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

Combined Financial Statements
Years Ended December 31, 2013 and 2012

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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

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, 2013 and 2012, and the related combined statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

BDO USA, LLP

Fort Lauderdale, Florida
August 12, 2014

Financial Statements

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

Combined Statements of Financial Position

December 31,	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 874,679	$ 428,427
Pledges receivable	83,964	82,218
Grants receivable	377,790	408,588
Prepaid expenses	87,437	97,677
Total current assets	1,423,870	1,016,910
Investments	2,313,659	1,752,228
Property and equipment, net	2,899,188	2,748,669
Deposits	21,696	21,196
Total assets	$ 6,658,413	$ 5,539,003
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	$ 517,536	$ 481,622
Total liabilities	517,536	481,622
Commitments and contingencies		
Net assets		
Unrestricted	2,873,539	1,837,743
Temporarily restricted	2,857,338	2,809,638
Permanently restricted	410,000	410,000
Total net assets	6,140,877	5,057,381
Total liabilities and net assets	$ 6,658,413	$ 5,539,003

See accompanying notes to the combined financial statements.

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

Combined Statements of Activities and Changes in Net Assets

	Year Ended December 31, 2013				Year Ended December 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Grants	$ 3,182,464	$ -	$ -	$ 3,182,464	$ 2,932,686	$ -	$ -	$ 2,932,686
Contributions from private sources	817,336	489,104	-	1,306,440	717,552	217,754	-	935,306
Program service fees	869,390	-	-	869,390	866,629	-	-	866,629
Special events	675,344	-	-	675,344	733,114	-	-	733,114
Thrift shop revenues	334,324	-	-	334,324	345,619	-	-	345,619
Rental income - thrift shop	-	-	-	-	8,295	-	-	8,295
Bequest and other income	44,926	-	-	44,926	51,424	-	-	51,424
Investment income	64,904	-	-	64,904	72,762	-	-	72,762
Gain on sale of fixed asset	3,000	-	-	3,000	-	-	-	-
Net assets released from restrictions	441,404	(441,404)	-	-	149,468	(149,468)	-	-
Total support and revenues	6,433,092	47,700	-	6,480,792	5,877,549	68,286	-	5,945,835
Expenses								
Program services	4,410,115	-	-	4,410,115	4,521,737	-	-	4,521,737
Supporting services								
Management and general	330,450	-	-	330,450	366,800	-	-	366,800
Special events	207,318	-	-	207,318	225,331	-	-	225,331
Fundraising	185,878	-	-	185,878	213,743	-	-	213,743
Thrift shop	263,535	-	-	263,535	317,002	-	-	317,002
Total supporting services	987,181	-	-	987,181	1,122,876	-	-	1,122,876
Total expenses	5,397,296	-	-	5,397,296	5,644,613	-	-	5,644,613
Changes in net assets	1,035,796	47,700	-	1,083,496	232,936	68,286	-	301,222
Net assets at the beginning of the year	$ 1,837,743	$ 2,809,638	$ 410,000	$ 5,057,381	$ 1,604,807	$ 2,741,352	410,000	$ 4,756,159
Net assets at the end 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

See accompanying notes to the combined financial statements.

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

Combined Statements of Cash Flows

December 31,	2013	2012
Cash flows from operating activities:		
Changes in net assets	$ 1,083,496	$ 301,222
Adjustments to reconcile the changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	197,764	181,228
Realized and unrealized gains on investments	(28,898)	(35,123)
Changes in operating assets and liabilities:		
Pledges receivable	(1,746)	840,730
Grants receivable	30,798	(97,331)
Prepaid expenses	10,240	(5,926)
Accounts payable and accrued expenses	35,914	(88,713)
Total adjustments	244,072	794,865
Net cash provided by operating activities	1,327,568	1,096,087
Cash flows from investing activities:		
Purchases of investments	(567,187)	(1,844,178)
Proceeds from sales and maturities of investments	34,654	947,146
Purchases of property and equipment	(348,283)	(338,073)
Increase in deposits	(500)	(2,085)
Net cash used in investing activities	(881,316)	(1,237,190)
Net increase (decrease) in cash and cash equivalents	446,252	(141,103)
Cash and cash equivalents at the beginning of the year	428,427	569,530
Cash and cash equivalents at the end of the year	$ 874,679	$ 428,427
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, 2013, with Comparative Totals for 2012

		Supporting Services						
	Program Services	Management and General	Special Events	Fundraising	Thrift Shop	Total Support Services	Total for the Year Ended December 31, 2013	Total for the Year Ended December 31, 2012
Payroll and payroll taxes	$ 2,820,310	$ 201,227	$ 60,475	$ 141,109	$ 128,922	$ 531,733	$ 3,352,043	$ 3,507,722
Health insurance and other benefits	303,816	21,398	-	21,986	13,176	56,560	360,376	414,974
Food and kitchen supplies	338,641	-	-	-	-	-	338,641	333,468
Rent	-	-	-	-	72,319	72,319	72,319	86,167
Repairs and maintenance	142,067	7,477	-	1,285	649	9,411	151,478	192,222
Depreciation and amortization	185,898	9,888	989	989	-	11,866	197,764	181,227
General and business insurance	133,228	1,919	-	-	-	1,919	135,147	137,589
Utilities	145,460	7,737	774	774	10,835	20,120	165,580	169,617
Special events expense	-	-	145,080	-	-	145,080	145,080	156,082
Office expense and supplies	89,378	4,704	-	2,254	7,407	14,365	103,743	124,163
Community education and public relations	30,427	-	-	300	7,319	7,619	38,046	43,280
Professional fees	86,481	75,366	-	1,000	543	76,909	163,390	96,744
Children's medical and dental	19,246	-	-	-	-	-	19,246	35,316
Field trips	29,959	-	-	-	-	-	29,959	37,241
Miscellaneous	6,197	-	-	14,144	4,519	18,663	24,860	25,224
Gas, oil and bus transportation	24,271	-	-	-	-	-	24,271	27,973
Cost of thrift shop sales	-	-	-	-	17,602	17,602	17,602	15,265
Donor project expense	25,901	-	-	-	-	-	25,901	19,266
Taxes and licenses	12,449	734	-	-	50	784	13,233	21,405
Conference and business travel	12,804	-	-	2,038	193	2,231	15,035	12,792
Bad debts	3,582	-	-	-	-	-	3,582	6,876
Total for the year ended December 31, 2013	$ 4,410,115	$ 330,450	$ 207,318	$ 185,879	$ 263,534	$ 987,181	$ 5,397,296	
Total for the year ended December 31, 2012	$ 4,521,737	$ 366,800	$ 225,331	$ 213,743	$ 317,002	$ 1,122,876		$ 5,644,613

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. 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, 2013 and 2012, there was no deferred revenue balance.

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 the year ended December 31, 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, 2013 or 2012 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, 2009 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, 2013 and 2012.

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, 2013 approximate $621,000. 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, 2013 combined financial statements for subsequent events through August 12, 2014, 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.

On January 2, 2014, the Organization entered into a bank line-of-credit agreement under which it may borrow up to $500,000. Borrowings under the line-of-credit accrue interest, due monthly, at the bank's variable base rate. The bank line-of-credit is due on demand, and is secured by the Organization's investment balance account.

2. Pledges Receivable

Pledges receivable consist of the following at December 31:

	2013	2012
Due in less than one year	$ 83,964	$ 82,218
Due in one to five years	-	-
	$ 83,964	$ 82,218

3. Investment Income

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

	2013	2012
Interest and dividend income	$ 36,006	$ 37,639
Net unrealized and realized gains on investments	28,898	35,123
	$ 64,904	$ 72,762

4. Property and Equipment

Property and equipment consists of the following at December 31:

	2013	2012
Buildings	$ 3,271,075	$ 3,271,074
Campus improvements	738,310	553,168
Land	410,000	410,000
Vehicles	294,675	344,175
Machinery and equipment	269,714	248,274
Computer equipment	221,749	149,324
Construction in progress	106,210	52,439
Computer software	92,685	82,958
Furniture and fixture	67,004	61,227
	5,471,422	5,172,639
Less: accumulated depreciation and amortization	(2,572,234)	(2,423,970)
	$ 2,899,188	$ 2,748,669

Depreciation and amortization expense on property and equipment aggregated $197,764 and $181,228 for the years ended December 31, 2013 and 2012, respectively.

5. Accounts Payable and Accrued Expenses

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

	2013	2012
Accounts payable	$ 267,761	$ 171,847
Accrued payroll	154,318	148,375
Accrued sick leave	95,457	161,400
	$ 517,536	$ 481,622

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. Grants Revenue

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

	2013	2012
Government:		
Head Start and Early Head Start programs, for reimbursement through Palm Beach County*	$ 1,182,217	$ 1,199,037
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	1,091,701	951,131
USDA Child Care Food Program for reimbursement through Florida Department of Education and Florida Department of Health	513,140	489,794
City of Boca Raton	43,800	43,800
Total government	2,830,858	2,683,762
Non-government:		
James Annenberg LaVea Charitable Trust	61,831	59,598
Eugene and Marilyn Glick Foundation	50,000	7,500
Libra Foundation	25,000	20,000
Boca West Community Charitable Foundation	25,000	-
Schmidt Family Foundation	20,000	20,000
PNC for Computers	15,625	-
Morgan Stanley Foundation	15,000	15,000
Jarden Consumer Solutions	15,000	8,000
Boca Raton Regional Hospital	10,000	10,000
Sun Sentinel Children's Fund	10,000	10,000
Publix Supermarket Charities	10,000	8,000
Boca Rio Foundation, Inc.	10,000	-
JP Morgan Chase	10,000	-
Lawrence Sanders Foundation	10,000	-
Levitetz Family Foundation	10,000	-
The Toppel Family Foundation	10,000	-
Polly Annenberg LeVee	7,150	6,999
Share Our Strength	6,000	7,827
John & Nellie Bastien Memorial Foundation	5,000	5,000
Raymond George & Ruth Bitner Fisher Foundation	5,000	5,000
Ford Memorial Foundation	5,000	-
Gary Cantor	5,000	-
The Jacob S. Zweig Foundation Inc.	2,500	2,500
George Wasserman Family Foundation	2,000	2,000
The Church of Bethesda-by-the-Sea	1,000	-
Coyne Family Foundation	1,000	-
Darden Foundation	1,000	-
Wells Fargo Foundation	1,000	5,000
Soroptimist International of Boca Raton	1,000	1,000

Allstate Foundation	1,000	1,000
Make A Difference Foundation	500	500
United Way	-	25,000
Toy Industry Foundation	-	10,000
BJ's Charitable Foundation	-	5,000
TJX foundation	-	5,000
Jefferson Memorial Foundation	-	3,500
Macy's	-	2,500
The EIS Foundation	-	1,000
Office Depot Foundation	-	1,000
Comerica Bank	-	500
Bay Branch Foundation	-	500
Total non-government	351,606	248,924
Total grants	$ 3,182,464	$ 2,932,686

* During 2013 and 2012, the Organization received $384,997 and $378,789 of local matching funds which are included in total government grants.

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 $17,791 and $14,083 to the Plan for the years ended December 31, 2013 and 2012, respectively.

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.

	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	$ -

	As of December 31, 2012			
	Assets Measured at	Fair Value Hierarchy Level		
Description	Fair Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds				
Fixed income	$ 556,461	556,461	$ -	$ -
Large cap growth	50,824	50,824	-	-
Large cap value	124,219	124,219	-	-
International equity	60,514	60,514	-	-
Small cap	32,816	32,816	-	-
Equity blend	5,914	5,914	-	-
Total mutual funds	830,748	830,748	-	-
Cash and money market accounts	910,731	910,731	-	-
International bond	9,999	-	9,999	-
Preferred stock	750	-	750	-
Total	$ 1,752,228	$ 1,741,479	$ 10,749	$ -

The following table represents the estimated fair value of the Organization's financial instruments that are not measured at fair value on a recurring basis as of and years ended December 31, 2013 and 2012:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Pledges receivable, net	$ 83,964	$ 83,964	$ 82,218	$ 82,218

9. Net Assets

Unrestricted Net Assets

At December 31, 2013 and 2012, unrestricted net assets include $2,873,539 and $1,837,743, 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:

	2013	2012
Building renovations and improvements	$ 1,706,265	$ 1,727,909
Future building renovations	957,386	962,561
Perper Trust for facilities	76,891	-
Pre-school scholarships	38,441	38,441
Coventry health insurance	36,403	-
Music program	16,289	21,200
Phone and IT system	15,792	40,792
Other	9,871	18,735
	$ 2,857,338	$ 2,809,638

At December 31, 2013 and 2012, building renovations and improvements at the West Campus totaling $731,220 and $712,745 (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, 2013 and 2012, building renovations and improvements at the East Campus totaling $975,045 and $1,015,164 (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, 2013 and 2012, temporarily restricted net assets were released from donor restrictions as the Center incurred expenses satisfying the restricted purposes as follows:

	2013	2012
Perper Trust for facilities	$ 223,109	$ -
Building renovations and improvements	75,416	75,858
Coventry health insurance	48,597	-
Betsy Hook (Sortino Trust)	29,790	-
Phone and IT system	25,000	-
Future building renovations	5,175	52,439
Music program	4,911	3,800
Children playground and other	-	9,354
Other	29,406	8,017
	$ 441,404	$ 149,468

Permanently Restricted Net Assets

Land

Land at the West Campus totaling $410,000 at December 31, 2013 and 2012 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. Major Grantors And Donor

For the years ended December 31, 2013 and 2012, two grantors accounted for 35% and 36%, respectively, of the Organization's total revenue. For the years ended December 31, 2013 and 2012, these grantors accounted for 83% and 63%, respectively, of the Organization's grants and pledges receivable.

11. Commitments

The Organization's East Boca Raton thrift shop is leased under the terms of a noncancellable operating lease agreement which expires on March 2015. The Organization used to sublease 50% of the premises. The sublease agreement was terminated in February 2012. The operating lease agreement provides for an annual escalation of 4% to 8% annually of the base rent. The Organization is also responsible for certain operating expenses. As of December 31, 2013, the following is a schedule by year of the future minimum lease payments required under the operating lease, which has an initial or remaining non-cancelable term in excess of one year:

Year ending December 31,		
2014	$	73,000
2015		18,000
Total minimum payments		91,000

Rent expense for the thrift shop for each of the years ended December 31, 2013 and 2012 was $72,320 and $86,167, respectively. The Organization received sublease rental income of $8,295 for the year ended December 31, 2012.

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.

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.

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 audits of the combined financial statements included in the preceding section of this report were conducted for the purpose of forming an opinion on those statements as a whole. The supplementary information presented in the following page 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 audits 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

Fort Lauderdale, Florida
August 12, 2014

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

Combining Statement of Activities and Changes in Net Assets

Year Ended December 31, 2013

	Florence Fuller Child Development Centers, Inc.	Florence Fuller Child Development Foundation, Inc.	Elimination	Combined Total
Support and revenues				
Grants	$ 3,182,464	$ -	$ -	$ 3,182,464
Contributions from private sources	781,116	525,324	-	1,306,440
Program service fees	869,390	-	-	869,390
Special events	675,344	-	-	675,344
Thrift shop revenues	334,324	-	-	334,324
Bequest and other income	44,926	-	-	44,926
Investment income	139	64,765	-	64,904
Gain on sale of fixed asset	3,000	-	-	3,000
Total support and revenues	5,890,703	590,089	-	6,480,792
Expenses				
Program services	4,410,115	-	-	4,410,115
Supporting services				
Management and general	295,182	35,268	-	330,450
Special events	207,318	-	-	207,318
Fundraising	185,878	-	-	185,878
Thrift shop	263,535	-	-	263,535
Total supporting services	951,913	35,268	-	987,181
Total expenses	5,362,028	35,268	-	5,397,296
Changes in net assets	528,675	554,821	-	1,083,496
Net assets at the beginning of the year	4,186,496	870,885	-	$ 5,057,381
Net assets at the end of the year	$ 4,715,171	$ 1,425,706	$ -	$ 6,140,877