Total Operating Revenues	<u>69,246,373</u>	<u>7,795,431</u>	<u>77,041,804</u>
Endowment return utilized in operations	20,669,570	-	20,669,570
Net assets released from restrictions and transfers	4,302,557	(4,302,557)	-
Total operating revenues and other support	<u>94,218,500</u>	<u>3,492,874</u>	<u>97,711,374</u>
Expenses:			
Program expense:			
Educational programs	52,977,598	-	52,977,598
Supporting services	24,548,547	-	24,548,547
Administration	20,205,043	-	20,205,043
Fundraising	3,989,676	-	3,989,676
Total operating expenses	<u>101,720,864</u>	<u>-</u>	<u>101,720,864</u>
Change in net assets from operating activities	<u>(7,502,364)</u>	<u>3,492,874</u>	<u>(4,009,490)</u>
Nonoperating:			
Net investment return	12,206,796	12,106,078	24,312,874
Endowment return utilized in operations	(13,590,980)	(7,078,590)	(20,669,570)
Gifts and legacies	6,440,481	1,382,728	7,823,209
Change in value of split-interest agreements	91,542	149,883	241,425
Change in net assets from nonoperating activities	<u>5,147,839</u>	<u>6,560,099</u>	<u>11,707,938</u>
Total Change in Net Assets	<u>(2,354,525)</u>	<u>10,052,973</u>	<u>7,698,448</u>
Net assets:			
Beginning of year	<u>202,923,314</u>	<u>173,155,448</u>	<u>376,078,762</u>
End of year	<u>\$ 200,568,789</u>	<u>183,208,421</u>	<u>383,777,210</u>

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND
Consolidated Statement of Activities and Changes in Net Assets
Year ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2022 Total</u>
Operating:			
Revenues and other support			
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 Trust	536,546	-	536,546
Total Operating Revenues	<u>64,435,119</u>	<u>3,789,472</u>	<u>68,224,591</u>
Endowment return utilized in operations	20,263,171		20,263,171
Net assets released from restrictions and transfers	<u>3,273,302</u>	<u>(3,273,302)</u>	<u>-</u>
Total operating revenues and other support	<u>87,971,592</u>	<u>516,170</u>	<u>88,487,762</u>
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	<u>83,869,780</u>	<u>-</u>	<u>83,869,780</u>
Change in net assets from operating activities	<u>4,101,812</u>	<u>516,170</u>	<u>4,617,982</u>
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	<u>(27,325,519)</u>	<u>(21,689,776)</u>	<u>(49,015,295)</u>
Total Change in Net Assets	<u>(23,223,707)</u>	<u>(21,173,606)</u>	<u>(44,397,313)</u>
Net assets:			
Beginning of year	<u>226,147,021</u>	<u>194,329,054</u>	<u>420,476,075</u>
End of year	<u>\$ 202,923,314</u>	<u>173,155,448</u>	<u>376,078,762</u>

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND
Consolidated Statements of Functional Expenses
Years Ended June 30, 2023 and 2022

	<u>Program expense</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2023 Total</u>
Year ended June 30, 2023:				
Employee compensation and related benefits	\$ 55,038,882	9,345,273	2,680,523	67,064,678
Occupancy	4,588,805	1,033,574	88,547	5,710,926
Other program/operating expenses	12,557,749	608,002	201,597	13,367,348
Subcontract expense	319,267	-	-	319,267
Direct administrative expense	1,431,542	8,513,322	989,615	10,934,479
Depreciation	3,589,900	704,872	29,394	4,324,166
Total expenses	<u>\$ 77,526,145</u>	<u>20,205,043</u>	<u>3,989,676</u>	<u>101,720,864</u>
	<u>Program expense</u>	<u>Administration</u>	<u>Fundraising</u>	<u>2022 Total</u>
Year ended June 30, 2022:				
Employee compensation and 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 program/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 expenses	<u>\$ 68,706,957</u>	<u>12,184,210</u>	<u>2,978,613</u>	<u>83,869,780</u>

See accompanying notes to the consolidated financial statements

PERKINS SCHOOL FOR THE BLIND
Consolidated Statements of Cash Flows
June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 7,698,448	(44,397,313)
Adjustments to reconcile change in net assets to net cash used in operations:		
Depreciation expense	4,324,166	4,205,354
Contributed securities	(156,537)	(130,368)
Contributions restricted for long-term investment	(1,382,728)	(5,157,208)
Interest and dividends restricted for long-term investment	(125,453)	(39,672)
Realized investment gains	(884,086)	(15,193,549)
Unrealized investment (gains) losses	(21,147,669)	54,961,824
Change in value of assets held by outside trusts	(270,108)	2,104,276
Change in operating assets and liabilities:		
Accounts receivable	(1,686,250)	(2,255,877)
Grants receivable	(832,964)	447,805
Pledges receivable	(3,506,456)	812,080
Prepaid expenses and other assets	(1,600,288)	519,460
Inventory	(580,288)	340,474
Accounts payable and accrued liabilities	(2,950,577)	(2,895,554)
Net cash used in operating activities	<u>(23,100,790)</u>	<u>(6,678,268)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(589,609)	(2,989,196)
Proceeds from sales of investments	50,536,432	118,973,146
Purchases of investments	(40,474,259)	(110,613,941)
Net cash provided by investing activities	<u>9,472,564</u>	<u>5,370,009</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	1,382,728	5,157,208
Interest and dividends restricted for long-term investment	125,453	39,672
Annuity payments	(24,189)	(27,746)
Payments on finance leases	-	(24,939)
Proceeds from line of credit	2,550,000	-
Payments of debt	(1,052,991)	(1,012,660)
Net cash provided (used) by in financing activities	<u>2,981,001</u>	<u>4,131,535</u>
Net change in cash	(10,647,225)	2,823,276
Cash:		
Beginning of year	<u>11,764,520</u>	<u>8,941,244</u>
End of year	<u><u>1,117,295</u></u>	<u><u>11,764,520</u></u>
Supplemental data		
Interest paid	\$ 699,016	725,886

See accompanying notes to 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 which 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 returns on long-term investments; bequests; changes in value of split interest agreements; net assets released from restrictions for operating purposes and 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 statements of financial position 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

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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, 2023 and 2022 for assets held by outside trusts:

	<u>2023</u>	<u>2022</u>
Fair value, beginning	\$ 9,445,039	11,549,315
Unrealized (loss) gain	270,108	(2,104,276)
Fair value, ending	<u>\$ 9,715,147</u>	<u>9,445,039</u>

(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.

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(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. 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

(i) 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:

	2023	2022
Massachusetts local agencies	\$ 31,637,071	29,958,502
Out of state agencies	7,063,249	7,092,302
Private payers	261,143	534,955
Tuition revenue	\$ 38,961,463	37,585,759

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.

(ii) 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.

(iii) 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.

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(iv) 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.

(v) 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.

(vi) 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

Contributed nonfinancial assets recognized within revenue include auction items such as 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 and services 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 general administrative and marketing expenses. Occupancy costs and depreciation are allocated based on square footage and general administrative and marketing costs 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.

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(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) Newly Adopted Accounting Pronouncement

Effective July 1, 2022, the School adopted FASB Accounting Standards Update (ASU) 2016-02. Leases (Topic 842), as amended. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets as liabilities for the rights and obligations created by leases that extend more than 12 months. As permitted by the ASU, for leases with a term of 12 months or less, the School has elected not to recognize the lease assets and liabilities. ASC 842 does not establish a materiality exception or threshold, but materiality exemptions are allowed overall by US GAAP. If an entity has a materiality threshold for fixed assets, a similar methodology may be applied to leases as well. The School elected to apply a materiality threshold to its leasing transactions and has not treated the leased assets as liabilities. The School's adoption of the ASU had no impact on the consolidated statements of financial position.

(3) Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022 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:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 1,117,295	\$ 11,764,520
Accounts receivable, net	10,459,991	8,773,741
Grants receivable	2,242,667	1,409,703
Pledges receivable, available for use within one year	664,869	50,000
Board designations		
Budgeted endowment payout	<u>23,600,000</u>	<u>24,995,012</u>
Total financial assets available within one year	<u>\$ 38,084,822</u>	<u>\$ 46,992,976</u>

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, 2023, the School has approximately \$164 million in board-designated endowment funds of which \$114 million could be liquidated within one year. In addition, the School has a \$2.45 Million unused line of credit facility.

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Notes to Consolidated Financial Statements
June 20, 2023 and 2022

(4) Pledges Receivable

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

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 2,713,862	624,126
One to five years	1,915,654	438,836
Less: Present value discount	(81,671)	(67,935)
Less: Allowance for uncollectible pledges	<u>(119,839)</u>	<u>(73,477)</u>
Pledges receivable, net	<u>\$ 4,428,006</u>	<u>921,550</u>

Pledges are recorded after discounting to the present value of future cash flows with discount rates ranging from 0.60% to 4.20% 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 braille, 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:

	<u>2023</u>	<u>2022</u>
Raw material	\$ 3,481,135	3,412,805
Work in progress	426,529	282,438
Finished goods	1,615,114	1,251,089
Inventory reserve	<u>(18,179)</u>	<u>(22,021)</u>
Net inventory	<u>\$ 5,504,599</u>	<u>4,924,311</u>

(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 third-party fund 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.

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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, 2023 and 2022, 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, 2023:

Investments	Investments measured at fair value Level 1	Investments measured at NAV	Total
Cash equivalents	\$ 13,185,990	-	13,185,990
Domestic bond funds	21,710,159	-	21,710,159
International bond funds	-	11,305,320	11,305,320
Domestic equity	81,269,098	-	81,269,098
International equity	15,725,520	-	15,725,520
Private equity	-	78,444,025	78,444,025
Hedged strategies	-	107,775,592	107,775,592
Total investments	<u>\$ 131,890,767</u>	<u>197,524,937</u>	<u>329,415,704</u>

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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	<u>\$ 131,020,254</u>	<u>186,269,331</u>	<u>317,289,585</u>

The following table presents liquidity information, based on redemption terms, for investments as of June 30, 2023:

	Daily	Weekly	Monthly	Quarterly	Annually	Illiquid	Total Investments
Cash equivalents	\$ 13,185,990	-	-	-	-	-	13,185,990
Domestic bond funds	21,710,160	-	-	-	-	-	21,710,160
International bond funds	-	-	11,305,320	-	-	-	11,305,320
Domestic equity	81,269,098	-	-	-	-	-	81,269,098
International equity	9,374,177	6,351,343	-	-	-	-	15,725,520
Private equity	-	8,959,486	15,647,978	-	-	53,836,561	78,444,025
Hedged strategies	-	-	-	82,078,150	18,023,203	7,674,238	107,775,592
Total	<u>\$ 125,539,425</u>	<u>15,310,829</u>	<u>26,953,298</u>	<u>82,078,150</u>	<u>18,023,203</u>	<u>61,510,799</u>	<u>329,415,704</u>

The following table represents 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	<u>\$ 124,968,166</u>	<u>13,685,401</u>	<u>25,787,664</u>	<u>72,851,669</u>	<u>18,887,866</u>	<u>61,108,819</u>	<u>317,289,585</u>

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Commitments

In connection with the investments in certain limited partnership agreements, the school has an additional \$18.3 million and \$19.6 million committed for capital calls as of June 30, 2023 and 2022, 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 of Trustees 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, 2023:

	Without donor restrictions	With donor restrictions		2023 Total	
		Original gift	Accumulated gains (losses)		Total
Board-designated endowment funds:	\$ 164,155,154	-	-	-	164,155,154
Donor restricted endowment funds:					
Underwater	-	210,843	(1,687)	209,156	209,156
Other	-	72,110,110	92,095,362	164,205,472	164,205,472
Totals	\$ 164,155,154	72,320,953	92,093,675	164,414,628	328,569,782

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

	Without donor restrictions	With donor restrictions		2022 Total	
		Original gift	Accumulated gains (losses)		Total
Board-designated endowment funds:	\$ 159,253,644	-	-	-	159,253,644
Donor restricted endowment funds:					
Underwater	-	208,493	(16,953)	191,540	191,540
Other	-	70,729,732	87,006,475	157,736,207	157,736,207
Totals	\$ 159,253,644	70,938,225	86,989,522	157,927,747	317,181,391

Changes in the School's endowment are as follows for the year ended June 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Endowment at June 30, 2022	\$ 159,253,644	157,927,747	317,181,391
Net investment return	12,158,444	12,106,078	24,264,522
Contributions	6,410,481	1,382,728	7,793,209
Transfers	(76,435)	76,665	230
Utilized in operations	(13,590,980)	(7,078,590)	(20,669,570)
Endowment at June 30, 2023	\$ 164,155,154	164,414,628	328,569,782

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

	With 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

(a) 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, 2023 one fund with a corpus of \$210,843 has a deficit balance of \$1,687. As of June 30, 2022, one fund with a corpus of \$208,493 had a deficit balance of \$16,953.

(b) 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

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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.

(c) 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 to achieve its long-term objectives within prudent risk constraints.

(d) 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 utilized in the computation is equal to the trailing 12 quarter moving average as of the preceding December 31. At their discretion, the Board of Trustees may approve a higher annual spending rate. The total endowment spending rate was approximately 8% and 5% for the years ended June 30, 2023 and 2022, respectively.

(8) Fixed Assets

Fixed assets are comprised of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings	\$ 59,632,186	59,632,186
Building improvements	103,700,260	103,089,924
Furniture and equipment	22,823,190	21,606,582
Construction in progress	-	1,237,335
Machinery	4,678,233	4,678,233
Automobiles	1,589,333	1,589,333
	<u>192,423,202</u>	<u>191,833,593</u>
Less: Accumulated depreciation	<u>(140,046,685)</u>	<u>(135,722,519)</u>
	<u>\$ 52,376,517</u>	<u>56,111,074</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$4,324,166 and \$4,205,354, 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, 2023 an amendment to the Loan Agreement extended the maturity date to March 31, 2024. The line of credit bears interest at the Prime Rate minus 1.40%. The outstanding balance is \$2,550,000 as of June 30, 2023. There was no amount outstanding as of June 30, 2022. Annual fees to maintain the line of credit were \$10,060 and \$10,139 for the years ended June 30, 2023 and 2022, respectively.

(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

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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 \$22,601,263 and \$23,388,790 as of June 30, 2023 and 2022, 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 \$2,405,465 and \$2,670,929 as of June 30, 2023 and 2022, respectively.

Principal payments are due as follows as of June 30, 2023:

Year Ended June 30	
2024	\$ 1,092,149
2025	1,138,817
2026	1,184,601
2027	1,232,369
Thereafter	<u>20,358,792</u>
Total principal payments	<u>\$ 25,006,728</u>

Interest expense was \$696,757 and \$723,717 for the years ended June 30, 2023 and 2022, respectively.

(11) Net Assets

(a) Net Assets Without Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Quasi (Board-designated) endowment	\$ 164,155,154	159,253,644
Annuities	681,607	613,448
Other net assets without donor restrictions	<u>35,732,028</u>	<u>43,056,222</u>
Total	<u>\$ 200,568,789</u>	<u>202,923,314</u>

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

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(b) Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Donor restricted endowment funds	\$ 76,279,425	74,631,407
Accumulated unspent endowment return	88,135,203	83,364,385
Restricted annual gifts	4,650,640	4,793,067
Pledges receivable, net	4,428,006	921,550
Assets held by outside trusts	9,715,147	9,445,039
Total	<u>\$ 183,208,421</u>	<u>173,155,448</u>

(12) Contributed Nonfinancial Assets

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

	<u>2023</u>	<u>2022</u>
Auction items	\$ -	15,132
Contributed services	901,589	184,248
Total contributed nonfinancial assets	<u>\$ 901,589</u>	<u>199,380</u>

(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 2023 and 2022 Plan years. Total retirement plan expense for the basic portion of the Plan was \$1,556,040 and \$1,367,264 for the years ended June 30, 2023 and 2022, 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% for the 2023 and 2022 Plan years. 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 \$1,453,899 and \$1,421,477 for the years ended June 30, 2023 and 2022, respectively.

(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.

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(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:

	<u>2023</u>	<u>2022</u>
Investments	\$ 868,915	836,003
Total net assets	<u>868,915</u>	<u>836,003</u>
Gifts and grants	278	258
Net investment return	60,056	(88,610)
Expenses	<u>(27,422)</u>	<u>(10,935)</u>
Revenue less expenses	\$ <u>32,912</u>	<u>(99,287)</u>

(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.

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(17) Subsequent Events

Management has evaluated events subsequent to June 30, 2023 and through December 14, 2023, the date on which these audited consolidated financial statements were available to be issued.

Effective November 17, 2023, the School's borrowing limit under the revolving line of credit with TD Bank, N.A. was increased from a maximum of \$5,000,000 to a maximum of \$10,000,000.