Perkins School for the Blind

Financial Statements with Additional Information
June 30, 2011 and 2010

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June 30, 2011 and 2010

Report of Independent Auditors

To the Board of Trustees of
Perkins School for the Blind:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of Perkins School for the Blind (the "School") at June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Statement of Functional Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 4, 2011

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Perkins School for the Blind
Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 1,984,658	$ 2,925,034
Accounts receivable, net of reserve of $421,308 and $500,000 for 2011 and 2010, respectively	3,462,473	3,683,751
Interest and dividends receivable	1,643	18,238
Grants receivable	222,565	332,426
Pledges receivable, net (Note 2)	8,693,881	10,302,276
Other assets	1,056,270	1,060,290
Deposit with trustees (Note 11)	2,128,044	19,093,502
Inventory, net (Note 3)	5,470,693	3,913,487
Investments, at market (Note 4)	245,114,335	206,047,340
Assets held by outside trusts (Note 4, 6)	10,081,337	8,374,220
Land, buildings and equipment, net (Note 7)	70,473,056	48,979,069
Total assets	$ 348,688,955	$ 304,729,633
Liabilities and Net Assets		
Accounts payable	$ 2,905,504	$ 3,437,216
Accrued payroll and other liabilities	8,359,224	6,339,406
Short-term note and bond payable (Note 11)	475,632	-
Long-term note and bond payable (Notes 10 and 11)	41,699,794	40,000,000
Asset retirement obligation	1,349,770	528,529
Total liabilities	54,789,924	50,305,151
Commitments and contingencies (Note 12)		
Unrestricted net assets		
Undesignated	122,575,461	106,001,499
Net investment in plant	40,425,674	38,072,571
	163,001,135	144,074,070
Temporarily restricted net assets		
Designated for special purposes	72,510,361	54,193,239
Assets held by outside trusts	709,871	609,730
	73,220,232	54,802,969
Permanently restricted net assets		
Assets held by the School	48,306,198	47,782,953
Assets held by outside trusts	9,371,466	7,764,490
	57,677,664	55,547,443
Total net assets	293,899,031	254,424,482
Total liabilities and net assets	$ 348,688,955	$ 304,729,633

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

Perkins School for the Blind
Statements of Activities
Year Ended June 30, 2011 (with summarized comparative totals for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Operating					
Revenues and other support					
Tuition	$ 31,576,983	$ -	$ -	$ 31,576,983	$ 28,452,937
Income from outside trusts	375,803	-	-	375,803	308,468
Library services	2,431,629	-	-	2,431,629	2,432,618
Private grants	2,409,272	-	-	2,409,272	1,943,620
Government grants	641,257	-	-	641,257	821,890
Annual donations	3,525,155	2,227,123	-	5,752,278	4,378,206
Sale of materials for the blind	8,329,343	-	-	8,329,343	7,616,655
Other governmental revenues	2,213,295	-	-	2,213,295	2,128,374
Other private revenues	986,323	-	-	986,323	948,436
Total operating revenues	52,489,060	2,227,123	-	54,716,183	49,031,204
Nonoperating assets transferred for operations	-	3,836,067	-	3,836,067	3,624,721
Net assets released and reclassified from restrictions	3,836,067	(3,836,067)	-	-	-
Total operating revenues and other support	56,325,127	2,227,123	-	58,552,250	52,655,925
Expenses					
Administration	7,958,948	-	-	7,958,948	7,279,432
Development	3,256,697	-	-	3,256,697	3,048,456
Total educational programs	37,678,018	-	-	37,678,018	35,281,098
Supporting services	16,865,665	-	-	16,865,665	15,019,966
Total operating expenses	65,759,328	-	-	65,759,328	60,628,952
Change in net assets from operating activities	(9,434,201)	2,227,123	-	(7,207,078)	(7,973,027)
Nonoperating					
Investment income	965,779	178,998	15,000	1,159,777	1,386,436
Gifts and legacies	1,378,535	323,610	692,802	2,394,947	13,680,337
Realized investment gains	1,231,411	1,195,298	31,312	2,458,021	79,515
Unrealized investment gains	24,905,375	18,233,337	21,122	43,159,834	19,131,394
Change in value of split interest	(119,834)	94,964	1,369,985	1,345,115	428,728
Nonoperating assets used for operations	-	(3,836,067)	-	(3,836,067)	(3,624,721)
Change in net assets from nonoperating activities	28,361,266	16,190,140	2,130,221	46,681,627	31,081,689
Total change in net assets	18,927,065	18,417,263	2,130,221	39,474,549	23,108,662
Net assets, beginning of year	144,074,070	54,802,969	55,547,443	254,424,482	231,315,820
Net assets, end of year	$ 163,001,135	$ 73,220,232	$ 57,677,664	$ 293,899,031	$ 254,424,482

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

Perkins School for the Blind
Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total
Operating				
Revenues and other support				
Tuition	$ 28,452,937	$ -	$ -	$ 28,452,937
Income from outside trusts	308,468	-	-	308,468
Library services	2,432,618	-	-	2,432,618
Private grants	1,943,620	-	-	1,943,620
Government grants	821,890	-	-	821,890
Annual donations	2,935,573	1,442,633	-	4,378,206
Sale of materials for the blind	7,616,655	-	-	7,616,655
Other governmental revenues	2,128,374	-	-	2,128,374
Other private revenues	948,436	-	-	948,436
Total operating revenues	47,588,571	1,442,633	-	49,031,204
Nonoperating assets transferred for operations	-	3,624,721	-	3,624,721
Net assets released and reclassified from restrictions	3,454,970	(3,624,721)	169,751	-
Total operating revenues and other support	51,043,541	1,442,633	169,751	52,655,925
Expenses				
Administration	7,279,432	-	-	7,279,432
Development	3,048,456	-	-	3,048,456
Total educational programs	35,281,098	-	-	35,281,098
Supporting services	15,019,966	-	-	15,019,966
Total operating expenses	60,628,952	-	-	60,628,952
Change in net assets from operating activities	(9,585,411)	1,442,633	169,751	(7,973,027)
Nonoperating				
Investment income	1,193,103	175,504	17,829	1,386,436
Gifts and legacies	2,975,183	9,333,557	1,371,597	13,680,337
Realized investment gains	25,347	52,656	1,512	79,515
Unrealized investment gains	12,899,049	6,223,470	8,875	19,131,394
Change in value of split interest	(73,394)	84,208	417,914	428,728
Nonoperating assets used for operations	-	(3,624,721)	-	(3,624,721)
Change in net assets from nonoperating activities	17,019,288	12,244,674	1,817,727	31,081,689
Total change in net assets	7,433,877	13,687,307	1,987,478	23,108,662
Net assets, beginning of year	136,640,193	41,115,662	53,559,965	231,315,820
Net assets, end of year	$ 144,074,070	$ 54,802,969	$ 55,547,443	$ 254,424,482

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

Perkins School for the Blind
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	$ 39,474,549	$ 23,108,662
Adjustments to reconcile total change in net assets to net cash used by operations		
Depreciation expense	4,130,728	3,733,726
Disposal of property and equipment	-	14,568
Contributed securities	(213,801)	-
Proceeds restricted for long-term investment	(692,802)	(1,371,597)
Interest and dividends restricted for long-term investment	(15,000)	(17,829)
Realized gain on investments	(2,458,021)	(79,515)
Unrealized investment (gain)	(43,159,834)	(19,131,394)
Change in value of outside trusts	(1,707,117)	(423,728)
Change in operating assets and liabilities		
Accounts receivable	221,278	685,791
Interest and dividends receivable	16,595	25,057
Grants receivable	109,861	(37,350)
Pledges receivable	1,608,395	(7,915,781)
Other assets	4,020	(199,384)
Inventory	(1,557,206)	(1,150,228)
Accounts payable	260,542	(325,636)
Asset retirement obligation	821,241	25,168
Accrued payroll and other liabilities	2,210,783	1,162,839
Net cash (used) by operating activities	(945,789)	(1,896,631)
Cash flows from investing activities		
Purchase of land, buildings and equipment	(26,416,970)	(12,352,231)
Proceeds from sales of investments	58,085,980	56,102,861
Purchase of investments	(51,321,318)	(54,473,409)
Change in deposit with trustees	16,965,458	(19,093,502)
Net cash (used) in investing activities	(2,686,849)	(29,816,281)
Cash flows from financing activities		
Contributions restricted for long-term investment	692,802	1,371,597
Interest and dividends restricted for long-term investment	15,000	17,829
Payments to annuitants	(190,965)	(173,242)
Proceeds from the issuance of debt	2,175,426	30,000,000
Net cash provided by financing activities	2,692,263	31,216,184
Net (decrease) in cash	(940,376)	(496,728)
Cash and cash equivalents		
Beginning of year	2,925,034	3,421,762
End of year	$ 1,984,658	$ 2,925,034
Supplemental data		
Total interest paid	$ 707,086	$ 200,000
Capitalized interest	867,724	521,250
Property and equipment included in accounts payable	1,625,954	2,418,207
Contributed securities	213,801	18,870

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

1. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenues.

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

Land, Buildings and Equipment
Land, buildings and equipment are recorded at cost if purchased or constructed, at replacement cost appraisal value for assets acquired prior to September 1, 1985, or at fair market or appraised value on the date of donation in the case of gifts.

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

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

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

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

Donated Services
Revenues and expenses include the value of donated services which otherwise would have been performed by salaried personnel. The total donated services were valued at $730,107 and $695,033 in 2011 and 2010, respectively, and are classified as unrestricted revenue.

Tuition Income
The School receives tuition income from state and local agencies including cities and towns in the Commonwealth of Massachusetts based on established rates. These cities and towns are partially dependent on the Commonwealth of Massachusetts to provide sufficient local aid to assist them in supporting such educational programs. Tuition received from The Commonwealth of Massachusetts, Massachusetts local agencies, out of state agencies and private payers totaled $154,930, $21,279,740, $10,028,934 and $113,379 in 2011 and $146,076, $19,801,605 $8,385,689 and $119,567 in 2010, respectively.

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

Supporting Services Expenses
Supporting services expenses include expenses for the manufacture and distribution of educational

products as well as for the library, outreach services, and certain grant expenses.

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

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

Asset Retirement Obligations
Asset retirement obligations ("ARO") are legal obligations associated with the retirement of long lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to the initial recognition, the School records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The School adjusts the ARO liabilities when the related obligations are settled. The asset retirement obligations were reported for the following amounts $1,349,770 and $528,529 for 2011 and 2010, respectively, in the Statement of Financial position.

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

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

Reclassifications
Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

2. Pledges Receivable

Pledges receivable as of June 30, 2011 and 2010 are expected to be realized in the following time frame:

	2011	2010
One year or less	$ 3,394,251	$ 3,258,062
Between one year and eight	5,879,797	8,130,000
Less discount	(580,167)	(1,085,786)
Pledges receivables, net	$ 8,693,881	$ 10,302,276

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

3. Inventory

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

The components of inventory at June 30, 2011 and 2010 include the following:

	2011	2010
Raw material	$ 1,742,785	$ 1,498,440
Work in progress	2,123,573	2,140,654
Finished goods	1,704,335	324,393
Inventory reserve	(100,000)	(50,000)
Net inventory	$ 5,470,693	$ 3,913,487

4. Investments

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

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

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

The following table presents the financial instruments carried at fair value as of June 30, 2010, by caption on the Statement of Financial Position by the ASC 820 valuation hierarchy defined above:

2010	**Quotes Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Fair Value**
Investments				
Cash and cash equivalents	$ 14,626,215	$ -	$ -	$ 14,626,215
Fixed income securities	9,128,250	-	-	9,128,250
Common and preferred stocks	19,601,618	-	-	19,601,618
Mutual funds	33,794,503	-	-	33,794,503
Real estate	-	-	9,625,671	9,625,671
Private equity	-	49,405,806	15,638,559	65,044,365
Hedge	-	28,531,720	25,694,998	54,226,718
Total investments	$ 77,150,586	$ 77,937,526	$ 50,959,228	$ 206,047,340
Assets held by outside trusts	-	-	8,374,220	8,374,220
Total assets at fair value	$ 77,150,586	$ 77,937,526	$ 59,333,448	$ 214,421,560

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

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

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

Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consists of the School's ownership in alternative investments (principally limited partnership interests in hedge, private equity, real estate, and other similar funds) The value of certain alternative investments (as defined on the American Institute of Certified Public Accountants' document, *A Practice Guide for Auditors: Alternative Investments-Audit Consideration)* represents the ownership interest in the net asset value (NAV) of the respective partnership. Approximately 68% of investments held by the partnerships consist of marketable securities and 32% are securities that do not have readily determinable fair values. The fair values (NAV) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The School has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2011.

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

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

The following table is a rollforward of the Statement of Financial Position amounts for financial instruments classified by the School within Level 3 of the fair value hierarchy defined above as of June 30, 2011:

	Fair Value July 1, 2010	Realized/ Unrealized Gains/(losses)	Net Purchases, Sales, Settlements	Reclassifications	Fair Value June 30, 2011
Real estate	$ 9,625,671	$ 585,363	$ 939,425	$ -	$ 11,150,459
Private equity	15,638,559	2,457,400	525,580	-	18,621,539
Hedge	25,694,998	4,400,586	(69)	-	30,095,515
Total investments	$ 50,959,228	$ 7,443,349	$ 1,464,936	$ -	$ 59,867,513
Assets held by outside trusts	$ 8,374,220	$ 1,470,126	$ 236,991	$ -	$ 10,081,337
Total investments	$ 59,333,448	$ 8,913,475	$ 1,701,927	$ -	$ 69,948,850

The following table is a rollforward of the Statement of Financial Position amounts for financial instruments classified by the School within Level 3 of the fair value hierarchy defined above as of June 30, 2010:

	Fair Value July 1, 2009	Realized/ Unrealized Gains/(losses)	Net Purchases, Sales, Settlements	Reclassifications	Fair Value June 30, 2010
Real estate	$ 9,022,663	$ (1,604,877)	$ 2,207,885	$ -	$ 9,625,671
Private equity	57,799,590	7,756,247	(511,472)	(49,405,806)	15,638,559
Hedge	53,459,588	7,520,123	(6,752,993)	(28,531,720)	25,694,998
Total investments	$ 120,281,841	$ 13,671,493	$ (5,056,580)	$ (77,937,526)	$ 50,959,228
Assets held by outside trusts	$ 7,950,492	$ 392,478	$ 31,250	$ -	$ 8,374,220
Total investments	$ 128,232,333	$ 14,063,971	$ (5,025,330)	$ (77,937,526)	$ 59,333,448

All net realized and unrealized gains/(losses) in the table above are reflected in the accompanying Statement of Activities. Net unrealized gains/(losses) relate to those financial instruments held by the School at June 30, 2011 and 2010.

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

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

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

As of June 30, 2010 investments and investment returns were as follows:

	General	Special	Total
Cost			
Cash equivalents	$ 12,747,180	$ 1,879,035	$ 14,626,215
Stocks and mutual funds	60,374,326	-	60,374,326
Bonds	8,525,266	-	8,525,266
Alternative investments	114,179,617	-	114,179,617
	$195,826,389	$ 1,879,035	$197,705,424
Market			
Cash equivalents	$ 12,747,180	$ 1,879,035	$ 14,626,215
Stocks and mutual funds	53,396,121	-	53,396,121
Bonds	9,128,250	-	9,128,250
Alternative investments	128,896,754	-	128,896,754
	$204,168,305	$ 1,879,035	$206,047,340
Investment Return			
Unrealized appreciation	$ 19,131,394	$ -	$ 19,131,394
Net realized gains	79,515	-	79,515
Investment income	1,383,671	2,765	1,386,436
Total investment return	$ 20,594,580	$ 2,765	$ 20,597,345

The fair values of alternative investments are represented by the net asset value of the partnership. The objective of these investments is to generate long term returns significantly higher than public equity markets on a risk adjusted basis. Redemption terms for those investments in Level 2 and Level 3 valued at net asset value consist of the following as of June 30, 2011:

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

Redemption terms for those investments in Level 2 and Level 3 valued at net asset value consist of the following as of June 30, 2010:

	Bond Fund	Real Estate	Private Equity	Hedge	Total Investments
Redemption terms					
Monthly (30-60 days written notice)	$ -	$ -	$19,092,994	$ 3,249,855	$ 22,342,849
Quarterly (30-90 days written notice)	-	-	30,312,812	25,281,865	$ 55,594,677
Semi-annually/annually (30-180 days written notice)	-	-	-	25,694,998	$ 25,694,998
1-5 years	-	4,414,937	63,081	-	$ 4,478,018
6-10 years	-	3,298,709	11,245,834	-	$ 14,544,543
10-15 years	-	1,912,025	4,329,643	-	$ 6,241,668
Fair value June 30, 2011	$ -	$ 9,625,671	$65,044,365	$54,226,718	$ 128,896,754

As a result of new guidance related to estimated fair value of investments, certain investments which can be redeemed in the near term have been classified to level 2 in 2010. The school defines near term liquidity as those investments allowing liquidity within 90 days of the reporting period.

In connection with the investments in certain limited partnership agreements, the School has an additional $9,646,482 and $12,526,446 committed for calls as of June 30, 2011 and 2010, respectively that are scheduled to be funded over a number of years.

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

Investment management fees of $3,235,691 and $2,742,227 are offset against net realized and unrealized gains for fiscal years 2011 and 2010, respectively.

5. Endowments and Net Assets

The School's endowment consists of approximately 100 individual donor restricted endowment funds and board designated funds functioning as endowment funds. These funds are for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The net assets associated with endowment funds including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

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

1) The duration and preservation of the fund
2) The purposes of the School and the donor restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the School
7) The investment policies of the School.

The School had the following endowment activities during the years ended June 30, 2011 and June 30, 2010 delineated by net asset class and donor-restricted versus Board-designated funds:

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

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

Endowment and net asset composition by type of fund as of June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor funds and earnings	$ 3,317,315	$ 56,627,503	$ 47,782,953	$ 107,727,771
Loan fund	600,000	(2,434,264)	-	(1,834,264)
Assets held by outside trusts	-	609,730	7,764,490	8,374,220
Net investment in plant	38,072,571	-	-	38,072,571
Board-designated funds	102,084,184	-	-	102,084,184
Total endowment and net asset funds	$ 144,074,070	$ 54,802,969	$ 55,547,443	$ 254,424,482

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

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

Changes in endowment and net assets for the year ended June 30, 2010 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment and net assets beginning of year	$136,640,193	$ 41,115,662	$ 53,559,965	$231,315,820
Investment return				
Investment income	1,193,103	175,504	17,829	1,386,436
Net realized	25,347	52,656	1,512	79,515
Net unrealized	12,899,049	6,223,470	8,875	19,131,394
Total investment return	14,117,499	6,451,630	28,216	20,597,345
Gifts	2,975,183	9,333,557	1,371,597	13,680,337
Restricted annual donations	-	1,442,633	-	1,442,633
Change in value of split interest	(73,394)	84,208	417,914	428,728
Appropriation of net assets for expenditure	(13,040,381)	-	-	(13,040,381)
Net assets released and reclassification from restriction	3,454,970	(3,624,721)	169,751	-
Endowment and net assets, end of year	$144,074,070	$ 54,802,969	$ 55,547,443	$254,424,482

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

Permanently Restricted Net Assets

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

	2011	2010
Endowment permanently restricted net assets		
Faculty	$ 1,557,618	$ 1,548,485
General (including Program)	46,327,722	45,813,820
Students	420,858	420,648
Endowment permanently restricted net assets	48,306,198	47,782,953
Outside trust	9,371,466	7,764,490
Total endowment and net assets classified as permanently restricted net assets	$ 57,677,664	$ 55,547,443

Temporarily Restricted Net Assets

	2011	2010
Endowment temporarily restricted net assets		
Facilities	$ 4,543,914	$ 3,697,636
Faculty	704,099	512,063
General (including Program)	51,311,700	36,471,705
Students	2,465,502	1,996,552
Endowment temporarily restricted net assets	59,025,215	42,677,956
Loan - Program	(1,270,254)	(2,434,264)
Gifts - Donor specified	14,755,400	13,949,547
Outside trust - General	709,871	609,730
Total endowment and net assets classified as temporarily restricted net assets	$ 73,220,232	$ 54,802,969

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of temporarily restricted net assets. Deficits of this nature reported in temporarily restricted net assets were $5,894 and $125,045 as of June 30, 2011 and 2010, respectively. These deficits resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters

The School's endowment investment and spending activities attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The

School expects its endowment funds over time, to provide an average rate of return of approximately 6.0 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Investment Objectives

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

Endowment Spending Allocation and Relationship to the School's Budget Process and Investment Objectives

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

6. Assets Held by Outside Trusts

Assets held by outside trusts are funds designated to continue in trust with income to be received by the School as beneficiary. During the fiscal years 2011 and 2010, the School recorded approximately $375,803 and $308,468 of interest income and $1,216,206 and $355,598 of unrealized gains and losses, respectively, from these outside trusts. The value of split interest agreements held by outside trust increased $490,910 and $68,130 for the fiscal years 2011 and 2010, respectively. The changes represent realized and unrealized gains and losses, as well as additions and dissolutions. The current market value of the School’s share of these trusts as reported by the outside trustees, at the latest market valuation dates, was $10,081,337 and $8,374,220 as of June 30, 2011 and 2010, respectively.

7. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of June 30, 2011 and 2010:

	2011	**2010**
Land and buildings	$ 47,750,718	$ 27,084,480
Building improvements	67,750,998	62,979,720
Furniture and equipment	17,013,126	16,430,986
Construction in progress	16,576,177	17,063,082
Machinery	4,087,818	3,995,854
Automobiles	957,246	957,246
	154,136,083	128,511,368
Less: Accumulated depreciation	(83,663,027)	(79,532,299)
	$ 70,473,056	$ 48,979,069

Depreciation expense for the years ended June 30, 2011 and 2010 was $4,130,728 and $3,733,726, respectively. During the fiscal year ended 2011 the School did not sell any assets. During the fiscal year 2010, several assets were sold, resulting in losses of $14,568.

Interest expense capitalized was $867,724 and $521,250 for the years ended June 30, 2011 and 2010, respectively.

8. Retirement Plan

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

Employees with a year of continuous service who work 500 or more hours qualify for the discretionary basic contributions of the Plan. Contributions are determined annually by the Board of Trustees based on a percentage of eligible gross salary. The School contributed 3.5% of eligible employees' salaries to the Plan in 2011 and 2010. Total pension expense for the years ended June 30, 2011 and 2010 was $880,703 and $919,416, respectively, for the discretionary basic portion of the Plan.

The supplemental discretionary contributions of the Plan are made by the School based on employees' years of service. Total pension expense under this portion of the Plan for the years ended June 30, 2011 and 2010 was $1,145,516 and $1,227,692, respectively.

9. Conrad N. Hilton Foundation Grant

In 1989, the Hilton/Perkins Program (the "Program") was established with a five-year grant from the Conrad N. Hilton Foundation (the "Foundation"). The purpose of the Program is to develop programs for the multi-handicapped blind individuals and their parents and teachers. In 1994, 1999, 2004 and 2009, the Foundation approved additional five-year grants for the purpose of continuing the Program and establishing the Conrad N. Hilton Endowment Fund at Perkins. In 2009, a five-year grant of $5,000,000 was approved and payments of $1,500,000 and $1,750,000 were received in fiscal year 2011 and 2010, respectively.

10. Conrad N. Hilton Foundation Loan

The Foundation approved a $15,000,000 loan in support of the Hilton/Perkins Program (the "Program"). The terms of the agreement initially included payment in three installments of $5,000,000 every five years beginning March 1, 1994. The loan, which proceeds are to be invested, was originally set to mature March 1, 2009. The terms of the loan agreement were modified on September 24, 2008 to repay $5,000,000 of the loan on March 1, 2009 and to extend the remaining balance of the loan until March 1, 2014. The total Conrad N. Hilton Foundation loan as of June 30, 2011 and 2010 was $10,000,000.

Interest is payable quarterly to the Foundation at a rate of 2% per annum. A total of $200,000 was expensed for each of the years ended June 30, 2011 and 2010. According to the terms of the loan agreement, net investment returns between 6% and 2% should be distributed to the Program to meet operating expenses. Returns above the 6% (on a five-year cumulative basis) are required to be added to the Hilton Endowment.

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

11. Bond and Loan Payable

Bond Payable

The Massachusetts Development Finance Agency issued thirty million in Revenue Bonds, Perkins School for the Blind Issue, Series 2010. On February 12, 2010, these Bonds, maturing in 2035, were issued at a fixed rate of 4.5% for 15 years with a 25 year amortization schedule. The bond is subject to mandatory tender by the Bondowner on February 1, 2025. The Bondowner is TD BANK. The School has covenants of banking relationships, ratios and reporting requirements during each year. It has met all of its covenants. The proceeds are for the Lower School Project and a Central Cooling Plant, (Construction Project). The Construction Project is for a new Lower School classroom building, renovation of residences at the Lower School, and renovation of areas for other uses of the School, including a new Central Chilling Plant that will have the capacity to potentially air condition the entire School. In accordance with the guidance of Accounting Standard Codification 835-20 on “Capitalized Interest”, the School has capitalized its interest on the Bonds during the construction period. During the first eighteen months, the School is obligated to pay interest only on the bonds. As of June 30, 2011, the outstanding bond is $30,000,000 of which $475,632 is short term debt, with the following required principal payments:

		2011
Period due		
June 30, 2012		475,632
June 30, 2013		501,565
June 30, 2014		524,935
June 30, 2015		549,391
June 30, 2016 and thereafter		27,948,477
	$	30,000,000

The balance of the bond funds, $2,128,044 and $19,093,502 for the years ended June 30, 2011 and 2010, respectively, are deposited with a trustee.

Loan Payable

On December 1, 2010, the School entered into a two year Construction Credit Note (loan) for up to $10,000,000 with TD BANK for the construction of the Grousbeck Center for Students and Technology with interest only payments due on the outstanding balance at a variable rate of interest 1.60% above London Interbank Offered Rate (LIBOR) each month. The loan converts to a term loan on December 1, 2012 with principal and interest due monthly. The loan has the same covenants as the Bond. As of June 30, 2011, the outstanding loan amount was $2,175,426.

12. Commitments and Contingencies

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

At June 30, 2011 and 2010, the School has outstanding construction/engineering contracts of approximately $5,483,512 and $23,586,611, respectively.

13. John Milton Society

The School received $55,104 and $188 related to gifts and earned $232 and $1,536 in investment returns in 2011 and 2010, respectively. The John Milton Society had expenses of $32,994 and $28,883 during fiscal years 2011 and 2010 and had $802,552 and $780,210 in net assets at June 30, 2011 and 2010, respectively. According to a New York court ruling, the John Milton Society unrestricted net assets are to be used by Perkins School for the Blind and the restricted net assets should be used for the restricted purposed originally designated by the donors. Accordingly, the assets received from the John Milton Society have been recorded as a temporarily or permanently restricted contribution. There were no inter-company transactions during the fiscal year.

14. Kilimanjaro Blind Trust, Inc.

On December 12, 2006, the Kilimanjaro Blind Trust, Inc. was incorporated as a 501(c)(3) organization. Its mission is to raise funds to support Perkins School for the Blind. During the fiscal years ended June 30, 2011 and 2010, the Kilimanjaro Blind Trust raised $236,802 and $60,942, respectively, in gifts and pledges and earned $21,288 and $3,074, respectively, in investment returns. The Trust had expenses of $145,208 and $61,290 in fiscal years 2011 and 2010, respectively. The Trust had $1,024,460 and $911,578 in net assets at June 30, 2011 and 2010, respectively. There were no intercompany transactions during the fiscal year.

15. Related Parties

The following related party transactions occurred during the years ended June 30, 2011 and 2010:

Choate, Hall & Stewart billed the School a total $89,211 and $56,677 for legal services during 2011 and 2010, respectively. One Board member and one officer of the School are each partners at Choate, Hall & Stewart.

The School paid Fiduciary Trust Company $66,513 and $18,000 in 2011 and $62,280 and $18,000 in 2010 for its services as Custodian and services of the Treasurer's office. During 2011, a board member who is also an officer of the School was a Director and a Vice President of Fiduciary Trust Company. In addition, another officer of the School is a Vice President of Fiduciary Trust Company. During 2010 one of the School's board members was a Director of Fiduciary Trust Company, and an officer of the School. Another board member who is also an officer of the School is a Director and a Vice President of Fiduciary Trust Company. In addition another officer of the School is a Vice President of Fiduciary Trust Company.

During the fiscal year ended June 30, 2011, the School's investment with Westfield Capital Management was $14,434,746 that included investment income of $227,268, gains of $3,677,759 and management fees paid of $84,413. During the fiscal year ended June 30, 2010, the School's investments with Westfield Capital Management was $10,841,366 that included investment income of $143,915, gains of $874,044 and management fees paid of $75,352. A Director of Westfield Capital Management serves as a volunteer on the School's investment committee.

As of June 30, 2011 and 2010 $24,435 and $21,579, respectively, was due to a related party.

16. Subsequent Events

Subsequent to June 30, 2011, the Conrad Hilton Foundation agreed to forgive the $10,000,000 loan on the date it is due, March 1, 2014, provided all of the interest payments are paid through March 1, 2014. Management evaluated all events or transactions that occurred after June 30, 2011 up through November 4, 2011, the date these audited financial statements were issued and concluded that there were no other events.

Additional Information

Perkins School for the Blind
Statement of Functional Expense
Year Ended June 30, 2011 With Summarized Financial Information for the Year Ended June 30, 2010

	Program Expenses					Total Expenses
	Educational Programs	Supporting Services	Total Program Expenses	Administration	Development	2011
Employee compensation & related benefits	27,743,717	6,447,823	34,191,540	5,094,823	2,050,277	$ 41,336,640
Occupancy	3,909,186	717,198	4,626,384	818,987	180,963	$ 5,626,334
Other programs/ operating expenses	2,380,207	7,052,380	9,432,587	169,794	132,809	$ 9,735,190
Subcontract expense	8,460	1,069,957	1,078,417	-	-	$ 1,078,417
Direct administrative expense	547,277	1,007,089	1,554,366	1,426,615	846,685	$ 3,827,666
Other expense	-	18,353	18,353	6,000	-	$ 24,353
Depreciation of buildings and equipment	3,089,170	552,866	3,642,036	442,729	45,963	$ 4,130,728
Total 2011 expenses	37,678,017	16,865,666	54,543,683	7,958,948	3,256,697	$ 65,759,328
Total 2010 expenses	$ 35,281,098	$ 15,019,966	$ 50,301,064	$ 7,279,432	$ 3,048,456	$ 60,628,952