The Home for Little Wanderers

Financial Statements

Years Ended June 30, 2013 and 2012

The Home for Little Wanderers

FINANCIAL STATEMENTS
Years Ended June 30, 2013 and 2012

C O N T E N T S

McGladrey

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Home for Little Wanderers (the "Home"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Boston, Massachusetts
November 12, 2013

The Home for Little Wanderers

Statements of Financial Position

June 30, 2013 and 2012

ASSETS	2013	2012
Current assets:		
Cash and cash equivalents	**$ 140,192**	$ 109,694
Cash - restricted funds	**174,739**	232,314
Accounts receivable, net (Note 2)	**3,694,191**	2,892,888
Contributions and grants receivable, net (Note 3)	**1,838,228**	2,111,979
Investment income receivable	**31,260**	48,566
Investments (Notes 4, 5 and 17)	**3,492,000**	3,372,000
Prepaid expenses and other current assets (Note 8)	**1,762,150**	1,431,106
Assets held for sale (Note 8)	**1,627,601**	1,584,123
Total current assets	**12,760,361**	11,782,670
Contributions and grants receivable, net (Note 3)	**1,148,264**	2,123,759
Cash restricted for long term assets	**-**	8,575,048
Investments (Notes 4, 5, 13 and 17)	**70,149,363**	63,332,794
Bond issuance costs, net (Note 10)	**136,620**	273,754
Beneficial interest in perpetual trusts (Notes 5, 6, 16, and 17)	**13,081,008**	12,392,140
Property, plant and equipment, net (Note 7)	**28,200,651**	25,624,300
Total assets	**$ 125,476,267**	$ 124,104,465
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit (Note 9)	**$ 1,495,903**	$ 1,383,575
Current portion of bonds payable (Note 10)	**470,000**	675,000
Accounts payable, accrued expenses, and other current liabilities (Note 8)	**4,707,739**	5,861,503
Client funds	**25,920**	24,239
Total current liabilities	**6,699,562**	7,944,317
Bonds payable, net of current portion (Note 10)	**17,070,000**	20,405,000
Other liabilities (Note 13)	**217,859**	157,213
Total liabilities	**23,987,421**	28,506,530
Commitments and contingencies (Notes 11 and 18)		
Net assets:		
Unrestricted (Note 17)	**52,427,722**	49,295,525
Temporarily restricted (Notes 15 and 17)	**26,632,147**	24,622,923
Permanently restricted (Notes 16 and 17)	**22,428,977**	21,679,487
Total net assets	**101,488,846**	95,597,935
Total liabilities and net assets	**$ 125,476,267**	$ 124,104,465

See notes to financial statements.

The Home for Little Wanderers

Statements of Activities

Years Ended June 30, 2013 and 2012

	2013				2012			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Totals**	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other support:								
Program revenue	**$ 32,927,079**	**$ -**	**$ -**	**$ 32,927,079**	$ 31,407,243	$ -	$ -	$ 31,407,243
Contributions	**4,896,809**	**301,603**	**-**	**5,198,412**	4,663,018	446,730	-	5,109,748
Utilization of board approved spending policy (Note 4)	**3,372,000**	**-**	**-**	**3,372,000**	3,420,000	-	-	3,420,000
In-kind revenue	**88,209**	**-**	**-**	**88,209**	128,006	-	-	128,006
Other operating revenue (Note 8)	**319,411**	**-**	**-**	**319,411**	9,464	-	-	9,464
Net assets released from restrictions (Note 14)	**527,152**	**(527,152)**	**-**	**-**	695,778	(695,778)	-	-
Total revenues and other support	**42,130,660**	**(225,549)**	**-**	**41,905,111**	40,323,509	(249,048)	-	40,074,461
Expenses:								
Programs	**34,016,972**	**-**	**-**	**34,016,972**	32,269,951	-	-	32,269,951
Administrative and general	**6,738,203**	**-**	**-**	**6,738,203**	5,637,871	-	-	5,637,871
Fundraising	**2,176,063**	**-**	**-**	**2,176,063**	1,999,022	-	-	1,999,022
Total operating expenses	**42,931,238**	**-**	**-**	**42,931,238**	39,906,844	-	-	39,906,844
Change in net assets from operations	**(800,578)**	**(225,549)**	**-**	**(1,026,127)**	416,665	(249,048)	-	167,617
Non-operating income (expense):								
Net gains (losses) on investment transactions (Notes 4, 5, 6, and 17)	**3,610,707**	**3,648,834**	**688,868**	**7,948,409**	(502,024)	(545,895)	(601,193)	(1,649,112)
Investment revenue	**1,540,290**	**592,609**	**60,622**	**2,193,521**	1,405,235	562,834	56,905	2,024,974
Bequests	**1,270,711**	**-**	**-**	**1,270,711**	888,906	-	-	888,906
Board approved spending policy (Note 4)	**(3,372,000)**	**-**	**-**	**(3,372,000)**	(3,420,000)	-	-	(3,420,000)
Contributions	**-**	**697,895**	**-**	**697,895**	-	5,004,611	448,534	5,453,145
Capital campaign expense	**(95,286)**	**-**	**-**	**(95,286)**	(564,771)	-	-	(564,771)
Other non-operating revenues (expenses) (Notes 7 and 8)	**(1,676,212)**	**-**	**-**	**(1,676,212)**	(482,581)	-	-	(482,581)
Allowance for uncollectible pledges	**(50,000)**	**-**	**-**	**(50,000)**	-	(60,000)	-	(60,000)
Net assets released from restrictions (Note 14)	**2,704,565**	**(2,704,565)**	**-**	**-**	12,961,667	(12,961,667)	-	-
Total non-operating income (expense)	**3,932,775**	**2,234,773**	**749,490**	**6,917,038**	10,286,432	(8,000,117)	(95,754)	2,190,561
Change in net assets	**3,132,197**	**2,009,224**	**749,490**	**5,890,911**	10,703,097	(8,249,165)	(95,754)	2,358,178
Net assets, beginning 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
Net assets, end of year	**$ 52,427,722**	**$ 26,632,147**	**$ 22,428,977**	**$ 101,488,846**	$ 49,295,525	$ 24,622,923	$ 21,679,487	$ 95,597,935

See notes to financial statements.

The Home for Little Wanderers

Statements of Functional Expenses

Years Ended June 30, 2013 and 2012

	2013				2012			
	Programs	Administrative and General	Fundraising	Totals	Programs	Administrative and General	Fundraising	Totals
Operating expenses:								
Salaries and wages	$ 20,710,959	$ 2,801,304	$ 832,002	$ 24,344,265	$ 19,826,874	$ 2,581,378	$ 703,085	$ 23,111,337
Payroll taxes and employee benefits (Notes 12 and 13)	4,702,340	693,896	177,364	5,573,600	4,473,359	614,943	157,097	5,245,399
Total salaries and related benefits	25,413,299	3,495,200	1,009,366	29,917,865	24,300,233	3,196,321	860,182	28,356,736
Depreciation and amortization	1,353,294	196,165	32,141	1,581,600	852,097	258,637	37,368	1,148,102
Rent (Note 11)	944,108	389,075	138,636	1,471,819	818,424	372,074	158,211	1,348,709
Professional fees	239,544	1,019,153	117,441	1,376,138	120,061	668,455	25,138	813,654
Client expenses	1,286,204	-	-	1,286,204	1,194,209	-	-	1,194,209
Food and other program supplies	1,218,704	32,180	4,831	1,255,715	1,114,472	23,333	6,448	1,144,253
Utilities	750,172	267,195	17,746	1,035,113	666,035	154,509	20,181	840,725
Equipment repairs and replacements	571,529	349,445	48,328	969,302	606,587	164,949	76,208	847,744
Transportation (Note 11)	553,623	16,482	5,371	575,476	527,217	16,472	5,665	549,354
Insurance	398,343	157,140	10,423	565,906	405,648	91,993	10,280	507,921
Other expenses	316,826	153,760	72,873	543,459	368,226	121,900	97,914	588,040
Contracted services	241,613	238,446	12,864	492,923	401,492	229,578	10,818	641,888
Office expense	18,838	149,174	292,439	460,451	21,539	113,056	331,245	465,840
Bad debts	414,092	-	29,190	443,282	335,716	-	27,820	363,536
Special events	-	-	384,414	384,414	-	-	331,544	331,544
Interest	29,132	263,988	-	293,120	141,606	184,318	-	325,924
Subcontracted direct services	214,530	-	-	214,530	320,945	-	-	320,945
Advertising	53,121	10,800	-	63,921	75,444	42,276	-	117,720
Total operating expenses	34,016,972	6,738,203	2,176,063	42,931,238	32,269,951	5,637,871	1,999,022	39,906,844
Non-operating expenses:								
Capital campaign expense	-	-	95,286	95,286	-	-	564,771	564,771
Allowance for uncollectible pledges	-	-	50,000	50,000	-	-	60,000	60,000
Other non-operating expenses	-	538,635	-	538,635	-	458,716	4,288	463,004
Total non-operating expenses	-	538,635	145,286	683,921	-	458,716	629,059	1,087,775
Total expenses	$ 34,016,972	$ 7,276,838	$ 2,321,349	$ 43,615,159	$ 32,269,951	$ 6,096,587	$ 2,628,081	$ 40,994,619

See notes to financial statements.

The Home for Little Wanderers

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities and gains and losses:		
Change in net assets	**$ 5,890,911**	$ 2,358,178
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,581,600**	1,148,102
Amortization of bond issuance costs	**137,134**	95,547
Loss on disposal of property and equipment	**1,137,676**	25,463
In-kind donated assets	**-**	(196,744)
Net (gains) losses on investment transactions	**(7,948,409)**	1,649,112
Beneficial interest in perpetual trust contribution	**-**	(448,534)
Allowance for uncollectible pledges	**50,000**	60,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Bond escrow deposits	**-**	65,637
Accounts receivable	**(801,303)**	874,312
Contributions and grants receivable	**1,199,246**	(1,870,330)
Investment income receivable	**17,306**	9,706
Prepaid expenses and other current assets	**(331,044)**	(990,256)
Increase (decrease) in:		
Accounts payable, accrued expenses, and other current liabilities	**(1,088,125)**	2,194,173
Client funds	**(3,578)**	(1,405)
Other liabilities	**60,646**	31,229
Total adjustments	**(5,988,851)**	2,646,012
Net cash provided by (used in) operating activities	**(97,940)**	5,004,190
Cash flows from investing activities:		
Proceeds from sale of investments	**33,140,749**	38,671,592
Purchase of investments	**(32,817,777)**	(37,104,089)
Purchases of property and equipment	**(5,343,305)**	(14,059,968)
Proceeds from sale of property and equipment	**4,200**	157,584
Net cash used in investing activities	**(5,016,133)**	(12,334,881)
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit	**112,328**	(3,953,391)
Payments of bond issuance costs	**-**	(145,673)
(Increase) decrease in restricted funds	**8,572,243**	(1,750,186)
Net repayments of bonds payable	**(3,540,000)**	(4,807,000)
Proceeds from bonds payable	**-**	18,000,000
Net cash provided by financing activities	**5,144,571**	7,343,750
Net change in cash and cash equivalents	**30,498**	13,059
Cash and cash equivalents:		
Beginning of year	**109,694**	96,635
End of year	**$ 140,192**	$ 109,694
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	**$ 381,583**	$ 487,318

See notes to financial statements.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

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, 2013 and 2012

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 statements 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, if any.

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, 2013 and 2012

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.

The primary objective of the Home's investment program is to generate a long-term investment return that will contribute to meeting the spending needs of the Home while maintaining the purchasing power of the investment assets. The assets are invested with the asset allocation targets as shown below.

Asset Class	Range
Equity	35%-55%
Fixed income	25%-45%
Alternatives	25%-35%

Investments may include a portion of total assets in cash reserves when deemed appropriate. The target asset allocation represents a long-term perspective and as such, rapid unanticipated market shifts or changes in economic conditions may cause a short-term divergence from the asset allocation policy range.

Management believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2013 and 2012. 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.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Investments, Investment Income and Appreciation of Endowment Investments … continued

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. The Home had no impairment of its long-lived assets for the years ended June 30, 2013 and 2012.

Restricted Funds

Included in cash - restricted funds and accounts payable and accrued expenses as of June 30, 2013 and 2012 is $144,037 and $209,676, 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 was $144,272 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 included $8,430,776 of proceeds from tax-exempt bond financing to be used for construction and renovation of long term assets. All of these funds were utilized for the construction and renovation of long term assets during the year ended June 30, 2013.

Revenue Recognition

The Home recognizes revenue when there is persuasive evidence of an arrangement, services have been rendered, the fee is fixed or determinable, and collectability is reasonably assured. 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.

The Home for Little Wanderers
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Revenue Recognition…continued

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, 2013 and 2012.

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 statements of activities as net assets released from restrictions.

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 $10,800 and $239,020 for the years ended June 30, 2013 and 2012, respectively. The value of contributed materials was $77,409 and $85,730 for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, the liabilities related to charitable gift annuities were $45,999 and $48,876, respectively, and are included with other liabilities on the statements of financial position.

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Operating Activities

The statements of activities include 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 2010. 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, 2013 and 2012 is $10,800 and $42,276, 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 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.

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, excluding the beneficial interest in perpetual trusts, of each of the preceding thirteen fiscal quarters is appropriated for operations in addition to any anticipated investment income received from the beneficial interest in perpetual trusts. 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 $3,372,000 and $3,420,000 for the years ended June 30, 2013 and 2012, respectively.

Fair Value Measurements

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 per share ("NAV") as determined by the investment managers under the so called "practical expedient". The practical expedient allows net asset value 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. The Home utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques or in accordance with net asset value practical expedient rules, which allow for Level 2 or Level 3 reporting depending on lock-up and notice periods associated with the underlying funds, the Home is required to provide the following information according to the fair value hierarchy.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

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.

Beneficial Interest in Trusts

The fair value of beneficial interest in trusts represents the Home's portion of the assets held in trust by others, including investments carried at the quoted prices on an active exchange or through the use of a per share net asset value as reported by the investment manager. These investments, however, are held and managed by outside institutions, and the Home has no authority over investment decisions. Thus, they are classified as Level 3 investments. Please see Note 6 for further information regarding the accounting for beneficial interest in trusts.

See Note 5, Fair Value Hierarchy, for a summary of the inputs used as of June 30, 2013 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, 2013 and 2012.

The Home for Little Wanderers
Notes to Financial Statements
Years Ended June 30, 2013 and 2012

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value of Financial Instruments

The Home has estimated the fair value of financial instruments using available market information and appropriate valuation methodologies. The carrying amounts of financial instruments, including cash, cash equivalents, accounts receivable, accounts payable, accrued liabilities, and short-term borrowings approximates fair value due to the short maturity of these instruments. Rates currently available to the Home for debt with similar terms and remaining maturities are used to estimate the fair value of existing debt. The Home uses quoted market prices for its long-term debt when traded as an asset in an active market. When quoted market prices are not available, fair value of long-term debt is estimated using an expected present value technique.

Recently Issued Accounting Pronouncements

In October 2013, the FASB issued Accounting Standards Update (ASU) No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.* The amendments requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit entity-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities. This guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. The Home is currently evaluating the impact of this amendment on the financial statements.

Reclassifications

Certain reclassifications have been made to the June 30, 2012 financial statements to conform to the June 30, 2013 presentation.

2. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2013 and 2012 of $3,694,191 and $2,892,888, respectively, are reflected net of an allowance for doubtful accounts of $240,000 and $175,000, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable of $2,986,492 and $4,235,738 as of June 30, 2013 and 2012, 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 $275,140 and $261,136 as of June 30, 2013 and 2012, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE…continued

Included in this balance as of June 30, 2013 and 2012 are unconditional promises to give of $847,596 and $959,846, respectively, made by certain members of the Board. These pledges are payable through 2022 and were restricted for purposes of funding construction and renovation of long term assets as well as general operating purposes. Expected collections as of June 30, 2013 and 2012 of contributions and grants receivable are as follows:

	2013	2012
Less - than one year	$ 1,868,228	$ 2,131,979
One to five years	1,353,404	2,354,895
Thereafter	40,000	10,000
	3,261,632	4,496,874
Less - unamortized discount and allowance	(275,140)	(261,136)
	$ 2,986,492	$ 4,235,738

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, 2013 and 2012:

	2013	2012
Marketable equity securities and equity mutual funds:		
International equities	$ 13,139,621	$ 9,441,853
Domestic equities	19,476,019	20,272,295
Mutual funds	107,938	75,630
	32,723,578	29,789,778
Cash equivalents	1,810,239	86,509
U.S. government and debt obligations and fixed income mutual funds	17,625,572	17,635,784
Alternative investments:		
Private Equity Fund	2,417,497	1,719,894
Structured Credit Fund	5,336,533	4,399,758
Offshore Opportunity Fund	-	3,079,372
Core Property Fund	2,694,423	-
Special Situations Fund	11,033,521	9,993,699
	21,481,974	19,192,723
	$ 73,641,363	$ 66,704,794

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

4. INVESTMENTS…continued

Investments equal to the Board approved spending policy of $3,492,000 and $3,372,000 as of June 30, 2013 and 2012, 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, 2013 and 2012, net gains (losses) from investment transactions totaled $7,948,409 and $(1,649,112), 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 $410,369 and $371,782 for the years ended June 30, 2013 and 2012, respectively.

5. FAIR VALUE HIERARCHY

The following tables summarize the Home's assets measured at fair value on a recurring basis as of June 30, 2013 and 2012:

	Assets Measured at Fair Value on a Recurring Basis			
June 30, 2013	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total June 30, 2013
Assets:				
Marketable equity securities and equity mutual funds:				
International equities	$13,139,621	$ -	$ -	$13,139,621
Domestic equities	19,476,019	-	-	19,476,019
Mutual funds	107,938	-	-	107,938
Cash equivalents	1,810,239	-	-	1,810,239
U.S. government and debt obligations and fixed income mutual funds	17,625,572	-	-	17,625,572
Alternative investments:				
Private Equity Fund	-	-	2,417,497	2,417,497
Structured Credit Fund	-	-	5,336,533	5,336,533
Core Property Fund	-	-	2,694,423	2,694,423
Special Situations Fund	-	-	11,033,521	11,033,521
Beneficial interest in perpetual trusts	-	-	13,081,008	13,081,008
	$52,159,389	$ -	$ 34,562,982	$86,722,371

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

5. FAIR VALUE HIERARCHY…continued

June 30, 2012	Assets Measured at Fair Value on a Recurring Basis 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

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	Core Property Fund	Special Situations Fund	Structured Credit Fund	Other	Total
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
Changes:							
Purchases	352,428	-	2,650,000	-	-	-	3,002,428
Sales	-	(3,138,372)	-	-	-	-	(3,138,372)
Net gains on investments	345,175	59,000	44,423	1,039,822	936,775	688,868	3,114,063
Balance as of June 30, 2013	$ 2,417,497	$ -	$ 2,694,423	$11,033,521	$ 5,336,533	$ 13,081,008	$ 34,562,982

Net change in unrealized appreciation of investments included in the statements of activities for Level III investments still held as of June 30, 2013 and 2012 were $3,054,868 and $291,471, respectively

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

5. FAIR VALUE HIERARCHY…continued

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 following table lists investments in investment companies by major category as of June 30, 2013:

	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.	$ 5,336,533	1	N/A	$ -
Core Property Fund	Invest directly and indirectly in private investment vehicles that invest in commercial real estate properties.	2,694,423	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.	11,033,521	1	N/A	-
Private Equity Fund	Venture and buyout, in the U.S. and international	2,417,497	1	N/A	1,699,047*
		$ 21,481,974	4		$ 1,699,047

* Commitment as of March 31, 2013

	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
Core Property 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, however these expired as of June 30, 2013.	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, 2013 and 2012

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, 2013 and 2012

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, 2013 and 2012, the Home recognized permanently restricted gains (losses) of $688,868 and $(601,193), respectively, and are included within net gains (losses) on investment transactions in the statements of activities.

7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary as of June 30, 2013 and 2012:

	2013	2012
Land and improvements	$ 1,991,947	$ 2,016,984
Buildings and improvements	32,342,004	16,309,185
Furniture and equipment	6,891,665	7,139,236
Motor vehicles	202,097	224,866
Other assets	56,265	-
Construction in progress	461,114	15,608,258
	41,945,092	41,298,529
Less - accumulated depreciation and amortization	13,744,441	(15,674,229)
	$ 28,200,651	$ 25,624,300

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 $1.8 million and are expected to be completed in fiscal year 2014. Included in construction in progress as of June 30, 2012 was $171,206 of capitalized interest. In addition to the preceding amount, the Home capitalized interest totaling $87,372 during the year ended June 30, 2013.

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, 2014. In relation to the anticipated sale, as of June 30, 2013, the Home has recognized $300,000 of extension fees in other operating revenue.

The Home for Little Wanderers

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, subject to renewal in February of each year. As of June 30, 2013 and 2012, $1,495,903 and $1,383,575, 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% (2.70% and 2.75% as of June 30, 2013 and 2012, 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% as of June 30, 2012) and were payable over a 30 year maturity schedule through February 1, 2029. The balance outstanding on these bonds payable was $3,080,000 as of June 30, 2012. In April 2013, the outstanding balance of the HEFA bonds was paid in full. In addition, bond issuance costs associated with the HEFA bonds, net of amortization of $132,196 as of June 30, 2012, which had been amortizing over the thirty-year life of the bonds, were written off during the year ended June 30, 2013.

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 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 amortizing 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 (1.46% and 1.49% as of June 30, 2013 and 2012, respectively) and are payable over a 30 year maturity schedule through October 1, 2041. The proceeds from this bond were used to repay the former MDFA bond. Bond issuance costs, net of amortization, of $136,620 and $141,558, respectively, as of June 30, 2013 and 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 $9,053 and $4,115, respectively, 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 are as follows for the years ending June 30:

2014	$ 470,000
2015	475,000
2016	485,000
2017	500,000
2018	510,000
Thereafter	15,100,000
	$ 17,540,000

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

10. BONDS PAYABLE…continued

The fair market value of outstanding long-term debt approximated $17,540,000 and $21,080,00 as of June 30, 2013 and 2012, respectively, based on quoted market prices of similar issues.

The Home also maintained a bank letter of credit related to its bond with HEFA in the amount of $3,121,348 as of June 30, 2012. 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 and expired in May 2013. This letter of credit was terminated in connection with the HEFA bond payoff.

11. OPERATING LEASE COMMITMENTS

The Home leases equipment, vehicles and office space from unrelated third parties under operating lease agreements through December 2024. Total rent expense under all lease agreements was $1,615,203 and $1,507,314 for the years ended June 30, 2013 and 2012, respectively.

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

2014	$ 997,416
2015	703,049
2016	813,224
2017	752,713
2018	553,250
Thereafter	3,927,394
	$ 7,747,046

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 $379,381 and $325,540 for the years ended June 30, 2013 and 2012, respectively.

13. DEFERRED COMPENSATION

The Home has a section 457(b) and 457(f) eligible deferred compensation plans for the Home’s Executive Director. These plans call for the Home to make calendar year contributions of $37,500. Contributions to these plans totaled $37,500 for the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, the fair value of the investments under these plans was $171,860 and $108,337, respectively, and is included within investments and other liabilities on the statements of financial position.

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, 2013 and 2012, the use of these assets were as follows:

	2013	2012
Donor restrictions satisfied as to:		
Program operations	$ 527,152	$ 695,778
Plant and equipment acquisitions	856,738	10,949,202
Utilization of endowment appreciation	1,847,827	2,012,465
	2,704,565	12,961,667
	$ 3,231,717	$ 13,657,445

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, 2013 and 2012 was $1,847,827 and $2,012,465, respectively.

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2013 and 2012 are composed of the following:

	2013	2012
Gifts and other unexpended revenue and gains restricted to:		
Program operations	$ 562,148	$ 294,169
Plant and equipment acquisitions	71,364	732,681
Charitable gift annuities	7,087	1,628
Investment revenue and realized and unrealized gains on endowment funds	25,991,548	23,594,445
	$ 26,632,147	$ 24,622,923

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2013 and 2012 are composed of investment gifts held in perpetuity in the following categories:

	2013	2012
Endowments requiring one-half of investment income to be added to original gift and balance to general support	$ 2,448,073	$ 2,387,451
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	13,081,008	12,392,140
	$ 22,428,977	$ 21,679,487

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2013 and 2012

17. ENDOWMENT NET ASSETS

Following is a summary of endowment net asset composition by type of fund as of June 30, 2013 and 2012:

June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds and contribution receivables	$ (58)	$ 25,991,548	$ 22,428,977	$ 48,420,467
Board designated endowment funds	36,947,240	-	-	36,947,240
Other unrestricted endowment funds	1,231,803	-	-	1,231,803
	$ 38,178,985	$ 25,991,548	$ 22,428,977	$ 86,599,510

Following is a summary of the changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2012	$ 33,659,491	$ 23,594,445	$ 21,679,487	$ 78,933,423
Investment return:				
Net gains on investment transactions	3,610,707	3,652,321	688,868	7,951,896
Investment revenue	1,557,571	592,609	60,622	2,210,802
	5,168,278	4,244,930	749,490	10,162,698
Other changes:				
Withdrawals	(3,767,322)	-	-	(3,767,322)
Appropriation	1,847,827	(1,847,827)	-	-
Contributions	1,270,711	-	-	1,270,711
Endowment net assets as of June 30, 2013	$ 38,178,985	$ 25,991,548	$ 22,428,977	$ 86,599,510

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

The Home for Little Wanderers

Notes to Financial Statements
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17. ENDOWMENT NET ASSETS…continued

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

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, 2013 and 2012 and the level required by donor stipulation was $58 and $13,424, 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 activities, or cash flows.

19. SUBSEQUENT EVENTS

The Home evaluated subsequent events through November 12, 2013, the date on which the financial statements were available to be issued.

Subsequent to June 30, 2013, the Home entered into an agreement to lease office space commencing on September 1, 2014 and ending on December 31, 2024. This has been included within the commitments disclosed in Note 11.