The Home for Little Wanderers

Financial Statements

Years Ended June 30, 2014 and 2013

The Home for Little Wanderers

FINANCIAL STATEMENTS
Years Ended June 30, 2014 and 2013

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, 2014 and 2013, 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, 2014 and 2013, 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 17, 2014

The Home for Little Wanderers

Statements of Financial Position

June 30, 2014 and 2013

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	$ 219,527	$ 140,192
Cash - restricted funds	193,739	174,739
Accounts receivable, net (Note 2)	4,535,907	3,694,191
Contributions and grants receivable, net (Note 3)	1,658,111	1,838,228
Investment income receivable	33,151	31,260
Investments (Notes 4, 5 and 17)	3,588,000	3,492,000
Prepaid expenses and other current assets	1,182,814	1,762,150
Assets held for sale (Note 8)	-	1,627,601
Total current assets	11,411,249	12,760,361
Contributions and grants receivable, net (Note 3)	52,378	1,148,264
Investments (Notes 4, 5, 13 and 17)	77,330,707	70,149,363
Bond issuance costs, net (Note 10)	32,360	136,620
Beneficial interest in perpetual trusts (Notes 5, 6, 16, and 17)	14,320,121	13,081,008
Property, plant and equipment, net (Note 7)	30,333,519	28,200,651
Total assets	$ 133,480,334	$ 125,476,267
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit (Note 9)	$ 1,256,133	$ 1,495,903
Current portion of bonds payable (Note 10)	100,000	470,000
Accounts payable, accrued expenses, and other current liabilities	3,881,013	4,707,739
Client funds	66,626	25,920
Total current liabilities	5,303,772	6,699,562
Bonds payable, net of current portion (Note 10)	11,375,000	17,070,000
Other liabilities (Note 13)	968,697	217,859
Total liabilities	17,647,469	23,987,421
Commitments and contingencies (Notes 11 and 18)		
Net assets:		
Unrestricted (Note 17)	63,538,578	52,427,722
Temporarily restricted (Notes 15 and 17)	28,504,428	26,632,147
Permanently restricted (Notes 16 and 17)	23,789,859	22,428,977
Total net assets	115,832,865	101,488,846
Total liabilities and net assets	$ 133,480,334	$ 125,476,267

See notes to financial statements.

The Home for Little Wanderers

Statements of Activities

Years Ended June 30, 2014 and 2013

	2014				2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Totals**	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other support:								
Program revenue	**$ 35,393,551**	**$ -**	**$ -**	**$ 35,393,551**	$ 32,927,079	$ -	$ -	$ 32,927,079
Contributions	**5,186,608**	**345,783**	**-**	**5,532,391**	4,896,809	301,603	-	5,198,412
Utilization of board approved spending policy (Note 4)	**3,492,000**	**-**	**-**	**3,492,000**	3,372,000	-	-	3,372,000
In-kind revenue	**52,553**	**-**	**-**	**52,553**	88,209	-	-	88,209
Other operating revenue	**20,957**	**-**	**-**	**20,957**	319,411	-	-	319,411
Net assets released from restrictions (Note 14)	**592,423**	**(592,423)**	**-**	**-**	527,152	(527,152)	-	-
Total revenues and other support	**44,738,092**	**(246,640)**	**-**	**44,491,452**	42,130,660	(225,549)	-	41,905,111
Expenses:								
Programs	**37,273,764**	**-**	**-**	**37,273,764**	34,016,972	-	-	34,016,972
Administrative and general	**6,748,504**	**-**	**-**	**6,748,504**	6,738,203	-	-	6,738,203
Fundraising	**2,154,511**	**-**	**-**	**2,154,511**	2,176,063	-	-	2,176,063
Total operating expenses	**46,176,779**	**-**	**-**	**46,176,779**	42,931,238	-	-	42,931,238
Change in net assets from operations	**(1,438,687)**	**(246,640)**	**-**	**(1,685,327)**	(800,578)	(225,549)	-	(1,026,127)
Non-operating income (expense):								
Net gains on investment transactions (Notes 4, 5, 6, and 17)	**3,046,229**	**2,944,613**	**1,239,113**	**7,229,955**	3,610,707	3,648,834	688,868	7,948,409
Investment revenue	**2,820,779**	**1,191,606**	**121,769**	**4,134,154**	1,540,290	592,609	60,622	2,193,521
Bequests	**867,212**	**-**	**-**	**867,212**	1,270,711	-	-	1,270,711
Board approved spending policy (Note 4)	**(3,492,000)**	**-**	**-**	**(3,492,000)**	(3,372,000)	-	-	(3,372,000)
Contributions	**-**	**105,910**	**-**	**105,910**	-	697,895	-	697,895
Capital campaign expense	**-**	**-**	**-**	**-**	(95,286)	-	-	(95,286)
Other non-operating revenues (expenses) (Note 8)	**7,185,205**	**-**	**-**	**7,185,205**	(1,676,212)	-	-	(1,676,212)
Allowance for uncollectible pledges	**(1,090)**	**-**	**-**	**(1,090)**	(50,000)	-	-	(50,000)
Net assets released from restrictions (Note 14)	**2,123,208**	**(2,123,208)**	**-**	**-**	2,704,565	(2,704,565)	-	-
Total non-operating income (expense)	**12,549,543**	**2,118,921**	**1,360,882**	**16,029,346**	3,932,775	2,234,773	749,490	6,917,038
Change in net assets	**11,110,856**	**1,872,281**	**1,360,882**	**14,344,019**	3,132,197	2,009,224	749,490	5,890,911
Net assets, beginning 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
Net assets, end of year	**$ 63,538,578**	**$ 28,504,428**	**$ 23,789,859**	**$ 115,832,865**	$ 52,427,722	$ 26,632,147	$ 22,428,977	$ 101,488,846

See notes to financial statements.

The Home for Little Wanderers

Statements of Functional Expenses

Years Ended June 30, 2014 and 2013

	2014				2013			
	Programs	Administrative and General	Fundraising	Totals	Programs	Administrative and General	Fundraising	Totals
Operating expenses:								
Salaries and wages	**$ 22,534,956**	**$ 2,878,016**	**$ 858,820**	**$ 26,271,792**	$ 20,710,959	$ 2,801,304	$ 832,002	$ 24,344,265
Payroll taxes and employee benefits (Notes 12 and 13)	**5,355,762**	**726,893**	**202,918**	**6,285,573**	4,702,340	693,896	177,364	5,573,600
Total salaries and related benefits	**27,890,718**	**3,604,909**	**1,061,738**	**32,557,365**	25,413,299	3,495,200	1,009,366	29,917,865
Depreciation and amortization	**1,575,754**	**154,859**	**34,671**	**1,765,284**	1,353,294	196,165	32,141	1,581,600
Rent (Note 11)	**960,429**	**366,194**	**135,627**	**1,462,250**	944,108	389,075	138,636	1,471,819
Client expenses	**1,402,604**	**-**	**-**	**1,402,604**	1,286,204	-	-	1,286,204
Professional fees	**207,682**	**1,097,090**	**84,570**	**1,389,342**	239,544	1,019,153	117,441	1,376,138
Equipment repairs and replacements	**997,698**	**315,595**	**56,513**	**1,369,806**	571,529	349,445	48,328	969,302
Food and other program supplies	**1,189,286**	**38,767**	**5,326**	**1,233,379**	1,218,704	32,180	4,831	1,255,715
Utilities	**801,417**	**177,786**	**19,634**	**998,837**	750,172	267,195	17,746	1,035,113
Transportation (Note 11)	**585,725**	**17,766**	**5,448**	**608,939**	553,623	16,482	5,371	575,476
Insurance	**432,584**	**143,561**	**11,617**	**587,762**	398,343	157,140	10,423	565,906
Other expenses	**318,564**	**123,231**	**99,449**	**541,244**	316,826	153,760	72,873	543,459
Contracted services	**230,350**	**229,438**	**16,715**	**476,503**	241,613	238,446	12,864	492,923
Office expense	**24,112**	**123,753**	**284,525**	**432,390**	18,838	149,174	292,439	460,451
Bad debts	**403,978**	**-**	**4,655**	**408,633**	414,092	-	29,190	443,282
Interest	**-**	**355,555**	**-**	**355,555**	29,132	263,988	-	293,120
Special events	**-**	**-**	**334,023**	**334,023**	-	-	384,414	384,414
Subcontracted direct services	**191,704**	**-**	**-**	**191,704**	214,530	-	-	214,530
Advertising	**61,159**	**-**	**-**	**61,159**	53,121	10,800	-	63,921
Total operating expenses	**37,273,764**	**6,748,504**	**2,154,511**	**46,176,779**	34,016,972	6,738,203	2,176,063	42,931,238
Non-operating expenses:								
Capital campaign expense	**-**	**-**	**-**	**-**	-	-	95,286	95,286
Allowance for uncollectible pledges	**-**	**-**	**1,090**	**1,090**	-	-	50,000	50,000
Other non-operating expenses	**-**	**508,711**	**-**	**508,711**	-	538,635	-	538,635
Total non-operating expenses	**-**	**508,711**	**1,090**	**509,801**	-	538,635	145,286	683,921
Total expenses	**$ 37,273,764**	**$ 7,257,215**	**$ 2,155,601**	**$ 46,686,580**	$ 34,016,972	$ 7,276,838	$ 2,321,349	$ 43,615,159

See notes to financial statements.

The Home for Little Wanderers

Statements of Cash Flows

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities and gains and losses:		
Change in net assets	$ 14,344,019	$ 5,890,911
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,765,284	1,581,600
Amortization of bond issuance costs	136,620	137,134
Net (gain) loss on disposal of property and equipment	(7,693,916)	1,137,676
Net gains on investment transactions	(7,229,955)	(7,948,409)
Allowance for uncollectible pledges	1,090	50,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(841,717)	(801,303)
Contributions and grants receivable	1,274,913	1,199,246
Investment income receivable	(1,891)	17,306
Prepaid expenses and other current assets	579,336	(331,044)
Increase (decrease) in:		
Accounts payable, accrued expenses, and other current liabilities	(826,726)	(1,088,125)
Client funds	40,706	(3,578)
Other liabilities	17,813	60,646
Total adjustments	(12,778,443)	(5,988,851)
Net cash provided by (used in) operating activities	1,565,576	(97,940)
Cash flows from investing activities:		
Proceeds from sale of investments	26,437,098	33,140,749
Purchase of investments	(27,723,600)	(32,817,777)
Purchases of property and equipment	(3,226,901)	(5,343,305)
Proceeds from sale of property and equipment	9,383,292	4,200
Net cash provided by (used in) investing activities	4,869,889	(5,016,133)
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit	(239,770)	112,328
Payments of bond issuance costs	(32,360)	-
(Increase) decrease in restricted funds	(19,000)	8,572,243
Net repayments of bonds payable	(6,065,000)	(3,540,000)
Net cash provided by (used in) financing activities	(6,356,130)	5,144,571
Net change in cash and cash equivalents	79,335	30,498
Cash and cash equivalents:		
Beginning of year	140,192	109,694
End of year	$ 219,527	$ 140,192
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 325,833	$ 381,583

See notes to financial statements.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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, 2014 and 2013

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.

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	10-40
Computer and software	3
Furniture and equipment	3-10
Motor vehicles	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.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Investments, Investment Income and Appreciation of Endowment Investments…continued

Management believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2014 and 2013. Because alternative investments are not readily marketable, the estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a readily available market for the investments existed. Such differences could be material.

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

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

Impairment of Long-Lived Assets

The Home reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the recoverability of long-lived assets by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets. During the year ended June 30, 2014, the Home had an impairment loss of $59,102. There were no instances of impairment during the year ended June 30, 2013.

Restricted Funds

Included in cash - restricted funds and accounts payable and accrued expenses as of June 30, 2014 and 2013 is $130,226 and $144,037, 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.

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, 2014 and 2013

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, 2014 and 2013.

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 for the year ended June 30, 2013. There were no contributed services for the year ended June 30, 2014. The value of contributed materials was $52,553 and $77,409 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013, the liabilities related to charitable gift annuities were $37,654 and $45,999, 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 2011. 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 year ended June 30, 2013 is $10,800 of donated in-kind services. There were no donated in-kind services for the year ended June 30, 2014.

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 $3,492,000 and $3,372,000 for the years ended June 30, 2014 and 2013, 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, 2014 and 2013

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES…continued

Fair Value Measurements…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, 2014 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, 2014 and 2013.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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 May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2017, and interim periods with annual periods beginning after December 15, 2018. Early implementation is not permitted. The Home has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

2. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 and 2013 of $4,535,907 and $3,694,191, respectively, are reflected net of an allowance for doubtful accounts of $175,000 and $240,000, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable of $1,710,489 and $2,986,492 as of June 30, 2014 and 2013, 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 $197,669 and $275,140 as of June 30, 2014 and 2013, respectively.

Included in this balance as of June 30, 2014 and 2013 are unconditional promises to give of $584,065 and $847,596, 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, 2014 and 2013 of contributions and grants receivable are as follows:

	2014	2013
Less - than one year	$ 1,678,111	$ 1,868,228
One to five years	210,047	1,353,404
Thereafter	20,000	40,000
	1,908,158	3,261,632
Less - unamortized discount and allowance	(197,669)	(275,140)
	$ 1,710,489	$ 2,986,492

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, 2014 and 2013:

	2014	2013
Marketable equity securities and equity mutual funds:		
International equities	$ 16,666,412	$ 13,139,621
Domestic equities	24,311,881	19,476,019
Mutual funds	154,566	107,938
	41,132,859	32,723,578
Cash equivalents	116,285	1,810,239
U.S. government and debt obligations and fixed income mutual funds	21,013,018	17,625,572
Alternative investments:		
Private Equity Fund	2,588,484	2,417,497
Structured Credit Fund	5,679,746	5,336,533
Core Property Fund	3,898,620	2,694,423
Special Situations Fund	6,489,695	11,033,521
	18,656,545	21,481,974
	$ 80,918,707	$ 73,641,363

Investments equal to the Board approved spending policy of $3,588,000 and $3,492,000 as of June 30, 2014 and 2013, 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, 2014 and 2013, net gains from investment transactions totaled $7,229,955 and $7,948,409, respectively. Also included in net gains from investment transactions are amounts related to the appreciation in value of the Home's beneficial interest in perpetual trusts, as indicated in Note 6. The total amount of investment fees were $377,042 and $410,369 for the years ended June 30, 2014 and 2013, respectively.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

5. FAIR VALUE HIERARCHY

The following tables summarize the Home's assets measured at fair value on a recurring basis as of June 30, 2014 and 2013:

June 30, 2014	Assets Measured at Fair Value on a Recurring Basis: Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total June 30, 2014
Assets:				
Marketable equity securities and equity mutual funds:				
International equities	$16,666,412	$ -	$ -	$16,666,412
Domestic equities	24,311,881	-	-	24,311,881
Mutual funds	154,566	-	-	154,566
Cash equivalents	116,285	-	-	116,285
U.S. government and debt obligations and fixed income mutual funds	21,013,018	-	-	21,013,018
Alternative investments:				
Private Equity Fund	-	-	2,588,484	2,588,484
Structured Credit Fund	-		5,679,746	5,679,746
Core Property Fund	-		3,898,620	3,898,620
Special Situations Fund	-		6,489,695	6,489,695
Beneficial interest in perpetual trusts	-	-	14,320,121	14,320,121
	$62,262,162	$ -	$ 32,976,666	$95,238,828

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

5. FAIR VALUE HIERARCHY…continued

June 30, 2013	Assets Measured at Fair Value on a Recurring Basis: 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 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	Beneficial Interest in Perpetual Trusts	Total
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
Changes:							
Purchases	397,596	-	769,500	-	-	-	1,167,096
Sales	(401,604)	-	-	(4,900,000)	-	-	(5,301,604)
Net gains on investments	174,995	-	434,697	356,174	343,213	1,239,113	2,548,192
Balance as of June 30, 2014	$ 2,588,484	$ -	$ 3,898,620	$ 6,489,695	$ 5,679,746	$ 14,320,121	$ 32,976,666

Net change in unrealized appreciation of investments included in the statements of activities for Level III investments still held as of June 30, 2014 and 2013 were $2,236,939 and $3,054,868, respectively

The Home for Little Wanderers
Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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, 2014:

	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.	$ 5,679,746	1	N/A	$ -
Core Property Fund	Invest directly and indirectly in private investment vehicles that invest in commercial real estate properties.	3,898,620	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.	6,489,695	1	N/A	-
Private Equity Fund	Venture and buyout, in the U.S. and international	2,588,484	1	N/A	1,463,093*
		$ 18,656,545	4		$ 1,463,093

* Commitment as of June 30, 2014

	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	None, redemption restrictions expired June 30, 2013.	None
Private Equity Fund	2%-4% per quarter	Fund considered highly illiquid, at the discretion of the general partner	Fund considered highly illiquid, at the discretion of the general partner	Fund considered highly illiquid, at the discretion of the general partner

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

5. FAIR VALUE HIERARCHY…continued

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	Fund considered highly illiquid, at the discretion of the general partner	Fund considered highly illiquid, at the discretion of the general partner

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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 at the fair value of the underlying 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, 2014 and 2013, the Home recognized permanently restricted gains of $1,239,113 and $688,868, respectively, which are included within net gains on investment transactions in the statements of activities.

7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary as of June 30, 2014 and 2013:

	2014	2013
Land and improvements	$ 2,043,305	$ 1,991,947
Buildings and improvements	34,366,407	32,342,004
Furniture and equipment	6,486,252	6,891,665
Motor vehicles	207,817	202,097
Other assets	56,265	56,265
Construction in progress	1,640,905	461,114
	44,800,951	41,945,092
Less - accumulated depreciation and amortization	(14,467,432)	(13,744,441)
	$ 30,333,519	$ 28,200,651

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 $738,000 and are expected to be completed in fiscal year 2015. During the year ended June 30, 2013, the Home capitalized interest totaling $87,372. There was no interest capitalized during the year ended June 30, 2014.

Included in construction in progress are approximately $733,000 worth of tenant improvement allowances associated with a lease entered into in for new office space. See Note 19 for further details. This tenant improvement allowance has an offsetting liability balance included in other liabilities in the statements of activities.

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. In relation to the anticipated sale, during the year ended June 30, 2013, the Home had recognized $300,000 of extension fees in other operating revenue. This transaction closed in December 2013. The property rendered $9,383,292 in proceeds, and the Home recognized a total gain on this sale of $7,755,691.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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, 2014 and 2013, $1,256,133 and $1,495,903, respectively, was outstanding on this line. The line is payable on demand with interest payable monthly. The interest rate for the year ended June 30, 2013 was at the London Interbank Offered Rate ("LIBOR") Advantage Rate plus 2.5%. In March 2014, the rate was amended at the LIBOR Advantage Rate plus 1.95% (2.10% and 2.70% as of June 30, 2014 and 2013, 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 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.

In September 2011, under an 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% of June 30, 2013) and were originally payable over a 30 year maturity schedule through October 1, 2041. The proceeds from this bond were used to repay a former MDFA bond in fiscal year 2012. During the year ended June 30, 2014, proceeds from the sale of an asset (see Note 8) were used to make a payment of $5,695,000 on the outstanding bond liability. Additionally, the Home refinanced the terms of the bond to a fixed 3.2% interest rate and a maturity date of March 1, 2037. The payment and refinancing were effective in February 2014, and has been accounted for as an extinguishment. The Home recorded bond issuance costs, net of amortization, of $136,620 as of June 30, 2013, associated with the original bond. The bond issuance costs were shown net of amortization of $9,053 as of June 30, 2013. The original bond issuance costs and associated accumulated amortization were written off during the year ended June 30, 2014 and an associated loss was recorded. Bond issuance costs associated with the refinanced bond, net of amortization, of $32,360 as of June 30, 2014 consist of legal and other expenses incurred in connection with the amended terms. 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:

2015	$ 100,000
2016	100,000
2017	470,000
2018	475,000
2019	485,000
Thereafter	9,845,000
	$ 11,475,000

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

10. BONDS PAYABLE…continued

The fair market value of outstanding long-term debt approximated $11,475,000 and $17,540,000 as of June 30, 2014 and 2013, 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 during the year ended June 30, 2013.

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 $1,641,493 and $1,615,203 for the years ended June 30, 2014 and 2013, respectively.

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

2015	$ 1,311,896
2016	1,380,593
2017	1,287,823
2018	667,500
2019	579,922
Thereafter	3,360,483
	$ 8,588,217

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 $421,558 and $379,381 for the years ended June 30, 2014 and 2013, respectively.

13. DEFERRED COMPENSATION

The Home has 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, 2014 and 2013, respectively. As of June 30, 2014 and 2013, the fair value of the investments under these plans was $241,603 and $171,860, respectively, and is included within investments and other liabilities on the statements of financial position.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

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, 2014 and 2013, the use of these assets were as follows:

	2014	2013
Donor restrictions satisfied as to:		
Program operations	$ 592,423	$ 527,152
Plant and equipment acquisitions	140,665	856,738
Utilization of endowment appreciation	1,982,543	1,847,827
	2,123,208	2,704,565
	$ 2,715,631	$ 3,231,717

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, 2014 and 2013 was $1,982,543 and $1,847,827, respectively.

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2014 and 2013 are composed of the following:

	2014	2013
Gifts and other unexpended revenue and gains restricted to:		
Program operations	$ 351,400	$ 562,148
Plant and equipment acquisitions	-	71,364
Charitable gift annuities	10,200	7,087
Investment revenue and realized and unrealized gains on endowment funds	28,142,828	25,991,548
	$ 28,504,428	$ 26,632,147

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2014 and 2013 are composed of investment gifts held in perpetuity in the following categories:

	2014	2013
Endowments requiring one-half of investment income to be added to original gift and balance to general support	$ 2,569,842	$ 2,448,073
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	14,320,121	13,081,008
	$ 23,789,859	$ 22,428,977

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2014 and 2013

17. ENDOWMENT NET ASSETS

Following is a summary of endowment net asset composition by type of fund as of June 30, 2014:

June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (3)	$ 28,142,828	$ 23,789,859	$ 51,932,684
Board designated endowment funds	41,883,798	-	-	41,883,798
Other unrestricted endowment funds	1,131,860	-	-	1,131,860
	$43,015,655	$ 28,142,828	$ 23,789,859	$ 94,948,342

Following is a summary of the changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets as of June 30, 2013	$ 38,178,985	$ 25,991,548	$ 22,428,977	$ 86,599,510
Investment return:				
Net gains on investment transactions	3,046,229	2,942,217	1,239,113	7,227,559
Investment revenue	2,818,932	1,191,606	121,769	4,132,307
	5,865,161	4,133,823	1,360,882	11,359,866
Other changes:				
Withdrawals	(3,878,246)	-	-	(3,878,246)
Appropriation	1,982,543	(1,982,543)	-	-
Contributions	867,212	-	-	867,212
Endowment net assets as of June 30, 2014	$ 43,015,655	$ 28,142,828	$ 23,789,859	$ 94,948,342

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

June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (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

The Home for Little Wanderers

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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, 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

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, 2014 and 2013 and the level required by donor stipulation was $3 and $58, 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 17, 2014, the date on which the financial statements were available to be issued.

The Home moved into new office space under an operating leases that commenced on September 1, 2014 and ending on December 31, 2024. This has been included within the commitments disclosed in Note 11.