AUDITED COMBINED FINANCIAL STATEMENTS

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

DECEMBER 31, 2011 AND 2010

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CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florence Fuller Child Development Centers, Inc. and Affiliate
Boca Raton, Florida

We have audited the accompanying combined statements of financial position of Florence Fuller Child Development Centers, Inc. and Affiliate (the Organization) as of December 31, 2011 and 2010, the related combined statements of activities and change in net assets, and of cash flows for the years then ended, and the related combined statement of functional expenses for the year ended December 31, 2011. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. The 2010 summarized comparative information included in the combined statement of functional expenses for the year ended December 31, 2011 has been derived from the Organization's December 31, 2010 combined financial statements, and, in our report dated July 26, 2011, we expressed an unqualified opinion on those combined financial statements.

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 combined financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Florence Fuller Child Development Centers, Inc. and Affiliate as of December 31, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Argy, Wiltse & Robinson, P.C.

Fort Lauderdale, Florida
August 10, 2012

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FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents	$ 569,530	$ 293,287
Certificate of deposit	0	33,342
Pledges receivable	922,948	90,250
Grants receivable	311,257	446,683
Prepaid expenses	91,751	113,482
Total current assets	1,895,486	977,044
Investments	820,073	749,613
Property and equipment, net	2,591,824	2,703,553
Deposits	19,111	18,128
Total assets	$ 5,326,494	$ 4,448,338
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 570,335	$ 513,601
Total liabilities	570,335	513,601
Commitments and contingencies		
Net assets		
Unrestricted	1,604,807	1,468,027
Temporarily restricted	2,741,352	1,902,640
Permanently restricted	410,000	564,070
Total net assets	4,756,159	3,934,737
Total liabilities and net assets	$ 5,326,494	$ 4,448,338

The accompanying notes are an integral part of these combined financial statements.

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Year Ended December 31, 2011				Year Ended December 31, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Grants	$ 2,996,037	$ 0	$ 0	$ 2,996,037	$ 2,870,252	$ 0	$ 0	$ 2,870,252
Contributions from private sources	488,684	958,455	0	1,447,139	593,315	0	0	593,315
Program service fees	883,070	0	0	883,070	848,813	0	0	848,813
Special events	620,367	0	0	620,367	456,437	0	0	456,437
Thrift shop revenues	367,779	0	0	367,779	400,577	0	0	400,577
Rental income - thrift shop	99,539	0	0	99,539	99,539	0	0	99,539
Bequest and other income	20,521	0	0	20,521	19,824	0	0	19,824
Investment income	2,391	7,063	0	9,454	37,600	6,357	0	43,957
Net assets released from restrictions	280,876	(126,806)	(154,070)	0	82,681	(82,681)	0	0
Total support and revenues	5,759,264	838,712	(154,070)	6,443,906	5,409,038	(76,324)	0	5,332,714
Expenses								
Program services	4,504,816	0	0	4,504,816	4,351,362	0	0	4,351,362
Supporting services								
Management and general	301,139	0	0	301,139	305,594	0	0	305,594
Special events	198,623	0	0	198,623	180,409	0	0	180,409
Fundraising	175,266	0	0	175,266	154,833	0	0	154,833
Thrift shop	442,640	0	0	442,640	472,092	0	0	472,092
Total supporting services	1,117,668	0	0	1,117,668	1,112,928	0	0	1,112,928
Total expenses	5,622,484	0	0	5,622,484	5,464,290	0	0	5,464,290
Change in net assets	136,780	838,712	(154,070)	821,422	(55,252)	(76,324)	0	(131,576)
Net assets at the beginning of the year	1,468,027	1,902,640	564,070	3,934,737	1,523,279	1,978,964	564,070	4,066,313
Net assets at the end of the year	$ 1,604,807	$ 2,741,352	$ 410,000	$ 4,756,159	$ 1,468,027	$ 1,902,640	$ 564,070	$ 3,934,737

The accompanying notes are an integral part of these combined financial statements.

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 821,422	$ (131,576)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	174,853	170,426
Realized and unrealized losses (gains) on investments	18,672	(13,482)
Loss on disposal of property and equipment	306	0
Changes in operating assets and liabilities:		
Pledges receivable	(832,698)	(56,250)
Grants receivable	135,426	(45,285)
Prepaid expenses	21,731	(43,554)
Accounts payable and accrued expenses	56,734	61,326
Total adjustments	(424,976)	73,181
Net cash provided by (used in) operating activities	396,446	(58,395)
Cash flows from investing activities:		
Purchases of investments	(262,732)	(1,377,305)
Proceeds from sales and maturities of investments	173,600	1,389,268
Proceeds from sale of certificate of deposit	33,342	0
Purchases of property and equipment	(63,430)	(45,352)
Increase in deposits	(983)	(109)
Net cash used in investing activities	(120,203)	(33,498)
Cash flows from financing activity:		
Payment under capital lease obligation	0	(10,754)
Net cash used in financing activity	0	(10,754)
Net increase (decrease) in cash and cash equivalents	276,243	(102,647)
Cash and cash equivalents at the beginning of the year	293,287	395,934
Cash and cash equivalents at the end of the year	$ 569,530	$ 293,287

The accompanying notes are an integral part of these combined financial statements.

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011, WITH COMPARATIVE TOTALS FOR 2010

		Supporting Services						
	Program Services	Management and General	Special Events	Fundraising	Thrift Shop	Total Support Services	Total for the Year Ended December 31, 2011	Total for the Year Ended December 31, 2010
Payroll and payroll taxes	$ 2,896,467	$ 211,348	$ 57,671	$ 134,567	$ 155,535	$ 559,121	$ 3,455,588	$ 3,311,646
Health insurance and other benefits	330,463	24,629	6,445	15,038	17,172	63,284	393,747	429,821
Food and kitchen supplies	360,505	0	0	0	0	0	360,505	383,912
Rent	0	0	0	0	199,079	199,079	199,079	199,079
Repairs and maintenance	162,053	8,529	0	0	5,750	14,279	176,332	149,955
Depreciation and amortization	164,362	8,743	874	874	0	10,491	174,853	170,426
General and business insurance	149,881	1,771	0	0	0	1,771	151,652	117,619
Utilities	122,009	6,490	649	649	12,507	20,295	142,304	136,191
Special events expense	0	0	132,984	0	0	132,984	132,984	129,680
Office expense and supplies	94,114	4,953	0	11,082	10,481	26,516	120,630	99,999
Community education and public relations	53,533	0	0	570	9,958	10,528	64,061	78,559
Professional fees	17,947	34,067	0	0	0	34,067	52,014	58,428
Children's medical and dental	39,317	0	0	0	0	0	39,317	39,389
Field trips	34,265	0	0	0	0	0	34,265	34,841
Miscellaneous	11,432	0	0	11,452	6,783	18,235	29,667	29,027
Gas, oil and bus transportation	27,594	0	0	0	0	0	27,594	25,529
Cost of thrift shop sales	0	0	0	0	25,045	25,045	25,045	46,268
Donor project expense	18,071	0	0	0	0	0	18,071	0
Taxes and licenses	11,563	609	0	10	0	619	12,182	9,014
Conference and business travel	7,695	0	0	1,024	330	1,354	9,049	11,540
Bad debts	3,545	0	0	0	0	0	3,545	3,367
Total for the year ended December 31, 2011	$ 4,504,816	$ 301,139	$ 198,623	$ 175,266	$ 442,640	$ 1,117,668	$ 5,622,484	
Total for the year ended December 31, 2010	$ 4,351,362	$ 305,594	$ 180,409	$ 154,833	$ 472,092	$ 1,112,928		$ 5,464,290

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION AND 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. 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 accrual basis of accounting. The accompanying combined financial statements include the accounts of Florence Fuller Child Development Centers, Inc. and its affiliate, the 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.

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 as 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 change in net assets.

The certificate of deposit is recorded at cost, which approximates fair value.

Property and equipment

The Organization's policy is to capitalize property and equipment purchases in excess of $500. 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 market 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 change 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 change 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, 2011 or 2010 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. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended December 31, 2007 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, 2011 and 2010.

Fair value of financial instruments

The fair value of the Organization's cash and cash equivalents, grants receivable, pledges receivable, 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 balances are maintained at high-quality financial institutions and the Organization believes the credit risk related to these cash and cash equivalents balances is minimal. The Organization invests its excess cash and cash equivalents, and maintains its investments with high-quality 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.

Subsequent events

The Organization has evaluated its December 31, 2011 combined financial statements for subsequent events through August 10, 2012, the date the combined financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the combined financial statements, except as discussed in Note 11.

Recent accounting guidance not yet adopted

In May 2011, the FASB issued guidance to amend the accounting and disclosure requirements on fair value measurements. The new guidance limits the highest-and-best-use measure to nonfinancial assets, permits certain financial assets and liabilities with offsetting positions in market or counterparty credit risks to be measured at a net basis, and provides guidance on the applicability of premiums and discounts. Additionally, the new guidance changes the wording used to describe many of the requirements under current authoritative guidance for measuring fair value. The new guidance will be effective for years beginning after December 15, 2011, and will be applied prospectively. Other than requiring additional disclosures, the adoption of this new guidance is not expected to have a material impact on the accompanying combined financial statements.

Reclassifications

Certain amounts in the 2010 combined financial statements have been reclassified to conform to the 2011 presentation. These reclassifications have no effect on the previously reported change in net assets.

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable consists of the following at December 31:

	2011	2010
Due in less than one year	$ 202,948	$ 90,250
Due in one to five years	720,000	0
	$ 922,948	$ 90,250

NOTE 3 - INVESTMENT INCOME

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

	2011	2010
Interest and dividend income	$ 28,126	$ 30,475
Net unrealized and realized (losses) gains on investments	(18,672)	13,482
	$ 9,454	$ 43,957

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2011	2010
Land	$ 410,000	$ 410,000
Buildings	3,271,074	3,271,074
Campus improvements	465,181	420,076
Vehicles	243,966	243,966
Machinery and equipment	220,013	217,802
Computer equipment	89,853	89,853
Computer software	75,093	69,768
Furniture and fixture	59,386	59,386
	4,834,566	4,781,925
Less: accumulated depreciation and amortization	(2,242,742)	(2,078,372)
	$ 2,591,824	$ 2,703,553

Depreciation and amortization expense on property and equipment aggregated $174,853 and $170,426 for the years ended December 31, 2011 and 2010, respectively.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2011	2010
Accounts payable	$ 170,113	$ 160,359
Accrued sick leave	167,264	187,371
Accrued payroll	133,418	126,055
Accrued rent	99,540	39,816
	$ 570,335	$ 513,601

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.

NOTE 6 - GRANTS REVENUE

Grants revenue consists of the following for the years ended December 31:

	2011	2010
Government:		
Head Start and Early Head Start programs, for reimbursement through Palm Beach County*	$ 1,185,390	$ 1,148,686
Federal, state and county funds received under subsidized Child Care Fund passed through from Family Central, Inc. for reimbursement of child care expenses for the economically disadvantaged	1,003,901	1,054,122
USDA Child Care Food Program for reimbursement through Florida Department of Education and Florida Department of Health	510,711	500,958
City of Boca Raton	43,800	43,800
Total government	2,743,802	2,747,566
Non-government:		
James Annenberg LeVee	58,292	0
Sun Sentinel Children's Fund	25,000	10,000
Schmidt Family Foundation	20,000	20,000
The Harold & Faye Liss Foundation	20,000	0
Boca Raton Regional Hospital	15,000	15,000
Morgan Stanley	15,000	10,000
Wells Fargo	10,500	5,677
Libra Foundation	10,000	6,200
Bank of America Summer Camp	10,000	10,000
Levitetz Family Foundation	10,000	0
Share Our Strength	9,537	13,809
Jarden Consumer Solutions	8,000	10,000
Publix Supermarket Charities	8,000	0
Polly Annenberg LeVee	5,406	0
Raymond George & Ruth Bitner Fisher Foundation	5,000	5,000
John & Nellie Bastien Memorial Foundation	5,000	4,000
The Jacob S. Zweig Foundation Inc.	3,000	0
Macy's	2,500	0
Wells Fargo For Shoes	2,500	0
The EIS Foundation	2,000	0
Coyne Family Foundation	1,500	2,500
Soroptimist International of Boca Raton	1,200	0
The Daphne Seybolt Culpeper Memorial Foundation	1,000	1,000
Make A Difference Foundation	1,000	1,000
Comerica Bank	1,000	500
Allstate	1,000	0
Florida Marlins	500	0
Office Depot Foundation	300	1,000
American Alliance Head Start Body Start	0	5,000
Target	0	2,000
Total non-government	252,235	122,686
Total grants	$ 2,996,037	$ 2,870,252

* During 2011 and 2010, the Organization received $374,583 and $386,926 of local matching funds which are included in total government grants.

NOTE 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 $14,292 and $15,378 to the Plan for the years ended December 31, 2011 and 2010, respectively.

NOTE 8 - FAIR VALUE MEASUREMENTS

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 or minimizes the amount that would be paid. 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 that 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 that 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	Fair Value Measurements at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Fixed income	$ 545,074	$ 0	$ 0	$ 545,074
Large cap growth	68,634	0	0	68,634
Large cap value	57,547	0	0	57,547
International equity	32,227	0	0	32,227
Small cap	27,647	0	0	27,647
Total mutual funds	731,129	0	0	731,129
Common stocks				
Financial	2,617	0	0	2,617
Total common stocks	2,617	0	0	2,617
Cash and money market accounts	75,578	0	0	75,578
International bond	0	9,999	0	9,999
Preferred stock	0	750	0	750
Total assets at fair value	$ 809,324	$ 10,749	$ 0	$ 820,073

	Fair Value Measurements at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Fixed income	$ 512,351	$ 0	$ 0	$ 512,351
Large cap value	59,152	0	0	59,152
Large cap growth	58,638	0	0	58,638
International equity	36,684	0	0	36,684
Small cap	30,845	0	0	30,845
Total mutual funds	697,670	0	0	697,670
Cash and money market accounts	41,194	0	0	41,194
International bond	0	9,999	0	9,999
Preferred stock	0	750	0	750
Total assets at fair value	$ 738,864	$ 10,749	$ 0	$ 749,613

NOTE 9 - NET ASSETS

Unrestricted net assets

At December 31, 2011 and 2010, unrestricted net assets include $1,604,807 and $1,468,027, 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:

	2011	2010
Building renovations and improvements	$ 1,751,328	$ 1,830,754
Future building renovations	925,000	16,277
Pre-school scholarships	38,441	38,441
Phone system	15,792	0
Children playground and other	9,354	9,354
Other	1,437	1,457
Elmore endowment	0	6,357
	$ 2,741,352	$ 1,902,640

At December 31, 2011 and 2010, building renovations and improvements at the West Campus totaling $696,048 and $732,233 (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, 2011 and 2010, building renovations and improvements at the East Campus totaling $1,055,280 and $1,098,521 (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, 2011 and 2010, temporarily restricted net assets were released from donor restrictions as the Center incurred expenses satisfying the restricted purposes as follows:

	2011	2010
Building renovations and improvements	$ 79,426	$ 82,551
Phone system	17,663	0
Future building renovations	16,277	0
Endowment	13,420	0
Other	20	130
	$ 126,806	$ 82,681

Permanently restricted net assets

Land

Land at the West Campus totaling $410,000 at December 31, 2011 and 2010 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.

Endowment

Through June 2011, the Organization’s endowment consisted of a donor-restricted endowment fund. On June 24, 2011, the Circuit Court of Palm Beach County terminated the endowment fund’s underlying trust for the benefit of the Organization, which allowed the Organization to reclassify the endowment fund from permanently and temporarily restricted net assets to unrestricted net assets. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The donor’s intent in contributing to the Organization’s endowment fund was to provide an ongoing source of funding for the Center’s libraries. The annual interest income from the underlying trust fund was used to maintain the libraries and for the purchase of books, other learning materials and supplies for the libraries. The investment committee of the Board of Directors was responsible for the oversight and management of the Organization’s endowment.

The Board of Directors of the Organization has interpreted the Florida Uniform Management of Institutional Funds Act (UMIFA) as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of the endowment fund shall be donor-restricted until appropriated for expenditure by the Board of Directors. The Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UMIFA. In accordance with UMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

The following table presents the endowment-related balances and activities by net asset classification as of and for the years ended December 31, 2011 and 2010:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, balance at December 31, 2009	$ 0	$ 154,070	$ 154,070
Investment return			
Investment income	6,770	0	6,770
Net loss	(413)	0	(413)
Total investment return	6,357	0	6,357
Endowment net assets, balance at December 31, 2010	6,357	154,070	160,427
Investment income	7,063	0	7,063
Release from restriction	(13,420)	(154,070)	(167,490)
Endowment net assets, balance at December 31, 2011	$ 0	$ 0	$ 0

The Organization 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 the donor-restricted fund that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to maximize the total rate of return for assets consistent with prudent investment management, taking into consideration the potential for market appreciation, the safety of principal, and income.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The purpose of the Organization's endowment fund is to achieve, over a full-market cycle, a real rate of return in interest and dividends.

The Organization's Board of Directors has authorized an annual distribution of interest and dividends generated by the fund. Such distributions are made at senior management's discretion and may be used in the current and/or in a subsequent fiscal year to cover a portion of Organization expenses not reimbursed by external project funding. Any portion of the principal that is distributed needs approval of the Organization's Board of Directors.

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level the donor or UMIFA requires the Organization to retain as a fund of perpetual duration. When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. There were no such deficiencies as of December 31, 2011 or 2010.

NOTE 10 - MAJOR GRANTORS AND DONOR

For the year ended December 31, 2011, two grantors and one donor accounted for 57% of the Organization's total revenue. For the year ended December 31, 2010, two grantors accounted for 50% of the Organization's total revenue. For the years ended December 31, 2011 and 2010, these grantors and donor accounted for 95% and 74%, respectively, of the Organization's grants and pledges receivable.

NOTE 11 - COMMITMENTS

The Organization's East Boca Raton thrift shop is leased under the terms of a noncancellable operating lease agreement which expired on January 31, 2012. The Organization subleases 50% of the premises. The operating lease agreement provides for an annual 3.5% escalation of the base rent. The Organization is also responsible for certain operating expenses. As of December 31, 2011, the Organization had a future minimum lease payment of $13,000 required under this operating lease. Subsequent to January 2012, the Organization is leasing the same space on a month-to-month basis, until a new lease agreement is negotiated. The sublease agreement was terminated in February 2012.

Rent expense for the thrift shop for each of the years ended December 31, 2011 and 2010 was $199,079. The Organization received sublease rental income of $99,539 for each of the years ended December 31, 2011 and 2010.

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.

NOTE 12 - 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.