The Home for Little Wanderers

Financial Statements

Years Ended June 30, 2012 and 2011

The Home for Little Wanderers

FINANCIAL STATEMENTS
Years Ended June 30, 2012 and 2011

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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, 2012 and 2011, 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Home for Little Wanderers' internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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, 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, 2012 and 2011, 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.

McGladrey LLP

October 25, 2012
Boston, Massachusetts

The Home for Little Wanderers

Statements of Financial Position

June 30, 2012 and 2011

ASSETS	2012	2011
Current assets:		
Cash and cash equivalents	$ 109,694	$ 96,635
Cash - restricted funds	232,314	250,078
Bond escrow deposits	-	65,637
Accounts receivable, net (Note 2)	2,892,888	3,767,200
Contributions and grants receivable, net (Note 3)	2,111,979	1,284,370
Investment income receivable	48,566	58,272
Investments (Notes 4, 5 and 17)	3,372,000	3,420,000
Prepaid expenses and other current assets (Note 8)	1,431,106	440,850
Assets held for sale (Note 8)	1,584,123	-
Total current assets	11,782,670	9,383,042
Contributions and grants receivable, net (Note 3)	2,123,759	1,141,038
Cash restricted for long term assets	8,575,048	6,824,716
Investments (Notes 4, 5, 13 and 17)	63,332,794	65,900,216
Assets held for sale (Note 8)	-	1,512,759
Bond issuance costs, net (Note 10)	273,754	226,993
Beneficial interest in perpetual trusts (Note 5, 6, and 16)	12,392,140	12,544,799
Property, plant and equipment, net (Note 7)	25,624,300	12,766,736
Total assets	$ 124,104,465	$ 110,300,299
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit (Note 9)	$ 1,383,575	$ 5,336,966
Current portion of bonds payable (Note 10)	675,000	345,000
Accounts payable, accrued expenses, and other current liabilities (Note 8)	5,861,503	3,684,948
Client funds	24,239	25,644
Total current liabilities	7,944,317	9,392,558
Bonds payable, net of current portion (Note 10)	20,405,000	7,542,000
Other liabilities (Note 13)	157,213	125,984
Total liabilities	28,506,530	17,060,542
Commitments and contingencies (Notes 11 and 18)		
Net assets:		
Unrestricted (Note 17)	49,295,525	38,592,428
Temporarily restricted (Notes 15 and 17)	24,622,923	32,872,088
Permanently restricted (Notes 16 and 17)	21,679,487	21,775,241
Total net assets	95,597,935	93,239,757
Total liabilities and net assets	$ 124,104,465	$ 110,300,299

See notes to financial statements.

The Home for Little Wanderers

Statements of Activities

Years Ended June 30, 2012 and 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other support:								
Program revenue	$ 31,407,243	$ -	$ -	$ 31,407,243	$ 29,601,541	$ -	$ -	$ 29,601,541
Contributions	4,663,018	446,730	-	5,109,748	4,660,920	486,480	-	5,147,400
Utilization of board approved spending policy (Note 4)	3,420,000	-	-	3,420,000	3,625,000	-	-	3,625,000
In-kind revenue	128,006	-	-	128,006	664,667	-	-	664,667
Other operating revenue	9,464	-	-	9,464	22,250	-	-	22,250
Net assets released from restrictions (Note 14)	695,778	(695,778)	-	-	882,219	(882,219)	-	-
Total revenues and other support	40,323,509	(249,048)	-	40,074,461	39,456,597	(395,739)	-	39,060,858
Expenses:								
Programs	32,269,951	-	-	32,269,951	31,200,087	-	-	31,200,087
Administrative and general	5,637,871	-	-	5,637,871	6,267,181	-	-	6,267,181
Fundraising	1,999,022	-	-	1,999,022	2,077,266	-	-	2,077,266
Total operating expenses	39,906,844	-	-	39,906,844	39,544,534	-	-	39,544,534
Change in net assets from operations	416,665	(249,048)	-	167,617	(87,937)	(395,739)	-	(483,676)
Non-operating income (expense):								
Net gains (losses) on investment transactions (Notes 4, 5, 6, and 17)	(502,024)	(545,895)	(601,193)	(1,649,112)	3,544,060	3,599,770	1,841,851	8,985,681
Investment revenue	1,405,235	562,834	56,905	2,024,974	1,711,992	750,287	77,233	2,539,512
Bequests	888,906	-	-	888,906	783,582	-	-	783,582
Board approved spending policy (Note 4)	(3,420,000)	-	-	(3,420,000)	(3,625,000)	-	-	(3,625,000)
Contributions	-	5,004,611	448,534	5,453,145	-	2,250,504	-	2,250,504
Capital campaign expense	(564,771)	-	-	(564,771)	(524,269)	-	-	(524,269)
Other non-operating revenues (expenses) (Notes 7 and 8)	(482,581)	-	-	(482,581)	102,472	-	-	102,472
Change in restriction by donor	-	-	-	-	-	109,145	(109,145)	-
Allowance for uncollectible pledges	-	(60,000)	-	(60,000)	-	-	-	-
Net assets released from restrictions (Note 14)	12,961,667	(12,961,667)	-	-	2,207,657	(2,207,657)	-	-
Total non-operating income (expense)	10,286,432	(8,000,117)	(95,754)	2,190,561	4,200,494	4,502,049	1,809,939	10,512,482
Change in net assets	10,703,097	(8,249,165)	(95,754)	2,358,178	4,112,557	4,106,310	1,809,939	10,028,806
Net assets, beginning of year	38,592,428	32,872,088	21,775,241	93,239,757	34,479,871	28,765,778	19,965,302	83,210,951
Net assets, end of year	$ 49,295,525	$ 24,622,923	$ 21,679,487	$ 95,597,935	$ 38,592,428	$ 32,872,088	$ 21,775,241	$ 93,239,757

See notes to financial statements.

The Home for Little Wanderers

Statements of Functional Expenses
Years Ended June 30, 2012 and 2011

	2012				2011			
	Programs	Administrative and General	Fundraising	Totals	Programs	Administrative and General	Fundraising	Totals
Operating expenses:								
Salaries and wages	$ 19,826,874	$ 2,581,378	$ 703,085	$ 23,111,337	$ 18,733,866	$ 2,417,240	$ 704,210	$ 21,855,316
Payroll taxes and employee benefits (Notes 12 and 13)	4,473,359	614,943	157,097	5,245,399	4,229,243	561,878	156,730	4,947,851
Total salaries and related benefits	24,300,233	3,196,321	860,182	28,356,736	22,963,109	2,979,118	860,940	26,803,167
Rent (Note 11)	818,424	372,074	158,211	1,348,709	803,222	357,326	178,663	1,339,211
Client expenses	1,194,209	-	-	1,194,209	1,387,982	-	-	1,387,982
Depreciation and amortization (Note 7)	852,097	258,637	37,368	1,148,102	978,864	310,343	45,529	1,334,736
Food and other program supplies	1,114,472	23,333	6,448	1,144,253	1,065,351	40,096	4,038	1,109,485
Equipment repairs and replacements	606,587	164,949	76,208	847,744	723,100	177,963	32,912	933,975
Utilities	666,035	154,509	20,181	840,725	720,443	162,721	24,665	907,829
Professional fees	120,061	668,455	25,138	813,654	152,033	859,158	31,044	1,042,235
Contracted services	401,492	229,578	10,818	641,888	278,969	223,750	14,428	517,147
Other expenses	368,226	121,900	97,914	588,040	430,179	107,889	91,282	629,350
Transportation (Note 11)	527,217	16,472	5,665	549,354	427,466	15,637	4,930	448,033
Insurance	405,648	91,993	10,280	507,921	383,871	110,558	11,073	505,502
Office expense	21,539	113,056	331,245	465,840	17,966	138,982	305,316	462,264
Bad debts	335,716	-	27,820	363,536	293,794	-	25,708	319,502
Special events	-	-	331,544	331,544	-	-	446,738	446,738
Interest	141,606	184,318	-	325,924	242,579	243,850	-	486,429
Subcontracted direct services	320,945	-	-	320,945	246,417	-	-	246,417
Advertising	75,444	42,276	-	117,720	84,742	539,790	-	624,532
Total operating expenses	32,269,951	5,637,871	1,999,022	39,906,844	31,200,087	6,267,181	2,077,266	39,544,534
Non-operating expenses:								
Capital campaign expense	-	-	564,771	564,771	-	-	524,269	524,269
Other non-operating expenses	-	458,716	4,288	463,004	-	500,280	20,000	520,280
Total non-operating expenses	-	458,716	569,059	1,027,775	-	500,280	544,269	1,044,549
Total expenses	$ 32,269,951	$ 6,096,587	$ 2,568,081	$ 40,934,619	$ 31,200,087	$ 6,767,461	$ 2,621,535	$ 40,589,083

See notes to financial statements.

The Home for Little Wanderers

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities and gains and losses:		
Change in net assets	$ 2,358,178	$ 10,028,806
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,148,102	1,334,736
Write off of construction costs	-	262,921
Amortization of bond issuance costs	95,547	10,916
Unrealized gain on interest rate swap agreements	-	(104,791)
Loss (gain) on disposal of property and equipment	25,463	(507,091)
In-kind donated assets	(196,744)	-
Net (gains) losses on investment transactions	1,649,112	(8,985,681)
Beneficial interest in perpetual trust contribution	(448,534)	-
Allowance for uncollectible pledges	60,000	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Bond escrow deposits	65,637	2,421
Accounts receivable	874,312	(648,003)
Contributions and grants receivable	(1,870,330)	(903,839)
Investment income receivable	9,706	(1,537)
Prepaid expenses and other current assets	(990,256)	(17,075)
Increase (decrease) in:		
Accounts payable, accrued expenses, and other current liabilities	2,176,555	(657,578)
Client funds	(1,405)	(40,003)
Other liabilities	31,229	26,299
Total adjustments	2,628,394	(10,228,305)
Net cash provided by (used in) operating activities	4,986,572	(199,499)
Cash flows from investing activities:		
Proceeds from sale of investments	38,671,592	33,401,784
Purchase of investments	(37,104,089)	(32,107,247)
Purchases of property and equipment	(14,059,968)	(1,340,129)
Proceeds from sale of property and equipment	157,584	1,002,100
Net cash provided by (used in) investing activities	(12,334,881)	956,508
Cash flows from financing activities:		
Net (repayments) borrowings under line of credit	(3,953,391)	1,517,068
Payments of bond issuance costs	(145,673)	-
Increase in restricted funds	(1,732,568)	(1,761,946)
Net repayments of bonds payable	(4,807,000)	(430,000)
Proceeds from bonds payable	18,000,000	-
Net cash provided by (used in) financing activities	7,361,368	(674,878)
Net change in cash and cash equivalents	13,059	82,131
Cash and cash equivalents:		
Beginning of year	96,635	14,504
End of year	$ 109,694	$ 96,635
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 487,318	$ 485,565

The Home for Little Wanderers
Notes to Financial Statements
Years Ended June 30, 2012 and 2011

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 Home reports three classes of net assets and the changes in those net assets in the statements of financial position and statements of activities, respectively. The three classes of net assets are unrestricted, temporarily restricted, and permanently restricted. These classifications are based on the existence or absence of donor-imposed restrictions. The three classifications are defined 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 Massachusetts law, funds not yet appropriated by the Board, generally representing cumulative interest, dividends, appreciation and reinvested gains and losses on permanently restricted endowment funds, which are subject to prudent appropriation by the Board in accordance with donor use restrictions and 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 the passage of time nor can be fulfilled or otherwise removed by actions of the Home pursuant to those stipulations. Permanently restricted net assets may also include investment earnings on certain contributions as stipulated by donor restrictions, as well as gains and losses from beneficial interest in perpetual trusts.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of 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 and 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. 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. A trade receivable is generally considered past due if any portion is outstanding for more than sixty days; however, accounts involving third party insurance companies and public agencies are often normally collectible beyond that normal limit.

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 or if donated, at fair value on the date of donation. 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. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Property, Plant and Equipment…continued

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	5-40
Furniture and equipment	3-10
Motor vehicles	3-5

Investments, Investment Income and Appreciation of Endowment Investments

Investments, excluding non-marketable alternatives, are carried at fair value, as established by the major securities markets. Purchases and sales of securities are recorded on trade dates, and realized gains and losses are determined on the basis of the average cost of securities sold.

The Home invests in alternative investments, consisting of hedge funds, non-marketable asset partnerships, and various inflation hedging vehicles. These types of investment vehicles may be included within each investment classification. Alternative investments utilize a variety of investment strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at fair value by the fund managers. The underlying investments of the hedge funds are principally publicly-priced securities and derivatives. These investments provide broader diversification, offering sources of return that are not generally correlated with traditional equity and fixed income markets. Hedging strategies may include securities denominated in foreign currencies, options, futures, forward contracts, short sales or other financial instruments whose value and performance are derived, at least in part, from the performance of an underlying asset or index and the creditworthiness of the counterparty to the transactions.

Management believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2012 and 2011. 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.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

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. The Home had no impairment of its long-lived assets for the years ended June 30, 2012 and 2011.

Restricted Funds

Included in cash-restricted funds and accounts payable and accrued expenses as of June 30, 2012 and 2011 is $209,676 and $227,294, 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 for long term assets as of June 30, 2012 and 2011 is $144,272 and $6,824,716, respectively, of amounts received from donors for construction and renovation of long term assets. As of June 30, 2012, cash restricted for long-term assets also includes $8,430,776 of proceeds from tax-exempt bond financing to be used for construction and renovation of long term assets.

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, 2012 and 2011.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

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 fundraising 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 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 only if the services create or enhance a nonfinancial asset or would typically need to be purchased by the Home if they had not been provided by the individuals with those skills. 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. The value of contributed services was $239,020 and $751,250 for the years ended June 30, 2012 and 2011, respectively. The value of contributed materials was $85,730 and $83,709 for the years ended June 30, 2012 and 2011, respectively.

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, 2012 and 2011, the liabilities related to charitable gift annuities were $48,876 and $46,681, respectively, and are included with other liabilities on the statement of financial position.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Operating Activities

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 de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Management believes that the Home has no material uncertainties in income taxes.

The Home is no longer subject to income tax examinations by the U.S., federal, state or local tax authorities for fiscal years before 2009. The Home will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Advertising Costs

The Home expenses advertising costs as incurred. Included in advertising expenses for the years ended June 30, 2012 and 2011 is $42,276 and $539,790, respectively, 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 (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.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Endowment Assets…continued

The Board has interpreted Massachusetts General Law as requiring investment earnings on permanently restricted net assets to be retained in a restricted net asset classification until appropriated by the Board and expended. Massachusetts General Law allows the Board to appropriate for expenditure or accumulate so much of endowment fund as the Home determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Home shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors: the duration and preservation of the endowment fund; the purposes of the Home and the endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the Home; and the investment policy of the Home.

The Home has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, the endowment assets are invested in equities, mutual funds, fixed income funds, and alternative investments.

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, as of the last quarter ending March 31st, 4.5% of the average fair value of the endowment investment portfolio of each of the preceding thirteen fiscal quarters is appropriated for operations. As a result of that calculation, a portion of investment income, cumulative net realized gains and net appreciation is allocated to operations in accordance with the Home's investment policies and procedures. The amount withdrawn was $3,420,000 and $3,625,000 for the years ended June 30, 2012 and 2011, respectively.

Fair Value Measurements

In January 2010, FASB Accounting Standards Codification ("ASC") issued Accounting Standards Update (ASU) 2010-06, *Improving Disclosures about Fair Value Measurements (ASC 820)-Fair Value Measurements and Disclosure* to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, the activity in Level III fair value measurements, and the transfers between Levels I, II and III. Levels I, II, and III of fair value measurements are defined below.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Home uses various methods including market, income and cost approaches. In addition, the Home reports certain investments using the net asset value ("NAV") per share as determined by the investment managers under the so called "practical expedient". The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Based on these approaches, the Home often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…continued

The Home utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the inputs used in the valuation techniques or in accordance with NAV practical expedient rules, the Home is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets carried at fair value will be classified and disclosed in one of the following three categories:

Level I - Quoted prices for identical assets traded in active exchange markets.

Level II - Observable inputs other than Level I including quoted prices for similar assets, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level II also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data. Level II also includes investments carried at the per share NAV with redemption periods of ninety days or less.

Level III - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. Level III also includes investments carried at the per share NAV with redemption periods of more than ninety days.

The following is a description of the valuation methodologies used for instruments measured at fair value:

Equity Securities, Mutual Funds, and Fixed Income Funds

The fair value of equity securities, mutual funds, and fixed income funds is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

See Note 5, Fair Value Hierarchy, for a summary of the inputs used as of June 30, 2012 in determining the fair value of the Home's assets.

There have been no significant changes in valuation methodologies during the years ended June 30, 2012 and 2011.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued ASU No. 2011-04*, Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. 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, 2011 financial statements to conform to the June 30, 2012 presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 and 2011 of $2,892,888 and $3,767,200, respectively, are reflected net of an allowance for doubtful accounts of $175,000 and $200,000, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable of $4,235,738 and $2,425,408 as of June 30, 2012 and 2011, 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 $261,136 and $239,733 as of June 30, 2012 and 2011, respectively.

Included in this balance as of June 30, 2012 and 2011 are unconditional promises to give of $959,846 and $1,090,947, respectively, made by certain members of the Board. These pledges are payable through 2018 and are restricted for purposes of funding construction and renovation of long term assets. Expected collections as of June 30, 2012 and 2011 of contributions and grants receivable are as follows:

	2012	2011
Less - than one year	$ 2,131,979	$ 1,304,370
One to five years	2,354,895	1,340,771
Thereafter	10,000	20,000
	4,496,874	2,665,141
Less - unamortized discount and allowance	(261,136)	(239,733)
	$ 4,235,738	$ 2,425,408

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

4. INVESTMENTS

Investments are presented in the financial statements at fair value. The following is a summary of the Home's investments as of June 30, 2012 and 2011:

	2012	2011
Marketable equity securities and equity mutual funds:		
International equities	$ 9,441,853	$ 9,090,360
Domestic equities	20,272,295	18,780,485
Mutual funds	75,630	40,280
	29,789,778	27,911,125
Cash equivalents	86,509	10,366,527
U.S. government and debt obligations and fixed income mutual funds	17,635,784	14,166,606
Alternative investments:		
Private Equity Fund	1,719,894	1,253,148
Structured Credit Fund	4,399,758	4,296,521
Offshore Opportunity Fund	3,079,372	11,326,289
Special Situations Fund	9,993,699	-
	19,192,723	16,875,958
	$ 66,704,794	$ 69,320,216

Investments equal to the Board approved spending policy of $3,372,000 and $3,420,000 for the years ending June 30, 2012 and 2011, 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 of financial position.

During the years ended June 30, 2012 and 2011, net gains (losses) from investment transactions totaled $(1,649,112) and $8,985,681, respectively. 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 6. The total amount of investment fees were $371,782 and $237,359 for the years ended June 30, 2012 and 2011, respectively.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

5. FAIR VALUE HIERARCHY

The following tables summarize the Home's assets measured at fair value on a recurring basis as of June 30, 2012 and 2011:

	Assets Measured at Fair Value on a Recurring Basis			
June 30, 2012	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total June 30, 2012
Assets:				
Marketable equity securities				
and equity mutual funds:				
International equities	$ 9,441,853	$ -	$ -	$ 9,441,853
Domestic equities	20,272,295	-	-	20,272,295
Mutual funds	75,630	-	-	75,630
Cash equivalents	86,509	-	-	86,509
U.S. government and debt obligations				
and fixed income mutual funds	17,635,784	-	-	17,635,784
Alternative investments:				
Private Equity Fund	-	-	1,719,894	1,719,894
Structured Credit Fund	-	-	4,399,758	4,399,758
Offshore Opportunity Fund	-	-	3,079,372	3,079,372
Special Situations Fund	-	-	9,993,699	9,993,699
Beneficial interest in perpetual trusts	-	-	12,392,140	12,392,140
	$47,512,071	$ -	$ 31,584,863	$79,096,934

	Assets Measured at Fair Value on a Recurring Basis			
June 30, 2011	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total June 30, 2011
Assets:				
Marketable equity securities				
and equity mutual funds:				
International equities	$ 9,090,360	$ -	$ -	$ 9,090,360
Domestic equities	18,780,485	-	-	18,780,485
Mutual funds	40,280	-	-	40,280
Cash equivalents	10,366,527	-	-	10,366,527
U.S. government and debt obligations				
and fixed income mutual funds	14,166,606	-	-	14,166,606
Alternative investments:				
Private Equity Fund	-	-	1,253,148	1,253,148
Structured Credit Fund	-	-	4,296,521	4,296,521
Offshore Opportunity Fund	-	-	11,326,289	11,326,289
Beneficial interest in perpetual trusts	-	-	12,544,799	12,544,799
	$52,444,258	$ -	$ 29,420,757	$81,865,015

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

5. FAIR VALUE HIERARCHY…continued

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 Fund	Offshore Opportunity Fund	Special Situations Fund	Structured Credit Fund	Other	Total
Balance as of June 30, 2010	$ 627,274	$10,664,214	$ -	$ 2,987,270	$ 10,702,948	$24,981,706
Changes:						
Purchases	491,760	-	-	-	-	491,760
Net gains on investments	134,114	662,075	-	1,309,251	1,841,851	3,947,291
Balance as of June 30, 2011	1,253,148	11,326,289	-	4,296,521	12,544,799	29,420,757
Changes:						
Purchases	471,270	-	10,300,000	-	-	10,771,270
Contributions	-	-	-	-	448,534	448,534
Sales	-	(8,050,000)	-	-	-	(8,050,000)
Net gains (losses) on investments	(4,524)	(196,917)	(306,301)	103,237	(601,193)	(1,005,698)
Balance as of June 30, 2012	$ 1,719,894	$ 3,079,372	$ 9,993,699	$ 4,399,758	$ 12,392,140	$31,584,863

Net change in unrealized appreciation of investments included in the statements of activities for level III investments still held as of June 30, 2012 and 2011 were $291,471 and $3,947,291, respectively

The Home uses the 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 Home for Little Wanderers

5. FAIR VALUE HIERARCHY…continued

The following table lists investments in investment companies by major category as of June 30, 2012:

	Strategy	NAV in Funds	# of Funds	Remaining Life	Dollar Amount of Unfunded Commitments
Structured Credit Fund	The Fund's objective is to seek to generate high total returns.	$ 4,399,758	1	N/A	$ -
Offshore Opportunity Fund	The Fund's objective is to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle.	3,079,372	1	N/A	-
Special Situations Fund	The Fund's objective is to seek to achieve high returns balanced against an appropriate level of volatility and directional market exposure over a full market circle.	9,993,699	1	N/A	-
Private Equity Fund	Venture and buyout, in the U.S. and international	1,719,894	1	N/A	2,557,259*
		$ 19,192,723	4		$ 2,557,259

* Commitment as of March 31, 2012

	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Structured Credit Fund	N/A	Fund has quarterly liquidity option	None	None
Offshore Opportunity Fund	N/A	Fund has quarterly liquidity option	None	None
Special Situations Fund	N/A	Fund has a two year lock-up on all subscriptions followed by semi-annual redemption	Yes	$9,993,699 is under lock up until 6/30/2013
Private Equity Fund	2%-4% per quarter	Fund considered highly illiquid, at the discretion of the general partner	Refer to redemption terms	Refer to redemption terms

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

5. FAIR VALUE HIERARCHY…continued

The following table lists investments in investment companies by major category as of June 30, 2011:

	Strategy	NAV in Funds	# of Funds	Remaining Life	Dollar Amount of Unfunded Commitments
Structured Credit Fund	The Fund's objective is to seek to generate high total returns.	$ 4,296,521	1	N/A	$ -
Offshore Opportunity Fund	The Fund's objective is to achieve an attractive risk-adjusted return with moderate volatility and moderate directional market exposure over a full market cycle.	11,326,289	1	N/A	-
Private Equity Fund	Venture and buyout, in the U.S. and international	1,253,148	1	N/A	3,028,529*
		$ 16,875,958	3		$ 3,028,529

* Commitment as of March 31, 2011

	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Structured Credit Fund	N/A	Fund has quarterly liquidity option	None	None
Offshore Opportunity Fund	N/A	Fund has quarterly liquidity option	None	None
Private Equity Fund	2%-4% per quarter	Fund considered highly illiquid, at the discretion of the general partner	Refer to redemption terms	Refer to redemption terms

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

6. 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 years ended June 30, 2012 and 2011, the Home recognized permanently restricted gains (losses) of $(601,193) and $1,841,851, respectively, and are included within net gains (losses) on investment transactions in the statement of activities.

7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary as of June 30, 2012 and 2011:

	2012	2011
Land and improvements	$ 2,016,984	$ 2,056,584
Buildings and improvements	16,309,185	16,174,589
Furniture and equipment	7,139,236	6,784,034
Motor vehicles	224,866	224,866
Construction in progress	15,608,258	2,145,654
	41,298,529	27,385,727
Less - accumulated depreciation and amortization	(15,674,229)	(14,618,991)
	$ 25,624,300	$ 12,766,736

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 approximately $5 million and are expected to be completed in fiscal year 2013. Included in construction in progress is $171,206 of capitalized interest as of June 30, 2012.

During the year ended June 30, 2011, due to a change in plans of the location of one of the Home's program facilities, $262,921 of costs capitalized as construction in progress were written off and were included in other non-operating revenues (expenses).

8. ASSETS HELD FOR SALE

As of June 30, 2012, the Home had entered an agreement, secured by a deposit held in escrow, to sell a property of the Home with the transaction closing anticipated during the year ended June 30, 2013. Approximately $900,000 of the proceeds from the sale of this facility will be applied to the existing bond principal balance in accordance with the requirements of its bond agreement.

In March 2011, the Home sold property which was held for sale as of June 30, 2010 with proceeds of $1,000,000 which resulted in a net gain of $504,991 and is included in other non-operating revenues (expenses). In addition, $105,000 of the proceeds from the sale were used to make additional payments against the existing bond principal balance.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

9. LINE OF CREDIT

The Home has an unsecured line of credit with a financial institution with a maximum borrowing limit of $10,000,000. As of June 30, 2012 and 2011, $1,383,575 and $5,336,966, 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% (2.75% and 2.69% as of June 30, 2012 and 2011, respectively). The line of credit agreement requires the Home to maintain certain financial covenants.

10. BONDS PAYABLE

Under an agreement with Massachusetts Health and Education Facilities Authority (“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 (0.18% and 0.08% as of June 30, 2012 and 2011, respectively) and are payable over a 30 year maturity schedule through February 1, 2029. The balance outstanding on these bonds payable was $3,080,000 and $3,350,000 as of June 30, 2012 and 2011, respectively. Bond issuance costs, net of amortization, of $132,196 and $140,058 as of June 30, 2012 and 2011, 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 $66,825 and $58,963, respectively, and are being amortized over the thirty-year life of the bonds.

Under a separate agreement with the Mass Development Financing Agency (“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 (0.42% as of June 30, 2011) and were payable over a 30 year maturity schedule through March 1, 2034. The balance outstanding on these bonds payable was $4,537,000 as of June 30, 2011 and it was fully paid off in September 2011 with the partial proceeds from the new bond payable issued under a separate agreement with the MDFA. Bond issuance costs, net of amortization, of $86,935 as of June 30, 2011, which had been amortized over the thirty-year life of the bonds, were written off during the year ended June 30, 2012.

In September 2011, under a separate agreement with the MDFA, bonds payable were issued to refinance certain debt obligations and to construct and renovate long term assets. The bonds were issued at a face value of $18,000,000, with variable interest rates (1.49% as of June 30, 2012) and are payable over a 30 year maturity schedule through October 1, 2041. The proceeds from this bond were used to repay the existing MDFA bond. Bond issuance costs, net of amortization, of $141,558 as of June 30, 2012 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 $4,115 and are being amortized over the thirty-year life of the bonds. Scheduled maturity dates of bond principal over the next five years and in the aggregate for the bonds will now be as follows for the years ending June 30:

	HEFA	MDFA	Total
2013	$ 215,000	$ 460,000	$ 675,000
2014	225,000	470,000	695,000
2015	240,000	475,000	715,000
2016	250,000	485,000	735,000
2017	265,000	500,000	765,000
Thereafter	1,885,000	15,610,000	17,495,000
	$ 3,080,000	$ 18,000,000	$ 21,080,000

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

10. BONDS PAYABLE…continued

The fair market value of outstanding long-term debt approximated $21,080,00 and $21,350,000 as of June 30, 2012 and 2011, respectively, based on quoted market prices of similar issues.

The Home also maintains a bank letter of credit related to its bond with HEFA in the amount of $3,121,348 and $3,501,382 as of June 30, 2012 and 2011, 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 accordance with the letter of credit agreement, the Home is required to maintain certain minimum financial ratios. In addition, under a separate agreement related to its bonds with MDFA, the Home had maintained a second bank letter-of-credit related to these bonds in the amount of $4,872,615 as of June 30, 2011. This letter-of-credit was priced at 1.70% per annum, comprised of a 0.2% confirmation fee paid quarterly and a 1.5% fee paid semi-annually. This letter of credit was terminated in connection with the MDFA bond payoff.

11. 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 $1,507,314 and $1,421,063 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments over the next five years and in the aggregate are as follows for the years ending June 30:

2013	$ 980,253
2014	945,472
2015	387,548
2016	276,002
2017	213,123
	$ 2,802,398

12. 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 $325,540 and $320,046 for the years ended June 30, 2012 and 2011, respectively.

13. DEFERRED COMPENSATION

The Home has a section 457(b) eligible deferred compensation plan for the Home’s Executive Director. During the year ended June 30, 2012, the Home added a 457(f) deferred compensation plan for its Executive Director as well. These plans call for the Home to make calendar year contributions of $37,500. Contributions to these plans totaled $37,500 and $22,500 for the years ended June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, the fair value of the investments under these plans was $108,337 and $79,303, respectively, and is included within investments and other liabilities on the statement of financial position.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

14. 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, 2012 and 2011, the use of these assets were as follows:

	2012	2011
Donor restrictions satisfied as to:		
Program operations	$ 695,778	$ 882,219
Plant and equipment acquisitions	10,949,202	-
Utilization of endowment appreciation	2,012,465	2,207,657
	12,961,667	2,207,657
	$ 13,657,445	$ 3,089,876

The Board voted to utilize, as part of its spending policy from its investment portfolio, a portion of cumulative endowment appreciation 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, 2012 and 2011 was $2,012,465 and $2,207,657, respectively.

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2012 and 2011 are composed of the following:

	2012	2011
Gifts and other unexpended revenue and gains restricted to:		
Program operations	$ 294,169	$ 342,290
Plant and equipment acquisitions	732,681	6,938,199
Charitable gift annuities	1,628	6,461
Investment revenue and realized and unrealized gains on endowment funds	23,594,445	25,585,138
	$ 24,622,923	$ 32,872,088

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2012 and 2011 are composed of investment gifts held in perpetuity in the following categories:

	2012	2011
Endowments requiring one-half of investment income to be added to original gift and balance to general support	$ 2,387,451	$ 2,330,546
Other special endowments, income restricted for various program purposes of the Home	1,369,577	1,369,577
General support endowments	5,530,319	5,530,319
Beneficial interest in perpetual trusts	12,392,140	12,544,799
	$ 21,679,487	$ 21,775,241

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

17. ENDOWMENT NET ASSETS

Following is a summary of endowment net asset composition by type of fund as of June 30, 2012 and 2011:

June 30, 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and contribution receivables	$ (13,424)	$23,594,445	$21,679,487	$45,260,508
Board designated endowment funds	32,527,580	-	-	32,527,580
Other unrestricted endowment funds	1,145,335	-	-	1,145,335
	$33,659,491	$23,594,445	$21,679,487	$78,933,423

Following is a summary of the changes in endowment net assets for the year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2011	$34,402,926	$25,585,138	$21,775,241	$81,763,305
Investment return:				
Net losses on investment transactions	(502,024)	(541,062)	(601,193)	(1,644,279)
Investment revenue	1,414,893	562,834	56,905	2,034,632
	912,869	21,772	(544,288)	390,353
Other changes:				
Withdrawals	(3,868,813)	-	-	(3,868,813)
Appropriation	2,012,465	(2,012,465)	-	-
Contributions	200,044	-	448,534	648,578
Endowment net assets as of June 30, 2012	$33,659,491	$23,594,445	$21,679,487	$78,933,423

June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and contribution receivables	$ (15,535)	$25,585,138	$21,775,241	$47,344,844
Board designated endowment funds	32,617,328	-	-	32,617,328
Other unrestricted endowment funds	1,801,133	-	-	1,801,133
	$34,402,926	$25,585,138	$21,775,241	$81,763,305

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2012 and 2011

17. ENDOWMENT NET ASSETS…continued

Following is a summary of the changes in endowment net assets for the year ended June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2010	$30,686,531	$23,438,754	$ 19,965,302	$74,090,587
Investment return:				
Net gains on investment transactions	3,544,060	3,603,754	1,841,851	8,989,665
Investment revenue	1,710,454	750,287	77,233	2,537,974
	5,254,514	4,354,041	1,919,084	11,527,639
Other changes:				
Withdrawals	(3,854,921)	-	-	(3,854,921)
Appropriation	2,207,657	(2,207,657)	-	-
Change in restriction	109,145	-	(109,145)	-
Endowment net assets as of June 30, 2011	$34,402,926	$25,585,138	$ 21,775,241	$81,763,305

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, 2012 and 2011 and the level required by donor stipulation was $13,424 and $15,535, respectively. These deficiencies resulted from unfavorable market fluctuations that have occurred since the year ended June 30, 2009.

18. 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, statements of activity, or cash flows.

19. SUBSEQUENT EVENTS

The Home evaluated subsequent events through October 25, 2012, the date on which the financial statements were issued.