Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combined Financial Statements, Schedule of Expenditures of Federal Awards and Reports Required by *Government Auditing Standards* and OMB Circular A-133

Years Ended December 31, 2014 and 2013

BDO

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Contents

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Independent Auditor's Report

Board of Directors
Florence Fuller Child Development Centers, Inc. and
Florence Fuller Child Development Foundation, Inc.
Boca Raton, Florida

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc. (collectively the Organization), which comprise the combined statements of financial position as of December 31, 2014 and 2013, and the related combined statements of activities and changes in net assets and cash flows for the years then ended, the combined statement of functional expenses for the year ended December 31, 2014, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc. as of December 31, 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.

Other Matter

The summarized comparative information included in the combined statement of functional expenses for the year ended December 31, 2014 has been derived from the Organization's December 31, 2013 combined financial statements, and, in our report dated August 12, 2014, we expressed an unmodified opinion on those combined financial statements.

Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, LLP

Miami, Florida
August 3, 2015

Combined Financial Statements

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combined Statements of Financial Position

December 31,	2014	2013
Assets		
Current assets		
Cash and cash equivalents	$ 1,056,835	$ 874,679
Pledges receivable	794,650	83,964
Grants receivable	269,554	377,790
Prepaid expenses	101,092	87,437
Total current assets	2,222,131	1,423,870
Investments	3,237,200	2,313,659
Property and equipment, net	2,928,426	2,899,188
Deposits	10,000	21,696
Total assets	$ 8,397,757	$ 6,658,413
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 413,074	$ 517,536
Deferred grant revenue	75,000	-
Total liabilities	488,074	517,536
Commitments and contingencies		
Net assets		
Unrestricted	3,185,853	2,873,539
Temporarily restricted	4,313,830	2,857,338
Permanently restricted	410,000	410,000
Total net assets	7,909,683	6,140,877
Total liabilities and net assets	$ 8,397,757	$ 6,658,413

See accompanying notes to the combined financial statements.

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combined Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2014				Year Ended December 31, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Grants	$ 2,874,547	$ -	$ -	$ 2,874,547	$ 2,830,858	$ -	$ -	$ 2,830,858
Contributions from private sources	760,433	1,738,534	-	2,498,967	1,168,942	489,104	-	1,658,046
Program service fees	806,374	-	-	806,374	869,390	-	-	869,390
Special events	712,002	-	-	712,002	675,344	-	-	675,344
Thrift shop revenues	318,091	-	-	318,091	334,324	-	-	334,324
Bequest and other income	48,984	-	-	48,984	44,926	-	-	44,926
Investment income	83,996	-	-	83,996	64,904	-	-	64,904
Gain on sale of fixed asset	-	-	-	-	3,000	-	-	3,000
Net assets released from restrictions	282,042	(282,042)	-	-	441,404	(441,404)	-	-
Total support and revenues	5,886,469	1,456,492	-	7,342,961	6,433,092	47,700	-	6,480,792
Expenses								
Program services	4,525,446	-	-	4,525,446	4,410,115	-	-	4,410,115
Supporting services								
Management and general	287,613	-	-	287,613	330,450	-	-	330,450
Special events	246,801	-	-	246,801	207,318	-	-	207,318
Fundraising	230,751	-	-	230,751	185,878	-	-	185,878
Thrift shop	283,544	-	-	283,544	263,535	-	-	263,535
Total supporting services	1,048,709	-	-	1,048,709	987,181	-	-	987,181
Total expenses	5,574,155	-	-	5,574,155	5,397,296	-	-	5,397,296
Changes in net assets	312,314	1,456,492	-	1,768,806	1,035,796	47,700	-	1,083,496
Net assets at the beginning of the year	$ 2,873,539	$ 2,857,338	$ 410,000	$ 6,140,877	$ 1,837,743	$ 2,809,638	410,000	$ 5,057,381
Net assets at the end of the year	$ 3,185,853	$ 4,313,830	$ 410,000	$ 7,909,683	$ 2,873,539	$ 2,857,338	$ 410,000	$ 6,140,877

See accompanying notes to the combined financial statements.

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combined Statements of Cash Flows

December 31,	2014	2013
Cash flows from operating activities:		
Changes in net assets	$ 1,768,806	$ 1,083,496
Adjustments to reconcile the changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	215,183	197,764
Realized and unrealized gains on investments	(11,835)	(28,898)
Changes in operating assets and liabilities:		
Pledges receivable	(710,686)	(1,746)
Grants receivable	108,236	30,798
Prepaid expenses	(13,655)	10,240
Accounts payable and accrued expenses	(104,462)	35,914
Deferred revenue	75,000	-
Total adjustments	(442,219)	244,072
Net cash provided by operating activities	1,326,587	1,327,568
Cash flows from investing activities:		
Purchases of investments	(1,451,482)	(567,187)
Proceeds from sales and maturities of investments	539,776	34,654
Purchases of property and equipment	(244,421)	(348,283)
Decrease (increase) in deposits	11,696	(500)
Net cash used in investing activities	(1,144,431)	(881,316)
Net increase in cash and cash equivalents	182,156	446,252
Cash and cash equivalents at the beginning of the year	874,679	428,427
Cash and cash equivalents at the end of the year	$ 1,056,835	$ 874,679
Supplemental disclosures of cash flow information:		
Cash proceeds from sale of fixed assets	$ -	$ 3,000

See accompanying notes to the combined financial statements.

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combined Statement of Functional Expenses

Year Ended December 31, 2014, with Summarized Comparative Totals for 2013

		Supporting Services						
	Program Services	Management and General	Special Events	Fundraising	Thrift Shop	Total Support Services	Total for the Year Ended December 31, 2014	Total for the Year Ended December 31, 2013
Payroll and payroll taxes	$ 2,968,617	$ 184,546	$ 78,901	$ 184,102	$ 127,283	$ 574,832	$ 3,543,449	$ 3,352,042
Health insurance and other benefits	198,794	12,814	-	16,622	7,871	37,307	236,101	360,376
Food and kitchen supplies	360,689	-	-	-	-	-	360,689	338,641
Rent	-	-	-	-	79,700	79,700	79,700	72,319
Repairs and maintenance	134,424	7,075	-	-	2,071	9,146	143,570	151,479
Depreciation and amortization	202,272	10,759	1,076	1,076		12,911	215,183	197,764
General and business insurance	126,752	2,091	-	-	-	2,091	128,843	135,146
Utilities	177,837	9,459	946	946	13,203	24,554	202,391	165,580
Special events expense	-	-	165,878	-	-	165,878	165,878	145,080
Office expense and supplies	91,206	4,800	-	3,164	7,910	15,874	107,080	103,743
Community education and public relations	30,655	-	-	679	4,632	5,311	35,966	38,046
Professional fees	116,919	54,837	-	2,965	4,274	62,076	178,995	163,390
Children's medical and dental	16,383	-	-	-	-	-	16,383	19,246
Field trips	34,186	-	-	-	-	-	34,186	29,959
Miscellaneous	5,079	232	-	14,541	5,242	20,015	25,094	24,860
Gas, oil and bus transportation	26,503	-	-	-	-	-	26,503	24,271
Cost of thrift shop sales	-	-	-	-	31,355	31,355	31,355	17,602
Donor project expense	6,676	-	-	5,831	-	5,831	12,507	25,901
Taxes and licenses	13,310	1,000	-	-	-	1,000	14,310	13,233
Conference and business travel	12,315	-	-	825	3	828	13,143	15,035
Bad debts	2,829	-	-	-	-	-	2,829	3,583
Total for the year ended December 31, 2014	$ 4,525,446	$ 287,613	$ 246,801	$ 230,751	$ 283,544	$ 1,048,709	$ 5,574,155	
Total for the year ended December 31, 2013	$ 4,410,115	$ 330,450	$ 207,318	$ 185,878	$ 263,535	$ 987,181		$ 5,397,296

See accompanying notes to the combined finanical statements.

1. Organization and Summary of Significant Accounting Policies

Florence Fuller Child Development Centers, Inc. (the Center) was founded in 1969 and incorporated in 1971 as a private, not-for-profit organization devoted to the educational development and care of children. The Center directly manages two child development centers and a thrift shop. In 2015, the Center closed their thrift shop operations. The Center provides economically disadvantaged children and their families with quality infant, pre-school and school-age child care and family support and health services.

Florence Fuller Child Development Foundation, Inc. (the Foundation) was incorporated on June 28, 2002. The Foundation was approved on January 30, 2003 as a private, not-for-profit organization, created as a fundraising arm of the Center. The purpose of the Foundation is to provide long-term endowment funding for the continued operation and growth of the Center.

The Center's support and revenues are received from federal government grants through its funding sources, non-contractual grants designated for certain projects or programs, local public matching funds, contributions from private sources, a thrift shop owned and operated by the Center, and other miscellaneous sources.

The significant accounting policies followed by the Center and the Foundation are described below.

Basis of Presentation

The combined financial statements have been prepared using the accrual basis of accounting. The accompanying combined financial statements include the accounts of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc. (collectively referred to as the Organization). All material inter-organizational transactions and balances have been eliminated in combination.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting year. Actual results may differ from estimates under different assumptions or conditions.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. Unconditional promises to give are presumed to be time-restricted by the donor until received and are reported as temporarily restricted net assets. Wills are recorded as bequest revenue when the probate courts declare the wills valid and the proceeds are measurable.

Contributions are recorded at fair value, which is net of estimated uncollectible amounts. The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions, including multi-year pledges, to be received after one year are recorded at the present value of the estimated future cash flows. Subsequent changes in this discount resulting from the passage of time are accounted for as contributions in subsequent years.

The Organization receives grant funding from federal agencies, state and local governments, and private foundations. Revenue is recognized only to the extent of expenditures under the terms of the grants. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. Excess expenses incurred are borne by the Organization. Unexpended funds are returned to the grantors if required by the grant agreement. Some grant payments are received in advance of related expenditures. These amounts are reflected in the accompanying combined statements of financial position as deferred revenue. As of December 31, 2014 and 2013, deferred revenue balances were $75,000 and $0, respectively.

All other revenues are recognized when earned.

Cash Equivalents

Cash equivalents consist principally of money market funds and amounts held for operations in interest or non-interest bearing accounts with original maturities of three months or less, and exclude cash equivalents held temporarily for long-term investment purposes by investment custodians.

Pledges Receivable

Pledges receivable are recorded at face value, which approximates the present value when computed using interest rates appropriate to the estimated length of time for realization. All pledges receivable are reviewed annually for collectability. Management determines the allowance for doubtful receivables by regularly evaluating individual receivables and considering donor's financial condition and current economic conditions. Management believes that pledges receivable are collectible.

Grants Receivable

Grants receivable represent amounts due for expenditures incurred prior to year-end. Management evaluates all grants receivable on a periodic basis. Management believes that grants receivable are collectible.

Investments

The Organization records investments at fair value. Interest and dividend income is accounted for on the accrual basis. Realized and unrealized gains and losses are included in the accompanying combined statements of activities and changes in net assets.

Property and Equipment

During 2013, the Organization revised its policy to capitalize property and equipment purchases and increased its threshold from $500 to $1,200. The Organization believes the new dollar amount is more representative of its operations. Property and equipment is stated at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment is retired, or otherwise disposed of, the cost and accumulated depreciation and amortization is removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation and amortization of property and equipment is computed on a straight-line basis over the estimated useful lives of five to forty years. Land is not depreciated or amortized. Property and equipment, if donated, is recorded at the approximate fair value on the date of the donation.

Net Assets

The Organization classifies net assets into three categories: unrestricted, temporarily restricted, and permanently restricted. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets - Unrestricted net assets are those net assets that are not subject to donor-imposed stipulations or board designations.

Temporarily restricted net assets - Temporarily restricted net assets generally result from net contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and the restriction removed by actions of the Organization pursuant to those stipulations. 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 accompanying combined statements of activities as net assets released from restrictions. Temporarily restricted contributions with restrictions that are fulfilled in the same fiscal year that the contributions are received are reported in the accompanying combined statements of activities and changes in net assets as unrestricted contributions.

Permanently restricted net assets - Permanently restricted net assets generally result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization. Generally, the donors of these assets permit the Organization to use the income earned on related investments for general or specific purposes

The Organization's donor-restricted endowment is subject to the authoritative guidance issued by the Financial Accounting Standards Board (the FASB) on net asset classification of endowment funds, such that earnings on donor-restricted endowment funds are reflected as temporarily restricted net assets until spent.

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying combined statements of activities and changes in net assets. Certain program and support expenses, such as salaries, benefits and other administrative costs, are allocated among programs, management and general, special events, fundraising, and thrift shop based on management's analysis of these costs.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except for income from activities not related to its tax-exempt purpose, which primarily includes rental income. No provision for income taxes was recorded during the years ended December 31, 2014 or 2013 since the Organization had no significant unrelated business income. The Organization is not a private foundation pursuant to section 509(a)(1) of the IRC.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, the Organization recognizes tax liabilities for uncertain tax positions when it is more likely than not that a tax position will not be sustained upon examination and settlement with various taxing authorities. Liabilities for uncertain tax positions are measured based upon the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2010 and prior.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets under authoritative guidance issued by FASB, which requires that long-lived assets and certain intangible assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell. No indicators of impairment were identified for the years ended December 31, 2014 and 2013.

Fair Value of Financial Instruments

The fair value of the Organization's cash and cash equivalents, grants receivable, pledges receivable, investments, and accounts payable and accrued expenses approximates their carrying amounts due to the relatively short maturity of these items.

Concentrations of Credit Risk

The Organization's assets that are exposed to credit risk consist primarily of cash and cash equivalents, investments, pledges receivable and grants receivable. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2014 approximate $783,000. The Organization invests its excess cash and cash equivalents, and maintains its investments with highquality financial institutions. The Organization performs yearly evaluations of these institutions for relative credit standing. Management regularly monitors the composition and maturities of investments. Investments are subject to market fluctuations that may materially affect the investment balances. Grants receivable consist primarily of amounts due from various agencies of the federal government, private foundations, or corporations. Pledges receivable consist mainly of amounts due from individuals, corporations and other not-for-profit organizations. Historically, the Organization has not experienced significant losses related to pledges and grants receivable and, therefore, believes that the credit risk related to these receivables is minimal.

New Accounting Pronouncements

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate (ASU 2013-06)*. The amendments in ASU 2013-06 require a recipient not-for-profit entity to recognize all services from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments are effective prospectively for fiscal years beginning after June 15, 2014. Management is evaluating the potential impact of this new guidance on the combined financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new guidance establishes a comprehensive revenue recognition standard for virtually all industries under accounting principles generally accepted in the United States of America, including those that previously followed industry-specific guidance. The principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective beginning on January 1, 2018. Management is evaluating the potential impact of this new guidance on the combined financial statements.

Reclassifications

Certain amounts presented in the 2013 combined financial statements have been reclassified to conform to the 2014 presentation. These reclassifications have no effect on the previously recorded net income.

2. Pledges Receivable

Pledges receivable consist of the following at December 31:

	2014	2013
Due in less than one year	$ 654,369	$ 83,964
Due in one to five years	140,281	-
	$ 794,650	$ 83,964

3. Investment Income

Investment income consists of the following for the years ended December 31:

	2014	2013
Interest and dividend income	$ 72,161	$ 36,006
Net unrealized and realized gains on investments	11,835	28,898
	$ 83,996	$ 64,904

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2014	2013
Buildings	$ 3,271,075	$ 3,271,075
Campus improvements	832,570	738,310
Land	410,000	410,000
Vehicles	294,675	294,675
Machinery and equipment	306,445	269,714
Computer equipment	208,236	221,749
Construction in progress	186,548	106,210
Computer software	95,855	92,685
Furniture and fixture	70,867	67,004
	5,676,271	5,471,422
Less: accumulated depreciation and amortization	(2,747,845)	(2,572,234)
	$ 2,928,426	$ 2,899,188

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following at December 31:

	2014	2013
Accounts payable	$ 276,525	$ 267,761
Accrued payroll	43,164	154,318
Accrued sick leave	93,385	95,457
	$ 413,074	$ 517,536

Prior to January 2008, accrued sick leave for full-time employees was accumulated one day per month and pro-rated for part-time employees based on the actual hours worked. The Organization's policy also allowed the year-to-year accumulation of unused sick leave credit. Upon termination, employees are paid bi-weekly for unused sick leave in accordance with the Organization's policy. Beginning in January 2008, the Organization adopted a new sick leave policy that eliminated the yearly accumulation of future sick leave credits. The value of accumulated sick leave payable for sick leave credit accumulated prior to the change in policy is expected to be settled in accordance with the Organization's policy.

6. Bank Line-of-Credit

The Organization has a bank line-of-credit under which it may borrow up to $500,000 from a commercial bank. Borrowings under the line-of-credit accrue interest, due monthly, at the bank's variable base rate (4% as of December 31, 2014). The bank-line-of-credit is due on demand, and is secured by the Organization's investment balance account. There were no outstanding balances due under the bank line-of-credit as of December 31, 2014. The line-of-credit expires, if not renewed, on August 31, 2015.

7. Employee Benefit Plan

The Organization maintains a defined contribution 401(k) profit sharing plan (the Plan) covering all full-time employees fulfilling certain minimum age and service requirements. Under the Plan, eligible employees may defer a portion of their earnings up to the annual contribution limit allowed by the Internal Revenue Service. The Organization may contribute a discretionary matching contribution to the Plan. The Organization recorded matching contributions of $16,979 and $17,791 to the Plan for the years ended December 31, 2014 and 2013, respectively.

8. Fair Value Measurements

Certain assets are recorded at fair value. Fair value is defined as the price that would be received to sell an asset between market participants in an orderly transaction on the measurement date. The market in which the reporting entity would sell the asset with the greatest volume and level of activity for the asset is known as the principal market. When no principal market exists, the most advantageous market is used. This is the market in which the reporting entity would sell the asset with the price that maximizes the amount that would be received. Fair value is based on assumptions market participants would make in pricing the asset. Generally, fair value is based on observable quoted market prices or derived from observable market data when such market prices or data are available. When such prices or inputs are not available, the reporting entity should use valuation models.

The Organization's assets recorded at fair value are categorized based on the priority of the inputs used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The inputs used in measuring fair value are categorized into three levels, as follows:

- **Level 1** - Inputs are based upon quoted prices for identical instruments traded in active markets.
- **Level 2** - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.

- **Level 3** - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The following section describes the valuation methodologies the Organization uses to measure its assets at fair value.

Investments

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. If quoted prices in active markets for identical assets are not available to determine fair value, then the Organization uses quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly. These investments are included in Level 2.

Fair value on a recurring basis

Investments measured at fair value on a recurring basis are summarized below:

	As of December 31, 2014			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds				
Fixed income	$ 1,139,046	$ 1,139,046	$ -	$ -
Large cap growth	372,506	372,506	-	-
International equity	263,957	263,957	-	-
Real asset	162,483	162,483	-	-
Mid-cap growth	91,834	91,834	-	-
Small growth	70,160	70,160	-	-
Total mutual funds	2,099,986	2,099,986	-	-
Cash and money market accounts	1,125,653	1,125,653	-	-
International bond	10,811	-	10,811	-
Preferred stock	750	-	750	-
Total	$ 3,237,200	$ 3,225,639	$ 11,561	$ -

	As of December 31, 2013			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds				
Fixed income	$ 1,037,742	$ 1,037,742	$ -	$ -
Large cap growth	86,548	86,548	-	-
Large cap value	46,802	46,802	-	-
International equity	125,212	125,212	-	-
Mid-cap growth	52,122	52,122	-	-
Small growth	40,232	40,232	-	-
Equity blend	109,952	109,952	-	-
Common stock	5,059	5,059	-	-
Real asset	117,987	117,987	-	-
Total mutual funds	1,621,656	1,621,656	-	-
Cash and money market accounts	681,246	681,246	-	-
International bond	10,007	-	10,007	-
Preferred stock	750	-	750	-
Total	$ 2,313,659	$ 2,302,902	$ 10,757	$ -

9. Net Assets

Unrestricted Net Assets

At December 31, 2014 and 2013, unrestricted net assets include $3,185,853 and $2,873,539, respectively, to be used to support the Organization's general operations, capital expenditures, and general operating deficits, subject to approval by the Executive Committee.

Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	2014	2013
Future building renovations	$ 2,494,992	$ 957,386
Building renovations and improvements	1,711,184	1,706,265
Perper Trust for facilities	45,659	76,891
Pre-school scholarships	38,441	38,441
Other	12,265	9,871
Music program	11,289	16,289
Coventry health insurance	-	36,403
Phone and IT system	-	15,792
	$ 4,313,830	$ 2,857,338

At December 31, 2014 and 2013, building renovations and improvements at the West Campus totaling $776,256 and $731,220 (net of accumulated depreciation and amortization), respectively, are subject to an agreement with the donor that, should the Center cease to use the property for the purpose of operating a child care facility for low-income families, these assets would revert to the donor.

At December 31, 2014 and 2013, building renovations and improvements at the East Campus totaling $934,928 and $975,045 (net of accumulated depreciation and amortization), respectively, are built on land subject to a lease agreement. Under the terms of this agreement, these assets must be used to operate a child care facility for low-income families. Upon termination of the lease, these assets would revert to the lessor.

During the years ended December 31, 2014 and 2013, temporarily restricted net assets were released from donor restrictions as the Center incurred expenses satisfying the restricted purposes as follows:

	2014	2013
Future building renovations	$ 110,544	$ 5,175
Building renovations and improvements	75,416	75,416
Coventry health insurance	36,403	48,597
Perper Trust for facilities	31,232	223,109
Phone and IT system	15,792	25,000
Other	7,655	29,406
Music program	5,000	4,911
Betsy Hoak (Sortino Trust)	-	29,790
	$ 282,042	$ 441,404

Permanently Restricted Net Assets

Land

Land at the West Campus totaling $410,000 at December 31, 2014 and 2013 is subject to an agreement with the donor that, should the Center cease to use the property for the purpose of operating a child care facility for low-income families, the land would automatically revert to the donor.

10. Related Party Transactions

In September 2014, the Organization signed a Memorandum of Understanding (MOU) agreement with the Boca Raton Children's Museum (CM), which established CM as an affiliate of the Organization. Boca Raton Children's Museum is a nonprofit corporation that is committed to develop creative and critical thinking skills in children through exposure to arts and humanities integrated with history and science.

CM reimburses the Organization for certain expenses paid by the Organization on behalf of CM. During the years ended December 31, 2014 and 2013, $2,600 and $0, was reimbursed to the Organization on behalf of CM. CM has entered into agreement with the Organization for contracted services. For the years ended December 31, 2014 and 2013, respectively, $15,000 and $0 was charged by the Organization for these services. These revenues are included in other income in the accompanying combined statements of activities and changes in net assets. As of December 31, 2014 and 2013, $16,006 and $0, respectively, was receivable from CM for services provided. These receivables are included in prepaid and other assets in the accompanying combined statements of financial position.

The accompanying combined financial statements exclude the accounts of CM. Although FFCDC has a majority interest on the board of CM, it does not have any economic interest in CM.

11. Major Grantors And Donor

For the years ended December 31, 2014 and 2013, two grantors/donors accounted for 32% and 35%, respectively, of the Organization's total revenue. As of December 31, 2014 and 2013, one and two grantors/donors accounted for 23% and 83%, respectively, of the Organization's total grants and pledges receivable.

12. Commitments

The Organization's East Boca Raton thrift shop is leased under the terms of a noncancellable operating lease agreement which expires in March 2015. The operating lease agreement provides for an annual escalation of 4% to 8% of the base rent. The Organization is also responsible for certain operating expenses. As of December 31, 2014, the Organization had a total of $18,000 of the future minimum lease payments to be paid under the operating lease in 2015. The Organization did not renew the lease following the expiration in March 2015.

Rent expense for the thrift shop for each of the years ended December 31, 2014 and 2013 was $79,700 and $72,319, respectively.

A portion of the property at the Organization's East Campus is leased from the City of Boca Raton for $1 per year. There are no defined lease terms or periods. The fair value of the operating land lease expense cannot be reasonably estimated and, as such, is not reflected in the accompanying combined financial statements.

Contingencies

Grants

The Organization participates in various federal-assisted grant programs that are subject to review and audit by the respective grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the Organization. The Organization has not provided for any liabilities that may arise from such audits.

As the revenue from these federal assisted grant programs is significant to the combined financial statements, reduction or loss of funding from these grant programs may affect the Organization's ability to operate in its present form.

13. Subsequent Events

The Organization has evaluated its December 31, 2014 combined financial statements for subsequent events through August 3, 2015, the date the combined financial statements were available to be issued. Except as noted below, the Organization is not aware of any subsequent events which would require recognition or disclosure in the combined financial statements, except as disclosed in Note 1.

Supplementary Schedule

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Independent Auditor's Report on Supplementary Information

Board of Directors
Florence Fuller Child Development Centers, Inc. and
Florence Fuller Child Development Foundation, Inc.
Boca Raton, Florida

Our audit of the combined financial statements as of and for the year ended December 31, 2014 included in the preceding section of this report was conducted for the purpose of forming an opinion on those combined statements as a whole. The supplementary information presented in the following section of this report is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

BDO USA, LLP

Miami, Florida
August 3, 2015

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Combining Statement of Activities and Changes in Net Assets

Year Ended December 31, 2014

	Florence Fuller Child Development Centers, Inc.	Florence Fuller Foundation	Elimination	Combined Total
Support and revenues				
Grants	$ 2,874,547	$ -	$ -	$ 2,874,547
Contributions from private sources	845,671	1,653,296	-	2,498,967
Program service fees	806,374	-	-	806,374
Special events	712,002	-	-	712,002
Thrift shop revenues	318,091	-	-	318,091
Bequest and other income	48,984	-	-	48,984
Investment income	162	83,834	-	83,996
Total support and revenues	5,605,831	1,737,130	-	7,342,961
Expenses				
Program services	4,525,446	-	-	4,525,446
Supporting services				
Management and general	262,828	24,785	-	287,613
Special events	246,801	-	-	246,801
Fundraising	230,751	-	-	230,751
Thrift shop	283,544	-	-	283,544
Total supporting services	1,023,924	24,785	-	1,048,709
Total expenses	5,549,370	24,785	-	5,574,155
Changes in net assets	56,461	1,712,345	-	1,768,806
Net assets at the beginning of the year	4,715,171	1,425,706	-	$ 6,140,877
Net assets at the end of the year	$ 4,771,632	$ 3,138,051	$ -	$ 7,909,683

See independent auditor's report on supplementary information.

Schedule of Expenditures of Federal Awards

Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.

Schedule of Expenditures of Federal Awards

Year ended December 31, 2014

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	2014 Federal Expenditures
U.S. Department of Health and Human Services			
Pass-through from Palm Beach County Head Start / Early Head Start Programs	93.600	FLOR0401	$ 407,733
Pass-through from Lutheran Services Head Start / Early Head Start Programs	93.600	04CH4702/01	472,235
Total U.S Department of Health and Human Services			879,968
U.S. Department of Agriculture			
Pass-through from Florida Department of Health Child and Adult Care Food Program	10.558	S - 649	488,854
Total U.S Department of Agriculture			488,854
Total			$ 1,368,822

See independent auditor's report and notes to the schedule of expenditures of federal awards.

1. Basis Of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.'s (the Organization) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic combined financial statements.

2. Subrecipients

There were no federal awards provided to subrecipients during the year ended December 31, 2014.

3. Reconciliation of Schedule of Expenditures of Federal Awards to the Statement of Activities and Change in Net Assets

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown in the accompanying combined statement of activities and change in net assets for the year ended December 31, 2014:

Total expenditures per schedule	$ 1,368,822
Add: non-federal government grants (relates to state, county and city grants)	1,480,725
Add: non-government grants	25,000
Total grants revenue per the combined statement of activities and changes in net assets	$ 2,874,547

Independent Auditor's Reports Required by *Government Auditing Standards* and OMB Circular A-133

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Florence Fuller Child Development Centers, Inc. and
Florence Fuller Child Development Foundation, Inc.
Boca Raton, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc (the Organization), which comprise the statement of financial position as of December 31, 2014, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated August 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

Miami, Florida
August 3, 2015

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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Board of Directors
Florence Fuller Child Development Centers, Inc. and
Florence Fuller Child Development Foundation, Inc.
Boca Raton, Florida

Report on Compliance for Each Major Federal Program

We have audited Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.'s (the Organization's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2014. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Miami, Florida
August 3, 2015

Schedule of Findings and Questioned Costs

Section I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified	______	Yes	X	None reported
Noncompliance material to financial statements noted?	______	Yes	X	No

Federal Awards

Internal control over major program:				
• Material weaknesses identified?	______	Yes	X	No
• Significant deficiencies identified	______	Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	______	Yes	X	No

Identification of major federal program:

Contract Number	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? X Yes ______ No

Section II - Financial Statement Findings

There were no financial statement findings identified during the 2014 audit.

Section III - Federal Program Audit Findings

There were no findings and questioned costs for federal awards as defined in Section 510(a) of the circular that are required to be reported.

Schedule of Prior Year Audit Findings

There were no findings noted during the 2013 audit.