

The Home for Little Wanderers

Financial Statements

Years Ended June 30, 2015 and 2014

The Home for Little Wanderers

FINANCIAL STATEMENTS Years Ended June 30, 2015 and 2014

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Independent Auditor's Report

RSM US LLP

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, 2015 and 2014, 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, 2015 and 2014, 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.

RSM US LLP

Boston, Massachusetts
November 16, 2015

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The Home for Little Wanderers

Statements of Financial Position

June 30, 2015 and 2014

ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 360,629	\$ 219,527
Cash - restricted funds	128,433	193,739
Accounts receivable, net	4,468,743	4,535,907
Contributions and grants receivable, net	593,793	1,541,059
Investment income receivable	41,857	33,151
Investments	3,912,000	3,588,000
Prepaid expenses and other current assets	974,716	1,182,814
Assets held for sale	130,929	-
Total current assets	10,611,100	11,294,197
Contributions and grants receivable, net	85,117	169,430
Investments	78,362,108	77,330,707
Bond issuance costs, net	30,374	32,360
Beneficial interest in perpetual trusts	13,571,324	14,320,121
Property, plant and equipment, net	29,164,646	30,333,519
Total assets	\$ 131,824,669	\$ 133,480,334
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 2,943,752	\$ 1,256,133
Current portion of bonds payable	100,000	100,000
Accounts payable, accrued expenses, and other current liabilities	3,793,279	3,881,013
Client funds	69,199	66,626
Total current liabilities	6,906,230	5,303,772
Bonds payable, net of current portion	11,275,000	11,375,000
Other liabilities	1,009,420	968,697
Total liabilities	19,190,650	17,647,469
Commitments and contingencies		
Net assets:		
Unrestricted	61,615,461	63,538,578
Temporarily restricted	27,826,434	28,504,428
Permanently restricted	23,192,124	23,789,859
Total net assets	112,634,019	115,832,865
Total liabilities and net assets	\$ 131,824,669	\$ 133,480,334

See notes to financial statements.

The Home for Little Wanderers

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Revenues and other support:								
Program revenue	\$ 35,754,838	\$ -	\$ -	\$ 35,754,838	\$ 35,393,551	\$ -	\$ -	\$ 35,393,551
Contributions	4,983,379	607,225	-	5,590,604	5,186,608	345,783	-	5,532,391
Utilization of board approved spending policy	3,588,000	-	-	3,588,000	3,492,000	-	-	3,492,000
In-kind revenue	78,846	-	-	78,846	52,553	-	-	52,553
Other operating revenue	69,398	-	-	69,398	20,957	-	-	20,957
Net assets released from restrictions	512,998	(512,998)	-	-	592,423	(592,423)	-	-
Total revenues and other support	44,987,459	94,227	-	45,081,686	44,738,092	(246,640)	-	44,491,452
Expenses:								
Programs	38,947,073	-	-	38,947,073	37,273,764	-	-	37,273,764
Administrative and general	6,777,284	-	-	6,777,284	6,748,504	-	-	6,748,504
Fundraising	2,291,146	-	-	2,291,146	2,154,511	-	-	2,154,511
Total operating expenses	48,015,503	-	-	48,015,503	46,176,779	-	-	46,176,779
Change in net assets from operations	(3,028,044)	94,227	-	(2,933,817)	(1,438,687)	(246,640)	-	(1,685,327)
Non-operating income (expense):								
Net gains (losses) on investment transactions	(378,197)	(343,736)	(748,797)	(1,470,730)	3,046,229	2,944,613	1,239,113	7,229,955
Investment revenue	3,382,887	1,474,811	151,062	5,008,760	2,820,779	1,191,606	121,769	4,134,154
Bequests	147,182	-	-	147,182	867,212	-	-	867,212
Board approved spending policy	(3,588,000)	-	-	(3,588,000)	(3,492,000)	-	-	(3,492,000)
Contributions	-	199,444	-	199,444	-	105,910	-	105,910
Other non-operating revenues (expenses)	(561,685)	-	-	(561,685)	7,184,115	-	-	7,184,115
Net assets released from restrictions	2,102,740	(2,102,740)	-	-	2,123,208	(2,123,208)	-	-
Total non-operating income (expense)	1,104,927	(772,221)	(597,735)	(265,029)	12,549,543	2,118,921	1,360,882	16,029,346
Change in net assets	(1,923,117)	(677,994)	(597,735)	(3,198,846)	11,110,856	1,872,281	1,360,882	14,344,019
Net assets, beginning 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
Net assets, end of year	\$ 61,615,461	\$ 27,826,434	\$ 23,192,124	\$ 112,634,019	\$ 63,538,578	\$ 28,504,428	\$ 23,789,859	\$ 115,832,865

See notes to financial statements.

The Home for Little Wanderers

Statements of Functional Expenses
Years Ended June 30, 2015 and 2014

	2015				2014			
	Programs	Administrative and General	Fundraising	Totals	Programs	Administrative and General	Fundraising	Totals
Operating expenses:								
Salaries and wages	\$ 23,498,748	\$ 2,847,505	\$ 973,738	\$ 27,319,991	\$ 22,534,956	\$ 2,878,016	\$ 858,820	\$ 26,271,792
Payroll taxes and employee benefits	5,778,883	741,635	236,872	6,757,390	5,355,762	726,893	202,918	6,285,573
Total salaries and related benefits	29,277,631	3,589,140	1,210,610	34,077,381	27,890,718	3,604,909	1,061,738	32,557,365
Depreciation and amortization	1,628,247	151,760	44,539	1,824,546	1,575,754	154,859	34,671	1,765,284
Professional fees	347,137	1,138,880	83,518	1,569,535	207,682	1,097,090	84,570	1,389,342
Client expenses	1,540,170	-	-	1,540,170	1,402,604	-	-	1,402,604
Rent	986,998	306,287	121,885	1,415,170	960,429	366,194	135,627	1,462,250
Equipment repairs and replacements	914,624	317,120	47,108	1,278,852	997,698	315,595	56,513	1,369,806
Food and other program supplies	1,116,271	65,361	4,882	1,186,514	1,189,286	38,767	5,326	1,233,379
Utilities	799,506	167,717	19,136	986,359	801,417	177,786	19,634	998,837
Contracted services	447,490	211,242	7,772	666,504	230,350	229,438	16,715	476,503
Other expenses	389,680	113,511	109,752	612,943	318,564	123,231	99,449	541,244
Transportation	578,452	16,807	7,160	602,419	585,725	17,766	5,448	608,939
Insurance	466,775	106,810	12,631	586,216	432,584	143,561	11,617	587,762
Office expense	16,753	145,367	291,701	453,821	24,112	123,753	284,525	432,390
Interest	-	447,282	-	447,282	-	355,555	-	355,555
Bad debts	361,498	-	-	361,498	403,978	-	4,655	408,633
Special events	-	-	319,110	319,110	-	-	334,023	334,023
Advertising	74,183	-	11,342	85,525	61,159	-	-	61,159
Subcontracted direct services	1,658	-	-	1,658	191,704	-	-	191,704
Total operating expenses	38,947,073	6,777,284	2,291,146	48,015,503	37,273,764	6,748,504	2,154,511	46,176,779
Non-operating expenses:								
Other non-operating expenses	-	561,685	-	561,685	-	508,711	1,090	509,801
Total non-operating expenses	-	561,685	-	561,685	-	508,711	1,090	509,801
Total expenses	\$ 38,947,073	\$ 7,338,969	\$ 2,291,146	\$ 48,577,188	\$ 37,273,764	\$ 7,257,215	\$ 2,155,601	\$ 46,686,580

See notes to financial statements.

The Home for Little Wanderers

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities and gains and losses:		
Change in net assets	\$ (3,198,846)	\$ 14,344,019
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,824,546	1,765,284
Amortization of bond issuance costs	1,986	136,620
Net (gain) loss on disposal of property and equipment	17,755	(7,693,916)
Net (gain) loss on investment transactions	1,470,730	(7,229,955)
Allowance for trade accounts receivable	(92,000)	65,000
Allowance for unconditional promises to give	(10,676)	1,090
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	159,164	(906,717)
Contributions and grants receivable	1,042,255	1,274,913
Investment income receivable	(8,706)	(1,891)
Prepaid expenses and other current assets	208,098	579,336
Increase (decrease) in:		
Accounts payable, accrued expenses, and other current liabilities	(87,734)	(826,726)
Client funds	2,573	40,706
Other liabilities	40,723	17,813
Total adjustments	4,568,714	(12,778,443)
Net cash provided by operating activities	1,369,868	1,565,576
Cash flows from investing activities:		
Proceeds from sale of investments	32,812,753	26,437,098
Purchase of investments	(34,890,087)	(27,723,600)
Purchases of property and equipment	(804,357)	(3,226,901)
Proceeds from sale of property and equipment	-	9,383,292
Net cash provided by (used in) investing activities	(2,881,691)	4,869,889
Cash flows from financing activities:		
Net borrowings (repayments) under line of credit	1,687,619	(239,770)
Payments of bond issuance costs	-	(32,360)
Decrease (increase) in restricted funds	65,306	(19,000)
Net repayments of bonds payable	(100,000)	(6,065,000)
Net cash provided by (used in) financing activities	1,652,925	(6,356,130)
Net change in cash and cash equivalents	141,102	79,335
Cash and cash equivalents:		
Beginning of year	219,527	140,192
End of year	\$ 360,629	\$ 219,527
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 443,575	\$ 325,833

See notes to financial statements.

The Home for Little Wanderers

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

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 investments 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, 2015 and 2014

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, 2015 and 2014

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:

	<u>Years</u>
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.

<u>Asset Class</u>	<u>Range</u>
Equity	35%-55%
Fixed income	25%-45%
Alternatives	20%-30%

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, 2015 and 2014

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, 2015 and 2014. 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, 2015.

Restricted Funds

Restricted cash as of June 30, 2015 and 2014 was \$128,433 and \$193,739, respectively, and represent amounts restricted for client or program use. Included in cash - restricted funds and accounts payable and accrued expenses as of June 30, 2015 and 2014 is \$61,042 and \$130,226, 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, 2015 and 2014

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, 2015 and 2014.

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 for the year ended June 30, 2015 was \$11,342. There were no contributed services for the year ended June 30, 2014. The value of contributed materials was \$67,504 and \$52,553 for the years ended June 30, 2015 and 2014, 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 Home's annuity contracts are held in a separate investment account, tracked independently of other investments and are recorded as unrestricted net assets. As of June 30, 2015 and 2014, the liabilities related to charitable gift annuities were \$36,514 and \$37,654, respectively, and are included with other liabilities on the statements of financial position.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

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, 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 2012. 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. During the years ended June 30, 2015 and 2014, the Home incurred \$85,525 and \$61,159, respectively in advertising costs. Included in advertising costs for the year ended June 30, 2015 is \$11,342 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.

The Home for Little Wanderers

Notes to Financial Statements

Years Ended June 30, 2015 and 2014

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 \$3,588,000 and \$3,492,000 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014

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 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, 2015 and 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, 2015 and 2014.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2014 financial statements to conform to the June 30, 2015 presentation.

Recently Issued Accounting Pronouncements

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which provides guidance on the financial statement presentation of debt issuance cost. The ASU states that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The discount should be accreted over the term of the debt instrument, and amortization of the debt discount should be recorded as interest expense. This ASU will be effective for the Home retrospectively beginning December 31, 2017, with early adoption being 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.

In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments apply to reporting entities that elect to measure the fair value of an investment using the NAV per share (or its equivalent) practical expedient. The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. Earlier application is 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.

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 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. In August 2015, the FASB issued ASU 2015-4, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. The updated standard will be effective for annual reporting periods beginning after December 15, 2018 and interim period with annual periods beginning after December 15, 2018. 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.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

2. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2015 and 2014 of \$4,468,743 and \$4,535,907, respectively, are reflected net of an allowance for doubtful accounts of \$267,000 and \$175,000, respectively.

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable of \$678,910 and \$1,710,489 as of June 30, 2015 and 2014, 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 \$174,210 and \$197,669 as of June 30, 2015 and 2014, respectively.

Included in this balance as of June 30, 2015 and 2014 are unconditional promises to give of \$355,667 and \$584,065, 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, 2015 and 2014 of contributions and grants receivable are as follows:

	<u>2015</u>	<u>2014</u>
Less than one year	\$ 738,187	\$ 1,678,111
One to five years	96,160	210,047
Thereafter	<u>18,773</u>	<u>20,000</u>
	853,120	1,908,158
Less - unamortized discount and allowance	<u>(174,210)</u>	<u>(197,669)</u>
	<u>\$ 678,910</u>	<u>\$ 1,710,489</u>

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Marketable equity securities and equity mutual funds:		
International equities	\$ 16,934,540	\$ 16,666,412
Domestic equities	25,367,300	24,311,881
Mutual funds	<u>199,557</u>	<u>154,566</u>
	<u>42,501,397</u>	<u>41,132,859</u>
Cash equivalents	<u>4,195,894</u>	<u>116,285</u>
U.S. government and debt obligations and fixed income mutual funds	<u>19,253,659</u>	<u>21,013,018</u>
Alternative investments:		
Global private equity fund	2,758,688	2,588,484
Structured credit fund	4,142,979	5,679,746
Core property fund	4,412,819	3,898,620
Special situations fund	4,962,189	6,489,695
Private equity fund	<u>46,483</u>	<u>-</u>
	<u>16,323,158</u>	<u>18,656,545</u>
	<u>\$ 82,274,108</u>	<u>\$ 80,918,707</u>

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

4. INVESTMENTS...continued

Investments equal to the Board approved spending policy of \$3,912,000 and \$3,588,000 as of June 30, 2015 and 2014, 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 year ended June 30, 2015, net losses from investment transactions totaled \$1,470,730. During the year ended June 30, 2014, net gains from investment transactions totaled \$7,229,955. Also included in net gains and losses 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 \$443,930 and \$377,042 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014:

June 30, 2015	Assets Measured at Fair Value on a Recurring Basis			
	Quoted Prices Level I	Observable Inputs Level II	Unobservable Inputs Level III	Total June 30, 2015
Assets:				
Marketable equity securities and equity mutual funds:				
International equities	\$16,934,540	\$ -	\$ -	\$16,934,540
Domestic equities	25,367,300	-	-	25,367,300
Mutual funds	199,557	-	-	199,557
Cash equivalents	4,195,894	-	-	4,195,894
U.S. government and debt obligations and fixed income mutual funds	19,253,659	-	-	19,253,659
Alternative investments:				
Global private equity fund	-	-	2,758,688	2,758,688
Structured credit fund	-	-	4,142,979	4,142,979
Core property fund	-	-	4,412,819	4,412,819
Special situations fund	-	-	4,962,189	4,962,189
Private equity fund	-	-	46,483	46,483
Beneficial interest in perpetual trusts	-	-	13,571,324	13,571,324
	<u>\$65,950,950</u>	<u>\$ -</u>	<u>\$ 29,894,482</u>	<u>\$95,845,432</u>

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

5. FAIR VALUE HIERARCHY...continued

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:				
Global 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
	<u>\$ 62,262,162</u>	<u>\$ -</u>	<u>\$ 32,976,666</u>	<u>\$ 95,238,828</u>

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

	Global Private Equity Fund	Core Property Fund	Special Situations Fund	Structured Credit Fund	Private Equity Fund	Beneficial Interest in Perpetual Trusts	Total
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	<u>174,995</u>	<u>434,697</u>	<u>356,174</u>	<u>343,213</u>	<u>-</u>	<u>1,239,113</u>	<u>2,548,192</u>
Balance as of June 30, 2014	2,588,484	3,898,620	6,489,695	5,679,746	-	14,320,121	32,976,666
Changes:							
Purchases	-	-	-	-	46,483	-	46,483
Sales	(303,252)	-	(1,550,302)	(1,015,821)	-	-	(2,869,375)
Net gains (losses) on investments	<u>473,456</u>	<u>514,199</u>	<u>22,796</u>	<u>(520,946)</u>	<u>-</u>	<u>(748,797)</u>	<u>(259,292)</u>
Balance as of June 30, 2015	<u>\$2,758,688</u>	<u>\$ 4,412,819</u>	<u>\$ 4,962,189</u>	<u>\$ 4,142,979</u>	<u>\$ 46,483</u>	<u>\$13,571,324</u>	<u>\$29,894,482</u>

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

5. FAIR VALUE HIERARCHY...continued

Net change in unrealized appreciation of investments included in the statements of activities for Level III investments still held as of June 30, 2015 and 2014 were \$774,591 and \$2,236,939, respectively.

The Home uses the NAV to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company.

The following table lists investments in investment companies by major category as of June 30, 2015:

	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.	\$ 4,142,979	1	N/A	\$ -
Core Property Fund	Invest directly and indirectly in private investment vehicles that invest in commercial real estate properties.	4,412,819	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.	4,962,189	1	N/A	-
Global Private Equity Fund	Venture and buyout, in the U.S. and international	2,758,688	1	N/A	1,172,135*
Private Equity Fund	Venture, buyout and real estate	<u>46,483</u>	<u>1</u>	N/A	<u>3,153,513*</u>
		<u>\$16,323,158</u>	<u>5</u>		<u>\$ 4,325,648</u>

* Commitment as of June 30, 2015

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

5. FAIR VALUE HIERARCHY...continued

	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
Global 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
Private Equity Fund	N/A	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 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	-
Global Private Equity Fund	Venture and buyout, in the U.S. and international	<u>2,588,484</u>	<u>1</u>	N/A	<u>1,463,093*</u>
		<u>\$18,656,545</u>	<u>4</u>		<u>\$ 1,463,093</u>

* Commitment as of June 30, 2014

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

5. FAIR VALUE HIERARCHY...continued

	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 semi-annual redemption	None	None
Global 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

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 year ended June 30, 2015, the Home recognized a permanently restricted loss of \$748,797. For the year ended June 30, 2014, the Home recognized a permanently restricted gain of \$1,239,113. These activities are included within net gains and losses on investment transactions in the statements of activities.

7. PROPERTY, PLANT AND EQUIPMENT

The following is a summary as of June 30, 2015 and 2014:

	2015	2014
Land and improvements	\$ 2,022,452	\$ 2,043,305
Buildings and improvements	33,405,424	34,366,407
Furniture and equipment	5,735,186	6,486,252
Motor vehicles	120,780	207,817
Other assets	56,265	56,265
Construction in progress	46,441	1,640,905
	41,386,548	44,800,951
Less - accumulated depreciation and amortization	(12,221,902)	(14,467,432)
	\$ 29,164,646	\$ 30,333,519

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

7. PROPERTY, PLANT AND EQUIPMENT...continued

As of June 30, 2015, construction in progress totaling \$46,441 represents costs incurred in connection with various construction projects to support program operations. The estimated remaining costs to complete these projects are approximately \$50,000 and were completed in fiscal year 2016. As of June 30, 2014, construction in progress totaling \$1,640,905 represent costs incurred for facility improvements. The facility improvements were completed during the year ended June 30, 2015 and were capitalized and included in building and improvements.

Included in buildings and improvements as of June 30, 2015 and 2014 are approximately \$733,000 worth of tenant improvement allowances associated with a lease entered into during the year ended June 30, 2014 for new office space. This tenant improvement allowance has an offsetting liability balance included in other liabilities in the statements of financial position.

8. ASSETS HELD FOR SALE

As of June 30, 2015, the Home had entered into an agreement to sell a property of the Home with the closing anticipated during the year ended June 30, 2016. This transaction closed in September of 2015. See Note 19 below for additional information.

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. This transaction closed in December 2013. The property rendered \$9,383,292 in proceeds, and as of June 30, 2014, the Home recognized a total gain on this sale of \$7,755,691.

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, 2015 and 2014, \$2,943,752 and \$1,256,133, respectively, was outstanding on this line. The line is payable on demand with interest payable monthly. In March 2014, the rate was amended at the LIBOR Advantage Rate plus 1.95% (2.14% and 2.10% as of June 30, 2015 and 2014, respectively). The line of credit agreement requires the Home to maintain certain financial covenants.

10. BONDS PAYABLE

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 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 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, were \$30,374 and \$32,360 as of June 30, 2015 and 2014, respectively, and consist of legal and other expenses incurred in connection with the amended terms.

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

10. BONDS PAYABLE...continued

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:

2016	\$ 100,000
2017	470,000
2018	475,000
2019	485,000
2020	500,000
Thereafter	<u>9,345,000</u>
	<u>\$ 11,375,000</u>

The fair value of outstanding long-term debt approximated \$11,375,000 and \$11,475,000 as of June 30, 2015 and 2014, respectively, based on quoted market prices of similar issues.

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 \$1,682,844 and \$1,641,493 for the years ended June 30, 2015 and 2014, respectively.

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

2016	\$ 1,515,429
2017	1,365,291
2018	614,445
2019	567,580
2020	577,703
Thereafter	<u>2,745,876</u>
	<u>\$ 7,386,324</u>

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 \$452,630 and \$421,558 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014, respectively. As of June 30, 2015 and 2014, the fair value of the investments under these plans was \$280,476 and \$241,603, 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, 2015 and 2014

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, 2015 and 2014, the use of these assets were as follows:

	<u>2015</u>	<u>2014</u>
Donor restrictions satisfied as to:		
Program operations	\$ 512,998	\$ 592,423
Other temporarily restricted	<u>2,102,740</u>	<u>2,123,208</u>
	<u>\$ 2,615,738</u>	<u>\$ 2,715,631</u>

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, 2015 and 2014 was \$2,102,740 and \$1,982,543, respectively.

15. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 are composed of the following:

	<u>2015</u>	<u>2014</u>
Gifts and other unexpended revenue and gains restricted to:		
Program operations	\$ 658,315	\$ 351,400
Other temporarily restricted	-	10,200
Investment revenue and realized and unrealized gains on endowment funds	<u>27,168,119</u>	<u>28,142,828</u>
	<u>\$ 27,826,434</u>	<u>\$ 28,504,428</u>

16. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2015 and 2014 are composed of investment gifts held in perpetuity in the following categories:

	<u>2015</u>	<u>2014</u>
Endowments requiring one-half of investment income to be added to original gift and balance to general support	\$ 2,720,904	\$ 2,569,842
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	<u>13,571,324</u>	<u>14,320,121</u>
	<u>\$ 23,192,124</u>	<u>\$ 23,789,859</u>

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

17. ENDOWMENT NET ASSETS

Following is a summary of endowment net asset composition by type of fund as of June 30, 2015:

<u>June 30, 2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 27,168,119	\$ 23,192,124	\$ 50,360,243
Board designated endowment funds	44,013,602	-	-	44,013,602
Other unrestricted endowment funds	<u>1,131,858</u>	<u>-</u>	<u>-</u>	<u>1,131,858</u>
	<u>\$ 45,145,460</u>	<u>\$ 27,168,119</u>	<u>\$ 23,192,124</u>	<u>\$ 95,505,703</u>

Following is a summary of the changes in endowment net assets for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets as of June 30, 2014	<u>\$43,015,655</u>	<u>\$28,142,828</u>	<u>\$ 23,789,859</u>	<u>\$94,948,342</u>
Investment return:				
Net gains on investment transactions	(378,197)	(346,780)	(748,797)	(1,473,774)
Investment revenue	<u>3,374,182</u>	<u>1,474,811</u>	<u>151,062</u>	<u>5,000,055</u>
	<u>2,995,985</u>	<u>1,128,031</u>	<u>(597,735)</u>	<u>3,526,281</u>
Other changes:				
Withdrawals	(3,111,215)	-	-	(3,111,215)
Appropriation	2,102,740	(2,102,740)	-	-
Contributions	<u>142,295</u>	<u>-</u>	<u>-</u>	<u>142,295</u>
Endowment net assets as of June 30, 2015	<u>\$45,145,460</u>	<u>\$ 27,168,119</u>	<u>\$ 23,192,124</u>	<u>\$ 95,505,703</u>

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

<u>June 30, 2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>1,131,860</u>	<u>-</u>	<u>-</u>	<u>1,131,860</u>
	<u>\$43,015,655</u>	<u>\$28,142,828</u>	<u>\$ 23,789,859</u>	<u>\$94,948,342</u>

The Home for Little Wanderers

Notes to Financial Statements
Years Ended June 30, 2015 and 2014

17. ENDOWMENT NET ASSETS...continued

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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	<u>2,818,932</u>	<u>1,191,606</u>	<u>121,769</u>	<u>4,132,307</u>
	<u>5,865,161</u>	<u>4,133,823</u>	<u>1,360,882</u>	<u>11,359,866</u>
Other changes:				
Withdrawals	(3,878,246)	-	-	(3,878,246)
Appropriation	1,982,543	(1,982,543)	-	-
Contributions	<u>867,212</u>	<u>-</u>	<u>-</u>	<u>867,212</u>
Endowment net assets as of June 30, 2014	<u>\$ 43,015,655</u>	<u>\$ 28,142,828</u>	<u>\$ 23,789,859</u>	<u>\$ 94,948,342</u>

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 year ended June 30, 2014 and the level required by donor stipulation was \$3. There was no deficiency for the year ended June 30, 2015. 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 16, 2015, the date on which the financial statements were available to be issued.

The Home closed on the sale of a property that was classified as an asset held for sale as of June 30, 2015. This transaction closed in September of 2015. The property rendered \$476,922 in net proceeds, and the Home recognized a total gain on this sale of \$345,993.