

**AUDITED COMBINED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULE AND REPORTS  
REQUIRED BY OMB CIRCULAR A-133**

**FLORENCE FULLER CHILD  
DEVELOPMENT  
CENTERS, INC. AND AFFILIATE**

**DECEMBER 31, 2010 AND 2009**

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

AUDITED COMBINED FINANCIAL STATEMENTS  
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## 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, 2010 and 2009, 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, 2010. 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 2009 summarized comparative information included in the combined statement of functional expenses for the year ended December 31, 2010 has been derived from the Organization's December 31, 2009 combined financial statements, and, in our report dated September 27, 2010, 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 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 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 26, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements of Florence Fuller Child Development Centers, Inc. and Affiliate taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended December 31, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget

Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

*Argy, Wiltsie & Robinson, P.C.*

Fort Lauderdale, Florida  
July 26, 2011

**FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE**

**COMBINED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 293,287	\$ 395,934
Certificate of deposit	33,342	33,342
Grants and other receivables	536,933	435,398
Prepaid expenses	<u>113,482</u>	<u>69,928</u>
Total current assets	977,044	934,602
Investments	749,613	748,094
Property and equipment, net	2,703,553	2,828,627
Deposits	<u>18,128</u>	<u>18,019</u>
Total assets	<u>\$ 4,448,338</u>	<u>\$ 4,529,342</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 509,901	\$ 448,575
Capital lease obligation	0	10,754
Deferred revenue	<u>3,700</u>	<u>3,700</u>
Total liabilities	<u>513,601</u>	<u>463,029</u>
Commitments and contingencies	_____	_____
Net assets		
Unrestricted	1,468,027	1,523,279
Temporarily restricted	1,902,640	1,978,964
Permanently restricted	<u>564,070</u>	<u>564,070</u>
Total net assets	<u>3,934,737</u>	<u>4,066,313</u>
Total liabilities and net assets	<u>\$ 4,448,338</u>	<u>\$ 4,529,342</u>

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, 2010 AND 2009**

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenues								
Grants	\$ 2,870,252	\$ 0	\$ 0	\$ 2,870,252	\$ 3,047,084	\$ 0	\$ 0	\$ 3,047,084
Program service fees	848,813	0	0	848,813	822,215	0	0	822,215
Contributions from private sources	593,315	0	0	593,315	529,661	27,088	19,208	575,957
Special events	456,437	0	0	456,437	509,450	0	0	509,450
Thrift shop revenues	400,577	0	0	400,577	436,594	0	0	436,594
Rental income - thrift shop	99,539	0	0	99,539	99,539	0	0	99,539
Investment income	37,600	6,357	0	43,957	82,131	14,249	0	96,380
Bequest and other income	19,824	0	0	19,824	75,131	0	0	75,131
Net assets released from restrictions	<u>82,681</u>	<u>(82,681)</u>	<u>0</u>	<u>0</u>	<u>212,727</u>	<u>(212,727)</u>	<u>0</u>	<u>0</u>
Total support and revenues	<u>5,409,038</u>	<u>(76,324)</u>	<u>0</u>	<u>5,332,714</u>	<u>5,814,532</u>	<u>(171,390)</u>	<u>19,208</u>	<u>5,662,350</u>
Expenses								
Program services	<u>4,351,362</u>	<u>0</u>	<u>0</u>	<u>4,351,362</u>	<u>4,406,639</u>	<u>0</u>	<u>0</u>	<u>4,406,639</u>
Support services								
Management and general	305,594	0	0	305,594	332,514	0	0	332,514
Special events	180,409	0	0	180,409	175,673	0	0	175,673
Fundraising	154,833	0	0	154,833	195,973	0	0	195,973
Thrift shop	<u>472,092</u>	<u>0</u>	<u>0</u>	<u>472,092</u>	<u>566,630</u>	<u>0</u>	<u>0</u>	<u>566,630</u>
Total support services	<u>1,112,928</u>	<u>0</u>	<u>0</u>	<u>1,112,928</u>	<u>1,270,790</u>	<u>0</u>	<u>0</u>	<u>1,270,790</u>
Total expenses	<u>5,464,290</u>	<u>0</u>	<u>0</u>	<u>5,464,290</u>	<u>5,677,429</u>	<u>0</u>	<u>0</u>	<u>5,677,429</u>
Change in net assets	(55,252)	(76,324)	0	(131,576)	137,103	(171,390)	19,208	(15,079)
Net assets - beginning of the year	<u>1,523,279</u>	<u>1,978,964</u>	<u>564,070</u>	<u>4,066,313</u>	<u>1,386,176</u>	<u>2,150,354</u>	<u>544,862</u>	<u>4,081,392</u>
Net assets - end of the year	\$ <u>1,468,027</u>	\$ <u>1,902,640</u>	\$ <u>564,070</u>	\$ <u>3,934,737</u>	\$ <u>1,523,279</u>	\$ <u>1,978,964</u>	\$ <u>564,070</u>	\$ <u>4,066,313</u>

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, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ <u>(131,576)</u>	\$ <u>(15,079)</u>
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Depreciation and amortization	170,426	169,683
Realized and unrealized gains on investments	(13,482)	(81,927)
Changes in operating assets and liabilities:		
Grants and other receivables	(101,535)	(36,026)
Prepaid expenses	(43,554)	30,546
Accounts payable and accrued expenses	61,326	(87,549)
Deferred revenue	<u>0</u>	<u>(45,018)</u>
Total adjustments	<u>73,181</u>	<u>(50,291)</u>
Net cash used in operating activities	<u>(58,395)</u>	<u>(65,370)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(1,377,305)	(284,460)
Proceeds from sales and maturities of investments	1,389,268	26,891
Purchases of property and equipment	(45,352)	(42,731)
(Increase) decrease in deposits	<u>(109)</u>	<u>1,500</u>
Net cash used in investing activities	<u>(33,498)</u>	<u>(298,800)</u>
<b>Cash flows from financing activity:</b>		
Payments under capital lease obligation	<u>(10,754)</u>	<u>(32,001)</u>
Net cash used in financing activity	<u>(10,754)</u>	<u>(32,001)</u>
Net decrease in cash and cash equivalents	(102,647)	(396,171)
Cash and cash equivalents - beginning of the year	<u>395,934</u>	<u>792,105</u>
Cash and cash equivalents - end of the year	\$ <u><u>293,287</u></u>	\$ <u><u>395,934</u></u>

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, 2010 (WITH COMPARATIVE TOTALS FOR 2009)**

	Program Services	Support Services				Total Support Services	Total for the Year Ended December 31, 2010	Total for the Year Ended December 31, 2009
		Management and General	Special Events	Fundraising	Thrift Shop			
Payroll and payroll taxes	\$ 2,787,992	\$ 204,689	\$ 49,257	\$ 114,933	\$ 154,775	\$ 523,654	\$ 3,311,646	\$ 3,405,946
Health insurance and other benefits	362,548	26,985	0	20,918	19,370	67,273	429,821	500,357
Food and kitchen supplies	383,912	0	0	0	0	0	383,912	377,011
Rent	0	0	0	0	199,079	199,079	199,079	179,079
Depreciation and amortization	160,201	8,521	852	852	0	10,225	170,426	169,683
Repairs and maintenance	137,542	7,239	0	0	5,174	12,413	149,955	137,719
Utilities	116,619	6,203	620	620	12,129	19,572	136,191	153,368
Special events expenses	0	0	129,680	0	0	129,680	129,680	109,592
General and business insurance	115,387	1,809	0	0	423	2,232	117,619	175,473
Office expenses and supplies	80,324	4,228	0	5,022	10,425	19,675	99,999	94,046
Community education and public relations	60,998	0	0	1,041	16,520	17,561	78,559	68,630
Professional fees	12,959	45,469	0	0	0	45,469	58,428	39,383
Cost of thrift shop sales	0	0	0	0	46,268	46,268	46,268	109,852
Children's medical and dental	39,389	0	0	0	0	0	39,389	49,618
Field trips	34,841	0	0	0	0	0	34,841	31,968
Miscellaneous	11,385	0	0	9,754	7,888	17,642	29,027	32,005
Gas, oil and bus transportation	25,529	0	0	0	0	0	25,529	19,720
Conference and business travel	9,806	0	0	1,693	41	1,734	11,540	12,329
Taxes and licenses	8,563	451	0	0	0	451	9,014	9,131
Bad debts	3,367	0	0	0	0	0	3,367	2,519
<b>Total for year ended December 31, 2010</b>	<b>\$ <u>4,351,362</u></b>	<b>\$ <u>305,594</u></b>	<b>\$ <u>180,409</u></b>	<b>\$ <u>154,833</u></b>	<b>\$ <u>472,092</u></b>	<b>\$ <u>1,112,928</u></b>	<b>\$ <u>5,464,290</u></b>	
<b>Total for year ended December 31, 2009</b>	<b>\$ <u>4,406,639</u></b>	<b>\$ <u>332,514</u></b>	<b>\$ <u>175,673</u></b>	<b>\$ <u>195,973</u></b>	<b>\$ <u>566,630</u></b>	<b>\$ <u>1,270,790</u></b>		<b>\$ <u>5,677,429</u></b>

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

**FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2010 AND 2009**

**NOTE 1 - NATURE OF 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, thrift shop owned and operated by the Center, and other miscellaneous sources.

A summary of significant accounting policies is as follows:

**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 regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the combined financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Revenue recognition**

Grants and contributions are recognized when received or when pledged (if not received in cash) and are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Bequest revenue is recorded when the probate courts declare the wills valid and the proceeds are measureable. Unconditional promises to give not received as of year-end are recorded in the combined statements of financial position as pledges receivable. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the grantor or donor. Grants or contributions received that are designated for future periods or restricted by the grantor or donor for specific purposes are reported either as temporarily or permanently restricted support. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

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.

## **Grants and other receivables**

Grants receivable represent amounts due for expenditures incurred prior to year-end. Other receivables include short-term pledges receivable pertaining to contributions from private sources and miscellaneous receivables. Management evaluates all grants and pledges receivable on a periodic basis. Management believes that grants and pledges receivable are fully collectible and therefore the Organization has not established an allowance for doubtful receivables.

## **Investments**

Investments are carried at fair value. The fair value of investments is based upon quoted market prices where available or values provided by investment companies if the investments are not publicly traded. 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 capitalizes all purchases of property and equipment with a cost in excess of \$500. 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. Property and equipment are carried at cost. 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, or permanently restricted. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets are contributions and grants with temporary, donor-imposed time and/or program restrictions. Temporarily restricted net assets are reported in the combined statements of activities and change in net assets as net assets released from restrictions when the time restrictions expire or the funds are used for their restricted purpose. A time restriction is implied to contributions of cash or other assets restricted for purchasing long-lived assets when such contributions are received without donor stipulation as to how long the contribution-supported assets must be used. 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 are restricted in perpetuity by the donor. The income from these net assets is generally available to support the related temporarily restricted activities.

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 Center and the Foundation are non-profit organizations described in Section 501(c)(3) of the Internal Revenue Code (the IRC) and are therefore exempt from federal income taxation under Section 501(a) of the IRC. No provision for income taxes was recorded as of December 31, 2010 or 2009 since the Organization had no significant unrelated business income. Neither the Center nor the Foundation are private foundations under section 509(a)(1) of the IRC.

In accordance with authoritative guidance on accounting for uncertainty in income taxes issued by the FASB, management has evaluated the Organization's tax positions and has concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. 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, 2006 and prior.

## **Valuation of long-lived assets**

The Organization accounts for the valuation of long-lived assets under authoritative guidance issued by the FASB, which requires that long-lived 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, 2010 and 2009.

## **Fair value of financial instruments**

The fair value of the Organization's cash and cash equivalents, grants and other receivables, 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, and grants and other receivables. The Organization believes the risk of loss associated with cash and cash equivalents is very low since cash and cash equivalents are maintained in financial institutions. However, at times, the Organization had cash and cash equivalents on deposit with financial institutions that exceeded federally insured limits. The Organization invests its excess cash and cash equivalents, and maintains its investments with high-quality financial institutions. The Organization performs periodic 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 and other receivables consist primarily of amounts due from various agencies of the federal government, private foundations, or corporations. Historically, the Organization has not experienced significant losses related to grants and other receivables and, therefore, believes that the credit risk related to grants and other receivables is minimal.

## **Subsequent events**

The Organization has evaluated its December 31, 2010 combined financial statements for subsequent events through July 26, 2011, 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 other than the subsequent event described in Note 10.

### Recent accounting guidance not yet adopted

In January 2010, the FASB issued guidance to amend the disclosure requirements related to fair value measurements. The guidance requires the disclosure of roll forward activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance will become effective with the reporting period beginning January 1, 2011. The adoption of this new guidance is not expected to have a material impact on the combined financial statements.

### Reclassifications

Certain reclassifications were made to the 2009 combined financial statements to conform to the current year presentation, with no effect on the change in net assets as previously reported.

### NOTE 2 - GRANTS AND OTHER RECEIVABLES

Grants and other receivables consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Grants	\$ 445,253	\$ 387,984
Pledges receivable	90,250	44,965
Program services fees	<u>1,430</u>	<u>2,449</u>
	<u>\$ 536,933</u>	<u>\$ 435,398</u>

As of December 31, 2010 and 2009, pledges receivable are due within one year.

### NOTE 3 - INVESTMENTS

Investments consist of the following at December 31:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	\$ 708,782	\$ 697,670	\$ 272,042	\$ 371,610
Cash and money market accounts	41,194	41,194	114,779	114,779
International bond	10,000	9,999	10,000	9,999
Preferred stock	750	750	25,750	21,640
Common stocks	0	0	181,852	207,382
Corporate bonds	<u>0</u>	<u>0</u>	<u>25,000</u>	<u>22,684</u>
	<u>\$ 760,726</u>	<u>\$ 749,613</u>	<u>\$ 629,423</u>	<u>\$ 748,094</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividend income	\$ 30,475	\$ 14,453
Net realized gains (losses) on investments	24,593	(5,610)
Net unrealized (losses) gains on investments	<u>(11,111)</u>	<u>87,537</u>
	<u>\$ 43,957</u>	<u>\$ 96,380</u>

#### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2010</u>	<u>2009</u>
Land	\$ 410,000	\$ 410,000
Buildings	3,271,074	3,271,074
Campus improvements	420,076	380,107
Vehicles	243,966	243,966
Machinery and equipment	217,802	215,199
Computer equipment	89,853	89,853
Computer software	69,768	67,518
Furniture and fixtures	<u>59,386</u>	<u>58,856</u>
	4,781,925	4,736,573
Less: accumulated depreciation and amortization	<u>(2,078,372)</u>	<u>(1,907,946)</u>
	<u>\$ 2,703,553</u>	<u>\$ 2,828,627</u>

The Organization has acquired computer equipment aggregating \$96,006 under the terms of a noncancelable capital lease. Depreciation and amortization expense on this equipment totaled \$10,754 and \$20,693 for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010 and 2009, accumulated depreciation associated with equipment under capital leases totaled \$96,006 and \$85,252, respectively. Total depreciation and amortization expense on property and equipment (including equipment under capital leases) aggregated \$170,426 and \$169,683 for the years ended December 31, 2010 and 2009, respectively.

#### NOTE 5 - BANK LINE-OF-CREDIT

The Center has a line-of-credit agreement (the Agreement) with a bank, providing for a \$100,000 credit facility. Borrowings under the Agreement bear interest at the bank's prime rate plus 0.50% (5.00% at December 31, 2010). The Agreement expires, if not renewed, on November 17, 2011. As of December 31, 2010 and 2009, there were no borrowings outstanding under the Agreement.

#### NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2010</u>	<u>2009</u>
Accounts payable	\$ 282,714	\$ 242,334
Accrued sick leave	187,371	206,241
Accrued rent	<u>39,816</u>	<u>0</u>
	<u>\$ 509,901</u>	<u>\$ 448,575</u>

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. The value of accumulated sick leave payable as of December 31, 2010 and 2009 is \$187,371 and \$206,241, respectively, which is expected to be settled 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.

## NOTE 7 - GRANTS AND MAJOR CONTRIBUTORS

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

	<u>2010</u>	<u>2009</u>
Government:		
Head Start and Early Head Start programs, for reimbursement through Palm Beach County*	\$ 1,148,686**	\$ 1,213,368**
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	1,054,122**	1,046,270**
USDA Child Care Food Program for reimbursement through Florida Department of Education and Florida Department of Health	500,958	478,037
City of Boca Raton	43,800	43,800
Children's Services Council (Palm Beach County) reimbursement for operating expenses towards the school-age and summer programs	<u>0</u>	<u>49,932</u>
Total government	<u>2,747,566</u>	<u>2,831,407</u>
Non-government:		
Schmidt Family Foundation	20,000	20,000
Boca Raton Community Hospital Foundation	15,000	15,000
Share Our Strength	13,809	18,817
Morgan Stanley	10,000	10,000
Bank of America Summer Camp	10,000	5,000
Sun Sentinel Children's Fund	10,000	0
Jarden Consumer Solutions	10,000	0
Libra Foundation	6,200	0
Wells Fargo	5,677	0
American Alliance Head Start Body Start	5,000	0
Raymond George & Ruth Bitner Fisher Foundation	5,000	0
John & Nellie Bastien Memorial Foundation	4,000	0
Coyne Family Foundation	2,500	0
Target	2,000	0
Office Depot	1,000	0
The Daphne Seybolt Culpeper Family Foundation	1,000	0
Make A Difference Foundation	1,000	0
Comerica Bank	500	0
Bank of America Neighborhood Builder	0	100,000
McCormick Tribune Foundation	0	10,000
Wachovia Bank / Foundation	0	10,000
Henry & Kathryn Mills Foundation	0	10,000
Publix Supermarket	0	8,000
Crane Fund for Widows and Children	0	3,000
Central Missouri Community Action	0	3,000
The Comcast Foundation	0	1,860
Florida Marlins	<u>0</u>	<u>1,000</u>
Total non-government	<u>122,686</u>	<u>215,677</u>
Total grants	<u>\$ 2,870,252</u>	<u>\$ 3,047,084</u>

\* During 2010 and 2009, the Organization received \$386,926 and \$485,347 of local matching funds which are included in total government grants.

\*\* Grantor represents 10% or more of total support and revenues.

## **NOTE 8 - 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, as defined, 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 \$15,378 and \$9,382 to the Plan for the years ended December 31, 2010 and 2009.

## **NOTE 9 - 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 on a recurring basis are categorized based on the priority of the inputs used to measure 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 financial 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 as of December 31, 2010 and 2009:

As of December 31, 2010				
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual funds				
Fixed income	\$ 512,351	\$ 0	\$ 0	\$ 512,351
Large cap growth	58,638	0	0	58,638
Large cap value	59,152	0	0	59,152
Small cap	30,845	0	0	30,845
International equity	<u>36,684</u>	<u>0</u>	<u>0</u>	<u>36,684</u>
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 stocks	<u>0</u>	<u>750</u>	<u>0</u>	<u>750</u>
Total investments	<u>738,864</u>	<u>10,749</u>	<u>0</u>	<u>749,613</u>
Total assets at fair value	<u>\$ 738,864</u>	<u>\$ 10,749</u>	<u>\$ 0</u>	<u>\$ 749,613</u>
As of December 31, 2009				
	Level 1	Level 2	Level 3	Total
Investments:				
Mutual fund				
Growth-large cap equity	\$ 110,464	\$ 0	\$ 0	\$ 110,464
Short-term bond	<u>261,146</u>	<u>0</u>	<u>0</u>	<u>261,146</u>
Total mutual funds	<u>371,610</u>	<u>0</u>	<u>0</u>	<u>371,610</u>
Common stocks				
Telecommunication services	9,429	0	0	9,429
Information technology	42,472	0	0	42,472
Consumer discretionary	36,533	0	0	36,533
Financials	30,983	0	0	30,983
Energy	15,838	0	0	15,838
Industrials	7,464	0	0	7,464
Utilities	2,239	0	0	2,239
Materials	1,621	0	0	1,621
Health care	27,945	0	0	27,945
Consumer supplies	<u>32,858</u>	<u>0</u>	<u>0</u>	<u>32,858</u>
Total common stocks	<u>207,382</u>	<u>0</u>	<u>0</u>	<u>207,382</u>
Cash and money market accounts				
	114,779	0	0	114,779
Corporate bonds	22,684	0	0	22,684
Preferred stocks	20,890	750	0	21,640
International bond	<u>0</u>	<u>9,999</u>	<u>0</u>	<u>9,999</u>
Total investments	<u>737,345</u>	<u>10,749</u>	<u>0</u>	<u>748,094</u>
Total assets at fair value	<u>\$ 737,345</u>	<u>\$ 10,749</u>	<u>\$ 0</u>	<u>\$ 748,094</u>

## NOTE 10 - NET ASSETS

### Unrestricted net assets

At December 31, 2010 and 2009, unrestricted net assets include \$1,468,027 and \$1,523,279, 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:

	<u>2010</u>	<u>2009</u>
Building renovations and improvements	\$ 1,830,754	\$ 1,913,305
Pre-school scholarships	38,441	38,441
Future building renovations	16,277	16,277
Children playground and other	9,354	9,354
Elmore endowment	6,357	0
Other	<u>1,457</u>	<u>1,587</u>
	<u>\$ 1,902,640</u>	<u>\$ 1,978,964</u>

At December 31, 2010 and 2009, building renovations and improvements at the West Campus totaling \$732,233 and \$768,416 (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, 2010 and 2009, building renovations and improvements at the East Campus totaling \$1,098,521 and \$1,144,889 (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, 2010 and 2009, temporarily restricted net assets were released from donor restrictions as the Center incurred expenses satisfying the restricted purposes as follows:

	<u>2010</u>	<u>2009</u>
Building renovations and improvements	\$ 82,551	\$ 197,557
Other	130	0
Endowment	0	14,241
Pre-school scholarships	<u>0</u>	<u>929</u>
	<u>\$ 82,681</u>	<u>\$ 212,727</u>

### Permanently restricted net assets

#### *Land*

Land at the West Campus totaling \$410,000 at December 31, 2010 and 2009 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*

The Organization's endowment consists of a donor-restricted endowment fund of \$160,427. 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 is 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 is 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, 2010 and 2009:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, balance at December 31, 2008	\$ 0	\$ 144,862	\$ 144,862
Investment return			
Investment income	4,232	0	4,232
Net gain	<u>10,009</u>	<u>0</u>	<u>10,009</u>
Total investment return	14,241	0	14,241
Contribution	0	9,208	9,208
Expenditures	<u>(14,241)</u>	<u>0</u>	<u>(14,241)</u>
Endowment net assets, balance at December 31, 2009	0	154,070	154,070
Investment return			
Investment income	6,770	0	6,770
Net loss	<u>(413)</u>	<u>0</u>	<u>(413)</u>
Total investment return	<u>6,357</u>	<u>0</u>	<u>6,357</u>
Endowment net assets, balance at December 31, 2010	\$ <u>6,357</u>	\$ <u>154,070</u>	\$ <u>160,427</u>

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, 2010 or 2009.

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 will allow the Organization to reclassify the endowment fund balance from permanently restricted net assets to unrestricted net assets and use the funds for unrestricted purposes.

#### **NOTE 11 - COMMITMENTS**

The Organization's East Boca Raton thrift shop is leased under the terms of a noncancellable operating lease agreement expiring 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, 2010, the following is a schedule by year of the future minimum lease payments required under this operating lease, which has an initial or remaining non-cancelable term in excess of one year:

Years ending December 31,

2011	\$	159,000
2012		<u>13,000</u>
	\$	<u>172,000</u>

Rent expense for the thrift shop for the years ended December 31, 2010 and 2009 was \$199,079 and \$179,079, respectively. The Organization received sublease rental income of \$99,539 for each of the years ended December 31, 2010 and 2009.

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 this federal assisted grant programs are 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.

### **United States economy**

The Organization's donor and grant procurement initiatives are sensitive to general business and economic conditions in the United States. If the economy in the United States continues in its current condition or further weaken, the Organization's donor and grant procurement initiatives could be negatively affected.

**FLORENCE FULLER CHILD DEVELOPMENT  
CENTERS, INC. AND AFFILIATE**

**SUPPLEMENTAL SCHEDULE AND REPORTS  
REQUIRED BY OMB CIRCULAR A-133**

**YEAR ENDED DECEMBER 31, 2010**



**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**

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

We have audited the combined financial statements of Florence Fuller Child Development Centers, Inc. and Affiliate (the Organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated July 26, 2011. We conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's combined financial statements are free of 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 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Argy, Wiltse & Robinson, P.C.*

Fort Lauderdale, Florida  
July 26, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of Florence Fuller Child Development Centers, Inc. and Affiliate (the Organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2010. The Organization's major federal program is identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.

**Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on the major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Argy, Wiltse & Robinson, P.C.*

Fort Lauderdale, Florida  
July 26, 2011

**FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2010**

<u>Federal &amp; Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Pass-through from Palm Beach County Head Start / Early Head Start Programs	93.600	FLOR0401	\$ 728,137
ARRA - Head Start	93.708	FLOR0401	<u>33,623</u>
Total - Head Start Cluster / U.S. Department of Health and Human Services			761,760
<b>U.S. Department of Agriculture</b>			
Pass-through from Florida Department of Health Health Care and Adult Care Food Program	10.558	S - 649	<u>500,958</u>
Total expenditures of federal awards			\$ <u><u>1,262,718</u></u>

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

**FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED DECEMBER 31, 2010**

**NOTE 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 Affiliate (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.

**NOTE 2 - SUBRECIPIENTS**

There were no federal awards provided to subrecipients during the year ended December 31, 2010.

**NOTE 3 - RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE COMBINED 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, 2010:

Total per Schedule	\$ 1,262,718
Add: non-federal government grants (relates to state, county and city grants)	1,484,848
Add: non-government grants	<u>122,686</u>
Total grants per the combined statement of activities and change in net assets	\$ <u><u>2,870,252</u></u>

FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Combined Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Noncompliance material to combined financial statements noted? \_\_\_\_\_ Yes  X  No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes  X  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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 program:

<u>Federal CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600 & 93.708	Head Start Cluster

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 2010 audit.

SECTION III - FEDERAL PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

There were no federal program audit findings or questioned costs identified during the 2010 audit.

**FLORENCE FULLER CHILD DEVELOPMENT CENTERS, INC. AND AFFILIATE**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED DECEMBER 31, 2010**

There were no financial statement or federal award findings identified during the 2009 audit.