The Home for Little Wanderers

Financial Report
June 30, 2010

Contents

McGladrey

Independent Auditor's Report

The Board of Directors
The Home for Little Wanderers
Boston, Massachusetts

We have audited the accompanying statements of financial position of The Home for Little Wanderers as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of The Home for Little Wanderers' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Home for Little Wanderers as of June 30, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of The Home for Little Wanderers' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Boston, Massachusetts
November 5, 2010

The Home for Little Wanderers

Statements of Financial Position
June 30, 2010 and 2009

Assets	**2010**	2009
Current Assets		
Cash and cash equivalents	**$ 14,504**	$ 159,425
Cash - restricted funds	**5,312,848**	4,101,524
Bond escrow deposits	**68,058**	69,839
Accounts receivable, net (Note 2)	**3,119,197**	3,152,032
Contributions and grants receivable, net (Note 3)	**534,995**	558,538
Investment income receivable	**56,735**	69,744
Investments (Notes 4, 17 and 18)	**3,625,000**	3,700,000
Prepaid expenses and other current assets	**423,025**	445,410
Total current assets	**13,154,362**	12,256,512
Contributions and grants receivable, net (Note 3)	**986,574**	887,530
Investments (Notes 4, 11, 17 and 18)	**59,842,034**	54,776,114
Assets held for sale (Note 16)	**396,466**	396,466
Bond issuance costs, net (Note 7)	**238,659**	162,762
Beneficial interest in perpetual trusts (Note 14 and 15)	**10,702,948**	10,039,865
Property, plant and equipment, net (Note 5)	**14,534,664**	13,948,471
Total assets	**$ 99,855,707**	$ 92,467,720
Liabilities and Net Assets		
Current Liabilities		
Line of credit (Note 6)	**$ 3,819,898**	$ 3,004,650
Current portion of bonds payable (Note 7)	**325,000**	310,000
Accounts payable and accrued expenses (Notes 8, 11, and 18)	**4,313,462**	4,950,227
Client funds	**65,647**	45,170
Deferred revenue	**80,108**	180,572
Total current liabilities	**8,604,115**	8,490,619
Bonds payable, net of current portion (Note 7)	**7,992,000**	8,317,000
Annuities payable	**48,641**	55,912
Total liabilities	**16,644,756**	16,863,531
Commitments and contingencies (Notes 9 and 19)		
Net Assets		
Unrestricted (Note 17)	**34,479,871**	29,849,019
Temporarily restricted (Notes 13 and 17)	**28,765,778**	26,645,411
Permanently restricted (Notes 14 and 17)	**19,965,302**	19,109,759
Total net assets	**83,210,951**	75,604,189
Total liabilities and net assets	**$ 99,855,707**	$ 92,467,720

See Notes to Financial Statements.

The Home for Little Wanderers

Statements of Activities

Years Ended June 30, 2010 and 2009

	2010				2009			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Totals**	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and Other Support								
Program revenue	**$ 28,067,087**	**$ -**	**$ -**	**$ 28,067,087**	$ 31,004,558	$ -	$ -	$ 31,004,558
Contributions	**4,653,324**	**489,529**	**-**	**5,142,853**	4,317,879	590,473	-	4,908,352
In-kind revenue	**679,111**	**100,000**	**-**	**779,111**	58,435	-	-	58,435
Other operating revenue	**8,393**	**-**	**-**	**8,393**	1,849	-	-	1,849
Utilization of board approved spending policy (Note 4)	**3,700,000**	**-**	**-**	**3,700,000**	3,880,000	-	-	3,880,000
Net assets released from restrictions (Note 12)	**807,034**	**(807,034)**	**-**	**-**	939,919	(939,919)	-	-
Total revenues and other support	**37,914,949**	**(217,505)**	**-**	**37,697,444**	40,202,640	(349,446)	-	39,853,194
Expenses								
Programs	**29,538,742**	**-**	**-**	**29,538,742**	32,454,562	-	-	32,454,562
Administrative and general	**6,670,411**	**-**	**-**	**6,670,411**	6,428,119	-	-	6,428,119
Fundraising	**1,960,617**	**-**	**-**	**1,960,617**	1,930,059	-	-	1,930,059
Total expenses	**38,169,770**	**-**	**-**	**38,169,770**	40,812,740	-	-	40,812,740
Change in net assets from operations	**(254,821)**	**(217,505)**	**-**	**(472,326)**	(610,100)	(349,446)	-	(959,546)
Non-Operating Income (Expense)								
Net gains (losses) on investment transactions (Notes 4, 15, 17, and 18)	**3,004,393**	**2,894,413**	**663,083**	**6,561,889**	(8,002,758)	(8,621,609)	(2,539,073)	(19,163,440)
Contributions	**-**	**1,371,044**	**85,000**	**1,456,044**	-	1,696,900	-	1,696,900
Investment revenue	**2,033,195**	**1,055,769**	**107,460**	**3,196,424**	1,189,761	1,259,626	77,708	2,527,095
Bequests	**699,303**	**-**	**-**	**699,303**	781,131	1,000,000	-	1,781,131
Board approved spending policy (Note 4)	**(3,700,000)**	**-**	**-**	**(3,700,000)**	(3,880,000)	-	-	(3,880,000)
Capital campaign expense	**(370,542)**	**-**	**-**	**(370,542)**	(678,505)	-	-	(678,505)
Other non-operating revenue (expenses)	**235,970**	**-**	**-**	**235,970**	(777,805)	-	-	(777,805)
Net assets released from restrictions (Note 12)	**2,983,354**	**(2,983,354)**	**-**	**-**	2,791,661	(2,791,661)	-	-
Total non-operating income (expense)	**4,885,673**	**2,337,872**	**855,543**	**8,079,088**	(8,576,515)	(7,456,744)	(2,461,365)	(18,494,624)
Change in net assets	**4,630,852**	**2,120,367**	**855,543**	**7,606,762**	(9,186,615)	(7,806,190)	(2,461,365)	(19,454,170)
Net Assets at Beginning of Year	**29,849,019**	**26,645,411**	**19,109,759**	**75,604,189**	39,035,634	34,451,601	21,571,124	95,058,359
Net Assets at End of Year	**$ 34,479,871**	**$ 28,765,778**	**$ 19,965,302**	**$ 83,210,951**	$ 29,849,019	$ 26,645,411	$ 19,109,759	$ 75,604,189

See Notes to Financial Statements.

The Home for Little Wanderers

Statements of Functional Expenses
Years Ended June 30, 2010 and 2009

	2010				2009			
	Programs	Administrative and General	Fundraising	Totals	Programs	Administrative and General	Fundraising	Totals
Operating Expenses								
Salaries and wages	$ 17,171,817	$ 2,618,690	$ 739,034	$ 20,529,541	$ 19,145,599	$ 2,770,853	$ 728,680	$ 22,645,132
Payroll taxes and employee benefits (Notes 10 and 11)	4,278,600	651,107	191,240	5,120,947	4,704,189	887,968	175,516	5,767,673
Total salaries and related benefits	21,450,417	3,269,797	930,274	25,650,488	23,849,788	3,658,821	904,196	28,412,805
Client expenses	1,602,115	-	-	1,602,115	1,656,706	-	-	1,656,706
Professional fees	262,988	993,044	18,277	1,274,309	359,577	871,208	40,635	1,271,420
Rent (Note 9)	638,606	447,013	153,628	1,239,247	720,002	396,288	119,728	1,236,018
Depreciation and amortization (Note 5)	917,290	278,691	41,037	1,237,018	840,510	207,021	36,466	1,083,997
Equipment repairs and replacements	832,293	195,854	62,816	1,090,963	761,602	204,615	63,663	1,029,880
Food and other program supplies	823,932	36,860	5,308	866,100	920,029	38,792	12,083	970,904
Utilities	634,897	157,891	21,460	814,248	719,802	182,942	20,379	923,123
Advertising	85,078	541,057	34,643	660,778	132,870	15,412	-	148,282
Other expenses	211,407	70,712	378,193	660,312	242,407	108,996	390,307	741,710
Interest	325,301	245,801	-	571,102	351,405	218,308	-	569,713
Subcontracted direct services	548,200	-	-	548,200	562,501	-	-	562,501
Insurance	436,469	96,819	13,099	546,387	452,783	98,601	14,375	565,759
Office expense	38,008	121,433	277,700	437,141	52,912	165,034	301,368	519,314
Transportation (Note 9)	382,068	16,748	6,849	405,665	450,881	21,006	8,557	480,444
Contracted services	185,668	198,691	17,333	401,692	509,700	240,879	21,302	771,881
Bad debts (recoveries)	164,005	-	-	164,005	(128,913)	196	(3,000)	(131,717)
Total operating expenses	29,538,742	6,670,411	1,960,617	38,169,770	32,454,562	6,428,119	1,930,059	40,812,740
Non-Operating Expenses								
Capital campaign expense	-	-	370,542	370,542	-	-	678,505	678,505
Other non-operating expenses (recoveries) (Note 4)	-	181,761	105,195	286,956	-	824,613	(118,228)	706,385
Total non-operating expenses	-	181,761	475,737	657,498	-	824,613	560,277	1,384,890
Total expenses	$ 29,538,742	$ 6,852,172	$ 2,436,354	$ 38,827,268	$ 32,454,562	$ 7,252,732	$ 2,490,336	$ 42,197,630

See Notes to Financial Statements.

The Home for Little Wanderers

Statements of Cash Flows
Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities and Gains and Losses		
Change in net assets	**$ 7,606,762**	$ (19,454,170)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**1,237,018**	1,083,997
Write off of construction costs	**-**	550,000
Amortization of bond acquisition costs	**10,954**	7,387
Unrealized (gain) loss on interest rate swap agreements	**(141,305)**	93,524
(Gain) loss on disposal of property and equipment	**(362,038)**	3,159
Net (gains) losses on investment transactions	**(6,561,889)**	19,163,440
Change in restricted funds	**(1,211,324)**	(3,611,714)
Change in bond escrow deposits	**1,781**	1,509
Change in accounts receivable	**32,835**	858,408
Change in contributions and grants receivable	**(75,501)**	148,173
Change in investment income receivable	**13,009**	16,751
Change in prepaid expenses and deposits	**22,385**	(248,930)
Change in accounts payable and accrued expenses	**(495,460)**	379,057
Change in client funds	**20,477**	(33,428)
Change in deferred revenue	**(100,464)**	162,303
Change in annuities payable	**(7,271)**	4,455
Total adjustments	**(7,616,793)**	18,578,091
Net cash used in operating activities	**(10,031)**	(876,079)
Cash Flows from Investing Activities		
Proceeds from sale of investments	**12,647,832**	12,392,652
Purchase of investments	**(11,739,946)**	(9,539,371)
Purchases of property and equipment	**(1,962,002)**	(1,970,092)
Proceeds from sale of property and equipment	**500,829**	29,232
Net cash provided by (used in) investing activities	**(553,287)**	912,421
Cash Flows from Financing Activities		
Net borrowings under line of credit	**815,248**	257,179
Payments of debt issuance costs	**(86,851)**	-
Net repayments of bonds payable	**(310,000)**	(300,000)
Net cash provided by (used in) financing activities	**418,397**	(42,821)
Net change in cash and cash equivalents	**(144,921)**	(6,479)
Cash and Cash Equivalents:		
Beginning of year	**159,425**	165,904
End of year	**$ 14,504**	$ 159,425
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	**$ 585,845**	$ 564,797

See Notes to Financial Statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The Home for Little Wanderers (the “Home”) is a not-for-profit organization whose mission is to ensure the healthy behavioral, emotional, social, and educational development and physical well-being of children and families living in at-risk circumstances.

A summary of significant accounting policies follows:

Classification and reporting of net assets: The net assets of the Home are classified into three classes. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

- Unrestricted net assets represent the portion of net assets of the Home that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include amounts designated by the Board of Directors (the “Board”) for future use.

- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Home is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Home pursuant to those stipulations. Temporarily restricted net assets include charitable gift annuities, in which the Home receives an immediate as well as a remainder interest in the underlying investments from which income is currently being paid to annuitants. Actuarial methods are used to calculate that portion of the investment representing the annuity and that portion representing the gift. Annuities payable are periodically adjusted based upon revised estimates of life expectancies of the annuitants.

  Temporarily restricted net assets also include, under Commonwealth of Massachusetts law, cumulative appreciation and reinvested gains on permanently restricted endowment funds that are subject to prudent appropriation by the Board in accordance with provisions of Massachusetts law.

- Permanently restricted net assets represent contributions and other inflows of assets whose use by the Home is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Home. Permanently restricted net assets also include investment earnings on certain contributions as stipulated by donor restrictions, as well as gains and losses from beneficial interests in perpetual trusts.

Use of estimates in preparation of financial statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the statement of cash flows, the Home considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

Concentration of credit risk: The Home maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Home has not experienced any losses in such accounts. The Home believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable: Accounts receivable, where a third party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third party payors, if any.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Accounts receivable (continued): Accounts receivables due from Massachusetts and federal funding agencies and directly from clients are carried at the original charge for the services provided less amounts covered by third party payors and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by a review of an aging of accounts. Receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received.

Receivables or payables related to estimated settlements on various contracts in which the Home participates are reported as third party payor receivables or payables.

Property, plant and equipment: Property, plant and equipment acquisitions are recorded at cost. Also included in property, plant and equipment are costs associated with construction in progress. The Home capitalizes costs incurred in connection with various ongoing projects until such projects are completed at which time those costs are then reclassified to the appropriate fixed asset account.

Depreciation and amortization of property, plant and equipment are provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

	Years
Buildings and improvements	10-40
Furniture and equipment	2-10
Motor vehicles	3-5

Investments, investment income and appreciation of endowment investments: The Home holds certain investments that are carried at quoted market value. In addition, the Home holds certain alternative investments that are carried at an estimated fair value provided by the fund manager of the alternative investments. Management believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2010 and 2009. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for the investments existed. Such differences could be material.

A percentage share of investment income and gains and losses are allocated between unrestricted, temporarily restricted and permanently restricted net assets on the basis of annual market value. Unrestricted net assets are credited with the portion of investment income and gains that represent the amount available for operating purposes.

Except for explicit donor stipulations specifying reinvestment of some or all of net appreciation or income on permanent endowment investments to permanent funds, the net appreciation and income on permanent funds are reported as increases in temporarily restricted net assets in accordance with Massachusetts law, which is determined based upon prudent use, and released to support operations under a Board approved spending policy.

Impairment of long-lived assets: The Home reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the recoverability of long-lived assets by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Restricted funds: Included in cash-restricted funds and accounts payable as of June 30, 2010 and 2009 is $269,654 and $295,815, respectively, of amounts received under a former program from the Massachusetts Department of Children and Families (“DCF”). These funds have not been expended and the remaining restricted cash will be disbursed by the Home at the direction of DCF in the future.

In addition, included in cash-restricted funds as of June 30, 2010 and 2009 is $4,988,612 and $3,759,005, respectively, of amounts received from donors for future facility projects.

Spending policy: The Home operates under a spending policy whereby bequests, permanently restricted contributions, investment interest and dividends, and trust income are deposited in the investment portfolio. Under a Board approved spending plan, an amount is budgeted and withdrawn from investments to support operations. This amount was $3,700,000 and $3,880,000 for the years ended June 30, 2010 and 2009, respectively.

Revenue recognition: The Home utilizes the accrual method of accounting whereby revenue is recorded when services are provided and expenses are recorded when incurred. The majority of the Home's clients are supported by agencies of the Commonwealth of Massachusetts and by various cities and towns. Therefore, the Home is subject to the regulations and rate formulas of the Massachusetts Operational Services Division (“OSD”). Revenue is recorded at the Home's rates of reimbursement as certified by OSD.

Excess of revenue over expenses from Commonwealth of Massachusetts supported programs, up to certain defined limits, can be utilized by the Home for expenditures in accordance with its exempt purposes, provided such expenditures are reimbursable under OSD regulations. Amounts in excess of these limits are subject to negotiated use or potential recoupment, and are reported as liabilities. There were no amounts in excess of these limits as of June 30, 2010 and 2009.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is calculated based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fund raising activity. The Home reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

During the fiscal year ended June 30, 2010, the Home changed its policy to imply a time restriction over the useful life of donated long-lived assets without donor stipulations concerning the use of such long-lived assets. These contributions are now reported as revenues of the temporarily restricted net asset class and released to unrestricted net assets over their estimated useful life. Contributions of cash or other assets to be used to acquire land, buildings and equipment with donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets. Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the service received. Contributions of goods and services to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods or services are received.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Charitable gift annuities: The Home has charitable gift annuity contracts with certain donors, whereby the annuitant makes a contribution to the Home and then receives a stream of cash payments from the Home until the annuitant's death. The remaining balance from the Home's annuity contracts, if any, is unrestricted at the time of the annuitant's death, and the asset and activity is classified as temporarily restricted during the annuity payment period. As of June 30, 2010 and 2009, the liabilities related to charitable gift annuities were $48,641 and $55,912, respectively.

Change in net assets: The statement of activities includes non-operating revenue and support. Changes in net assets which are excluded from operations include non-operating related contributions, bequests, investment revenue, gains and losses on investment transactions, net of Board approved spending utilization, capital campaign revenues and expenses, and other non-operating revenues and expenses.

Income tax status: The Home is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and state income taxes.

The Home follows the Financial Accounting Standards Board ("FASB") guidance, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Home has no material uncertainties in income taxes.

Advertising costs: The Home expenses advertising costs as incurred. Included in advertising expenses for the year ended June 30, 2010 is $573,643 of donated in-kind services.

Endowment assets: The Home follows FASB guidance, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,* which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA is a model act approved by the Uniform Law Commission (ULC; formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. This guidance also improves disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds), whether or not the organization is subject to UPMIFA.

Fair value of financial instruments: The Home follows FASB guidance, *Fair Value Measurements, which* defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. It clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability. This guidance establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Fair value measurements are separately disclosed by level within the fair value hierarchy.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

> **Level I**: Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes listed equities and listed derivatives. The Home does not adjust the quoted prices for these investments, even in situations where the Home may hold a large position and a sale could reasonably impact the quoted price.

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Fair value of financial instruments (continued):

Level I (continued): Securities that are listed on the United States securities exchange are valued at their last sales price on the largest United States securities exchange on which such securities have traded. Securities that are listed on an international exchange are valued at the last sales price from the largest exchange within the individual security's country of jurisdiction.

Level II: Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate bonds and loans, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level III: Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

See Note 18, Fair Value Hierarchy, for a summary of the inputs used as of June 30, 2010 in determining the fair value of the Home's assets and liabilities.

Recent issued accounting pronouncements: In June 2009, the FASB established the *FASB Accounting Standards Codification* as the single source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The Home has applied this guidance in the preparation of the Home's financial statements as of June 30, 2010.

In April 2009, the FASB issued *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased*. This guidance provides additional guidance on estimating the fair value of an asset where the level of activity has decreased significantly, and affirms that the objective fair value price that would be received to sell the asset in an orderly transaction, even when the market for the asset is not active. The Home adopted this guidance on July 1, 2009.

In September 2009, the FASB issued *Investment in Certain Entities That Calculate Net Asset Value per Share.* This guidance adds disclosures and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the net asset value per share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accountants (AICPA) Guide in arriving at their reported NAV. The Home adopted this guidance as of July 1, 2009.

In January 2010, the FASB issued *Improving Disclosures about Fair Value Measurements.* This guidance requires organizations to disclose transfer of assets in and out of Levels I and II of the fair value hierarchy, and the reasons for those transfers. This guidance is effective for the Home beginning July 1, 2010. The adoption of this guidance is not expected to have a material impact on the Home's financial statements.

Reclassifications: Certain reclassifications have been made to the June 30, 2009 financial statements to conform to the June 30, 2010 presentation.

Note 2. Accounts Receivable, Net

Accounts receivable as of June 30, 2010 and 2009 of $3,119,197 and $3,152,032, respectively, is reflected net of allowance for doubtful accounts of $125,000 and $150,000, respectively.

Note 3. Contributions and Grants Receivable

Contributions and grants receivable of $1,521,569 and $1,446,068 as of June 30, 2010 and 2009, respectively, are presented net of an allowance for doubtful collections and a discount for the net present values of collections over the pledge period totaling $140,390 and $168,269 as of June 30, 2010 and 2009, respectively.

Included in this balance as of June 30, 2010 and 2009 are unconditional promises to give of $807,651 and $962,645, respectively, made by certain members of the Home's Board of Directors. These pledges are payable through 2014 and are restricted for purposes of funding future project renovations. Expected collections as of June 30, 2010 and 2009 of contributions and grants receivable are as follows:

	2010	2009
Less than one year	**$ 544,995**	$ 568,538
One to four years	**1,116,964**	1,045,799
Total	**1,661,959**	1,614,337
Less unamortized discount and allowance	**140,390**	168,269
	$ 1,521,569	$ 1,446,068

Note 4. Investments

Investments are presented in the financial statements at fair market value. The following is a summary of the Home's investments as of June 30, 2010 and 2009:

	2010	2009
Marketable equity securities and equity mutual funds	**$ 18,310,919**	$ 13,996,419
Cash equivalents	**5,112,194**	9,097,798
U.S. government and debt obligations and fixed income mutual funds	**25,765,163**	23,274,909
Alternative investments	**14,278,758**	12,106,988
	$ 63,467,034	$ 58,476,114

Investments equal to the Board approved spending policy of $3,625,000 and $3,700,000 for the years ending June 30, 2010 and 2009, respectively, are classified as current in the accompanying statements of financial position. These amounts are reflected as current assets because they represent the draw from investments to fund the Home's operations in the subsequent fiscal year. Since the remaining amount of investments is intended for long-term investment purposes, these investments are classified as long-term assets in the accompanying statements.

During the year ended June 30, 2010, net gains from investment transactions totaled $6,561,889. During the year ended June 30, 2009, net losses from investment transactions totaled $19,163,440. Also included in net gains (losses) from investment transactions are amounts related to the appreciation (depreciation) in value of the Home's beneficial interest in perpetual trusts, as indicated in Note 15.

During the year ended June 30, 2008, the Board of Directors voted to commit up to $1,500,000 from its investment portfolio to cover preconstruction and architectural services associated with one of the Home's program facilities. As of June 30, 2010, the full amount of the $1,500,000 commitment had been utilized. In addition, due to a change in plans of the location of the program facility, $550,000 of utilized costs were written off during the year ended June 30, 2009.

Note 5. Property, Plant and Equipment

The following is a summary as of June 30, 2010 and 2009:

	2010	2009
Land and improvements	**$ 2,354,923**	$ 2,286,565
Buildings and improvements	**21,729,053**	21,070,869
Furniture and equipment	**7,168,911**	6,651,661
Motor vehicles	**222,221**	175,789
Construction in progress	**1,698,170**	1,239,155
	33,173,278	31,424,039
Less accumulated depreciation and amortization	**(18,638,614)**	(17,475,568)
	$ 14,534,664	$ 13,948,471

Construction in progress represents costs incurred in connection with various construction projects to support program operations. The estimated remaining costs to complete these projects are currently being evaluated by the Home.

Note 6. Line of Credit

During the year ended June 30, 2009, the Home amended its unsecured line of credit with a financial institution which increased the maximum borrowing limit from $5,500,000 to $10,000,000. As of June 30, 2010 and 2009, $3,819,898 and $3,004,650, respectively, was outstanding on this line. The line is payable on demand with interest payable monthly at the London Interbank Offered Rate (“LIBOR”) Advantage Rate plus 2.5% (2.85% and 2.81% as of June 30, 2010 and 2009, respectively). The line of credit agreement requires the Home to maintain certain financial covenants.

Note 7. Bonds Payable

In 2009, the Home added additional coverage to the Home’s existing two letters of credit supporting both the Massachusetts Health and Education Facilities Authority (“HEFA”) and Mass Development Financing Agency (“MDFA”) bonds. This addition did not change the terms of the bonds nor did it alter the maturity schedule of the principle payments.

Under an agreement with HEFA, bonds payable were issued to refinance certain debt obligations and purchase, construct and renovate new program facilities. The bonds were issued at a face value of $7,500,000, with variable interest rates (0.43% and 2.50% as of June 30, 2010 and 2009, respectively) and, although written on demand, are payable over a 30 year maturity schedule through February 1, 2029. The balance outstanding on these bonds payable was $3,650,000 and $3,835,000 as of June 30, 2010 and 2009, respectively. Bond issuance costs, net of amortization, of $147,919 and $87,640 as of June 30, 2010 and 2009, respectively, consist of legal and other expenses incurred in connection with this issue. These bond issuance costs were capitalized and are presented net of accumulated amortization of $51,102 and $43,820, respectively, and are being amortized over the thirty-year life of the bonds.

Under a separate agreement with the MDFA bonds payable were issued to refinance certain debt obligations and purchase, construct and renovate new program facilities. The bonds were issued at a face value of $6,600,000, with variable interest rates (0.43% and 2.50% as of June 30, 2010 and 2009, respectively) and, although written on demand, are payable over a 30 year maturity schedule through October 1, 2034. The balance outstanding on these bonds payable was $4,667,000 and $4,792,000 as of June 30, 2010 and 2009, respectively. Bond issuance costs, net of amortization, of $90,740 and $75,122 as of June 30, 2010 and 2009, respectively, consist of legal and other expenses incurred in connection with this issue. These bond issuance costs were capitalized and are presented net of accumulated amortization of $18,697 and $15,025, respectively, and are being amortized over the thirty-year life of the bonds.

Note 7. Bonds Payable (continued)

The Home also maintains a bank letter-of-credit related to its bonds with the HEFA in the amount of $3,699,000 and $3,876,190 as of June 30, 2010 and 2009, respectively. This letter-of-credit is priced at 1.70% per annum, comprised of a 0.2% confirmation fee paid quarterly and a 1.5% fee paid semi-annually, and expires May 2013 unless extended. In addition, under a separate agreement related to its bonds with the MDFA, the Home maintained a second bank letter-of-credit related to these bonds in the amount of $5,012,231 and $5,146,477 as of June 30, 2010 and 2009, respectively. This letter-of-credit is priced at 1.70% per annum, comprised of a 0.2% confirmation fee paid quarterly and a 1.5% fee paid semi-annually, and expires April 2013 unless extended. In accordance with the letter-of-credit agreement, the Home is required to maintain certain minimum financial ratios. Scheduled maturity dates of bond principal over the next five years and in the aggregate are as follows:

Years ending June 30,	
2011	$ 325,000
2012	345,000
2013	360,000
2014	375,000
2015	400,000
Thereafter	6,512,000
	$ 8,317,000

Note 8. Interest Rate Swaps

During the year ended June 30, 2006, the Home entered into two interest rate swap agreements to lock in the interest cash outflows on bonds payable to HEFA and MDFA. One interest rate swap (HEFA) has a notional amount of $1,975,955 and $3,209,386 as of June 30, 2010 and 2009, respectively, while the other interest rate swap (MDFA) has a notional amount of $3,209,357 and $3,288,357 as of June 30, 2010 and 2009, respectively. These agreements effectively change the variable-rate interest on a portion of the Home's bonds to fixed-rate interest.

Under the terms of the swaps (which both expire in January 2011), the Home pays monthly fixed interest rate of 3.87% (HEFA) and 3.88% (MDFA). The estimated fair value of these agreements were liabilities of $40,223 (HEFA) and $64,568 (MDFA) as of June 30, 2010 and liabilities of $94,961 (HEFA) and $151,136 (MDFA) as of June 30, 2009, which are included in accounts payable and accrued expenses in the Home's statement of financial position. This amount is subsequently reclassified into interest expense as a yield adjustment in the same period in which the related interest on the floating rate debt obligation affects earnings.

Note 9. Operating Lease Commitments

The Home leases equipment, vehicles and office space from unrelated third parties under operating lease agreements through March 2017. Total rent expense under all lease agreements was $1,411,745 and $1,309,786 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments over the next five years and in the aggregate are as follows:

Years ending June 30,	
2011	$ 1,190,292
2012	719,556
2013	676,039
2014	652,735
2015	147,907
Thereafter	73,492
	$ 3,460,021

Note 10. Pension and Retirement Plans

The Home has a 403(b) tax deferred retirement plan for all of its employees. Under the plan, employees may contribute up to the Internal Revenue Service indexed maximum amount for each calendar year. The Home will make matching contributions of 100% up to a maximum of 3% of annual salary. Contributions to this plan were $345,367 and $407,132 for the years ended June 30, 2010 and 2009, respectively.

Note 11. Deferred Compensation

The Home has a section 457(b) eligible deferred compensation plan for the Home's executive director. This plan calls for the Home to make calendar year contributions of $22,500. Contributions to this plan totaled $22,500 for both of the years ended June 30, 2010 and 2009. As of June 30, 2010 and 2009, the market value of the investments under this plan was $51,044 and $34,129, respectively.

The Home had a deferred compensation plan for a former key employee which was distributed in full during the year ended June 30, 2009.

Note 12. Net Assets Released From Restrictions

Net assets were released from temporary donor restrictions by incurring expenses which satisfied the restricted purposes or by the occurrence of events specified by the donors. During the years ended June 30, 2010 and 2009, the use of these assets were as follows:

	2010	2009
Donor restrictions satisfied as to:		
Program operations	**$ 807,034**	$ 939,919
Plant and equipment acquisitions	**160,366**	185,278
Utilization of endowment appreciation	**2,822,988**	2,606,383
	2,983,354	2,791,661
	$ 3,790,388	$ 3,731,580

The Board of Directors (the "Board") voted in 2002 to utilize, as part of its spending policy from its investment portfolio, a portion of cumulative realized gains on permanently restricted net assets in accordance with Massachusetts law, which allows for the use of such assets in a prudent manner, as defined. The amount utilized for the years ended June 30, 2010 and 2009 was $2,369,714 and $2,606,383, respectively.

Note 13. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2010 and 2009 are composed of the following:

	2010	2009
Gifts and other unexpended revenue and gains restricted to:		
Program operations	**$ 292,345**	$ 135,879
Plant and equipment acquisitions	**5,024,235**	4,182,085
Charitable gift annuities	**10,444**	15,083
Investment revenue and realized and unrealized gains on investment funds	**23,438,754**	22,312,364
	$ 28,765,778	$ 26,645,411

Note 14. Permanently Restricted Net Assets

Permanently restricted net assets as of June 30, 2010 and 2009 are composed of investment gifts held in perpetuity in the following categories:

	2010	2009
Endowments requiring one-half of investment income to be added to original gift and balance to general support	**$ 2,362,458**	$ 2,254,998
Other special endowments, income restricted for various program purposes of the Home	**1,369,577**	1,284,577
General support endowments	**5,530,319**	5,530,319
Beneficial interest in perpetual trusts	**10,702,948**	10,039,865
	$ 19,965,302	$ 19,109,759

Note 15. Beneficial Interest in Perpetual Trusts

The Home has a beneficial interest in several perpetual trusts held by third-party trustees for the benefit of various not-for-profit organizations. The principal as well as annual gains or losses on the investments are restricted in perpetuity. The interest and dividend income generated by the investments is distributed each year to the beneficiaries, and is reported by the Home as unrestricted investment revenue.

The Home has recorded on its financial statements the fair market value (measured as the present value of the estimated future cash receipts from trusts' assets) of its beneficial interest in the trusts as permanently restricted net assets. Gains and losses on investments are considered changes in the present value of expected cash flows and are recognized as permanently restricted gains or losses on perpetual trusts. For the year ended June 30, 2010, the Home recognized permanently restricted gains of $663,083. For the year ended June 30, 2009, the Home recognized permanently restricted losses of $2,539,073.

Note 16. Assets Held for Sale

The Board authorized the solicitation of offers to sell a property of the Home. Approximately $200,000 of the proceeds from the sale of this facility will be applied to part of the existing bond principal balance.

Note 17. Endowment Net Assets

Following is a summary of endowment net asset composition by type of fund as of June 30, 2010 and 2009:

June 30, 2010	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds and contribution receivables	$ (209,966)	$ 23,438,754	$ 19,965,302	$ 43,194,090
Board designated endowment funds	27,841,199	-	-	27,841,199
Other unrestricted endowment funds	3,055,298	-	-	3,055,298
	$ 30,686,531	$ 23,438,754	$ 19,965,302	$ 74,090,587

Note 17. Endowment Net Assets (continued)

Following is a summary of the changes in endowment net assets for the year ended June 30, 2010:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2009	$ 26,984,523	$ 22,312,364	$ 19,109,759	$68,406,646
Investment return:				
Unrealized gains on investments	3,004,392	2,893,609	663,083	6,561,084
Investment revenue	2,033,195	1,055,769	107,460	3,196,424
	5,037,587	3,949,378	770,543	9,757,508
Other changes:				
Withdrawals	(4,171,519)	-	-	(4,171,519)
Appropriation	2,822,988	(2,822,988)	-	-
Contributions	12,952	-	85,000	97,952
Endowment net assets as of June 30, 2010	$ 30,686,531	$ 23,438,754	$ 19,965,302	$74,090,587

June 30, 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (545,419)	$ 22,312,364	$ 19,109,759	$ 40,876,704
Board designated endowment funds	23,818,957	-	-	23,818,957
Other unrestricted endowment funds	3,710,985	-	-	3,710,985
	$ 26,984,523	$ 22,312,364	$ 19,109,759	$ 68,406,646

Following is a summary of the changes in endowment net assets for the year ended June 30, 2009:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2008	$ 36,552,160	$ 32,275,557	$ 21,571,124	$90,398,841
Investment return:				
Unrealized losses on investments	(8,002,758)	(8,616,436)	-	(16,619,194)
Investment revenue	1,189,761	1,259,626	77,708	2,527,095
	(6,812,997)	(7,356,810)	77,708	(14,092,099)
Other changes:				
Withdrawals	(5,058,659)	-	-	(5,058,659)
Appropriation	2,606,383	(2,606,383)	-	-
Change in beneficial interest in perpetual trust	-	-	(2,539,073)	(2,539,073)
Other fees	(302,364)	-	-	(302,364)
Endowment net assets as of June 30, 2009	$ 26,984,523	$ 22,312,364	$ 19,109,759	$68,406,646

Note 17. Endowment Net Assets (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Home to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The aggregate deficiency between the fair value of the investments of the endowment fund as of the years ended June 30, 2010 and 2009 and the level required by donor stipulation was $209,966 and $545,419, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ended June 30, 2009.

Note 18. Fair Value Hierarchy

The following tables summarize the Home's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and 2009:

	Assets Measured at Fair Value on a Recurring Basis			
June 30, 2010	**Quoted Prices Level I**	**Observable Inputs Level II**	**Unobservable Inputs Level III**	**Total June 30, 2010**
Assets				
Marketable equity securities and equity mutual funds	$ 18,310,919	$ -	$ -	$ 18,310,919
Cash equivalents	5,112,194	-	-	5,112,194
U.S. government and debt obligations and fixed income mutual funds	25,765,163	-	-	25,765,163
Alternative investments	-	-	14,278,758	14,278,758
Beneficial interest in perpetual trusts	-	-	10,702,948	10,702,948
Total assets	$ 49,188,276	$ -	$ 24,981,706	$ 74,169,982
Liabilities				
Interest rate swap liability	$ -	$ 104,791	$ -	$ 104,791

The changes in assets measured at fair value for which the Home has used Level III inputs to determine fair value are as follows:

	Private Equity Funds	**Hedge Funds**	**Structured Credit**	**Other**	**Total**
Balance as of June 30, 2009	$ 203,397	$ 10,540,722	$ 1,362,869	$10,039,865	$ 22,146,853
Changes:					
Purchases	415,650	-	-	-	415,650
Net realized/unrealized gains on investments	8,227	123,492	1,624,401	663,083	2,419,203
Balance as of June 30, 2010	$ 627,274	$ 10,664,214	$ 2,987,270	$10,702,948	$ 24,981,706

Disclosed in the individual funds most recent audited financial statements, the Level III investments had underlying investments which included 10% of Level I, 34% of Level II, and 56% of Level III securities as defined by the fair value hierarchy.

Note 18. Fair Value Hierarchy (continued)

The Home has investment commitments totaling approximately $3,356,000 with its private equity funds.

	Assets Measured at Fair Value on a Recurring Basis			
June 30, 2009	**Quoted Prices Level I**	**Observable Inputs Level II**	**Unobservable Inputs Level III**	**Total June 30, 2009**
Assets				
Marketable equity securities and equity mutual funds	$ 13,996,419	$ -	$ -	$ 13,996,419
Cash equivalents	9,097,798	-	-	9,097,798
U.S. government and debt obligations and fixed income mutual funds	23,274,909	-	-	23,274,909
Alternative investments	-	-	12,106,988	12,106,988
Beneficial interest in perpetual trusts	-	-	10,039,865	10,039,865
Total assets	$ 46,369,126	$ -	$ 22,146,853	$ 68,515,979
Liabilities				
Interest rate swap liability	$ -	$ 246,097	$ -	$ 246,097

The changes in assets measured at fair value for which the Home has used Level III inputs to determine fair value are as follows:

	Private Equity Funds	**Hedge Funds**	**Structured Credit**	**Other**	**Total**
Balance as of June 30, 2008	$ 400,217	$ 12,533,512	$ 2,913,510	$12,578,938	$28,426,177
Net realized/unrealized losses on investments	(196,820)	(1,992,790)	(1,550,641)	(2,539,073)	(6,279,324)
Balance as of June 30, 2009	$ 203,397	$ 10,540,722	$ 1,362,869	$10,039,865	$ 22,146,853

The Home uses the net asset value (NAV) to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company. The following table lists investments in investment companies by major category.

Note 18. Fair Value Hierarchy (continued)

	Strategy	NAV in funds	# of funds	Remaining Life	Dollar Amount of Unfunded Commitments
Structured Credit	The Fund's objective is to seek to generate high total returns	$ 2,987,270	1	N/A	$ -
Hedge Funds	To achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle.	10,664,214	1	N/A	-
Private Equity	Venture and buyout, in the U.S. and international	627,274	1	N/A	3,356,000*
	Total	$ 14,278,758	1		$ 3,356,000

	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Structured Credit	N/A	Fund has quarterly liquidity option	None	None
Hedge Funds	N/A	Fund has quarterly liquidity option	None	None
Private Equity	2%-4%* per quarter			

* Commitment is as of April 30, 2010.

Note 19. Commitments and Contingencies

There are various legal proceedings pending that involve claims against the Home. These proceedings are, in the opinion of management, routine matters incidental to the normal business conducted by the Home. In the opinion of management, the ultimate disposition of such proceedings is not expected to have a material adverse effect, if any, on the Home's financial position, results of operations, or cash flows.

Note 20. Subsequent Events

The Home evaluated subsequent events through November 5, 2010, when the financial statements were issued.