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

Consolidated Financial Statements (With Supplementary Information), Independent Auditor's Report and Additional Reports Required by the Uniform Guidance

December 31, 2022 and 2021

CohnReznick
ADVISORY • ASSURANCE • TAX

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

Index

Independent Auditor's Report

To the Board of Directors
Florence Fuller Child Development Centers, Inc. and
Florence Fuller Child Development Foundation, Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America "GAAS" and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended December 31, 2021 were audited by another auditor whose report dated August 4, 2022, expressed an unmodified opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2022 consolidating statement of activities and changes in net assets is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023, 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 solely 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 effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

CohnReznick LLP

Boca Raton, Florida
September 27, 2023

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

Consolidated Statements of Financial Position
December 31, 2022 and 2021

Assets

	2022	2021
Current assets		
Cash and cash equivalents	$ 1,795,325	$ 2,098,818
Pledges receivable	116,800	212,245
Grants receivable	432,384	306,084
Prepaid expenses and other current assets	162,493	124,641
Total current assets	2,507,002	2,741,788
Investments		
Board designated	5,685,337	4,717,455
Endowment, Perper Learning	50,500	50,500
Endowment, held in trust by others	29,282	34,200
Total investments	5,765,119	4,802,155
Property and equipment, net	5,909,679	5,593,257
Other assets		
Deposits	2,776	2,776
Pledges receivable, non current	70,000	103,280
Total assets	$ 14,254,576	$ 13,243,256

Liabilities and Net Assets

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	$ 680,043	$ 674,051
Total liabilities	680,043	674,051
Commitments and contingencies		
Net assets		
Without donor restriction	11,197,425	9,964,086
With donor restriction	2,377,108	2,605,119
Total net assets	13,574,533	12,569,205
Total liabilities and net assets	$ 14,254,576	$ 13,243,256

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

Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues						
Grants	$ 5,021,721	$ -	$ 5,021,721	$ 4,095,111	$ -	$ 4,095,111
Contributions from private sources	2,574,164	-	2,574,164	1,700,579	-	1,700,579
Special events						
Gross proceeds from special events	864,327	-	864,327	1,193,786	-	1,193,786
Less direct benefit costs	(235,864)	-	(235,864)	(163,102)	-	(163,102)
Net proceeds from special events	628,463	-	628,463	1,030,684	-	1,030,684
Program service fees	1,120,818	-	1,120,818	812,355	-	812,355
Paycheck Protection Program forgiveness	-	-	-	774,252	-	774,252
Net investment income (loss)	(375,620)	-	(375,620)	317,763	10,907	328,670
Bequests and other income	39,877	-	39,877	102,922	-	102,922
Contributions of nonfinancial assets	244,000	-	244,000	-	-	-
Net assets released from restriction	228,011	(228,011)	-	323,946	(323,946)	-
Total support and revenues	9,481,434	(228,011)	9,253,423	9,157,612	(313,039)	8,844,573
Expenses						
Program services	7,062,823	-	7,062,823	6,118,878	-	6,118,878
Supporting services						
Management and general	810,283	-	810,283	587,693	-	587,693
Fundraising	374,989	-	374,989	412,634	-	412,634
Total supporting services	1,185,272	-	1,185,272	1,000,327	-	1,000,327
Total expenses	8,248,095	-	8,248,095	7,119,205	-	7,119,205
Changes in net assets	1,233,339	(228,011)	1,005,328	2,038,407	(313,039)	1,725,368
Net assets beginning of the year	9,964,086	2,605,119	12,569,205	7,925,679	2,918,158	10,843,837
Net assets at the end of the year	$ 11,197,425	$ 2,377,108	$ 13,574,533	$ 9,964,086	$ 2,605,119	$ 12,569,205

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

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

		Supporting Services			
	Program services	Management and general	Fundraising	Total support services	Total 2022
Payroll and payroll taxes	$ 4,133,978	$ 459,331	$ 266,304	$ 725,635	$ 4,859,613
Payroll benefits	727,110	80,790	53,308	134,098	861,208
Food and kitchen supplies	605,053	-	-	-	605,053
Depreciation and amortization	335,950	17,870	3,574	21,444	357,394
Repairs and maintenance	517,973	27,552	5,511	33,063	551,036
Marketing, outreach	60,925	192,653	1,325	193,978	254,903
Utilities	187,207	9,958	1,993	11,951	199,158
Insurance	174,601	7,456	-	7,456	182,057
Professional fees	94,484	7,052	13,374	20,426	114,910
Office supplies	90,508	5,407	1,786	7,193	97,701
Miscellaneous	13,705	719	27,636	28,355	42,060
Conference and travel	27,051	-	-	-	27,051
Field trips	34,636	-	-	-	34,636
Vehicle	27,348	-	-	-	27,348
Taxes and licenses	20,416	1,495	179	1,674	22,090
Bad debt	5,707	-	-	-	5,707
Children's medical and dental	6,171	-	-	-	6,171
Total for the year ended 2022	$ 7,062,823	$ 810,283	$ 374,989	$ 1,185,272	$ 8,248,095

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

Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program services	Supporting Services: Management and general	Supporting Services: Fundraising	Supporting Services: Total support services	Total 2021
Payroll and payroll taxes	$ 3,700,168	$ 411,130	$ 182,145	$ 593,275	$ 4,293,443
Payroll benefits	679,160	75,462	35,096	110,558	789,718
Food and kitchen supplies	453,365	-	-	-	453,365
Depreciation and amortization	322,693	17,165	3,433	20,598	343,291
Repairs and maintenance	251,670	13,387	2,678	16,065	267,735
Marketing, outreach	48,933	-	170,371	170,371	219,304
Utilities	161,754	8,604	1,722	10,326	172,080
Insurance	159,738	7,073	-	7,073	166,811
Professional fees	145,133	18,727	1,230	19,957	165,090
Office supplies	62,038	11,703	1,020	12,723	74,761
Miscellaneous	13,334	22,829	14,253	37,082	50,416
Conference and travel	37,355	-	-	-	37,355
Field trips	24,730	-	-	-	24,730
Vehicle	22,050	-	-	-	22,050
Taxes and licenses	18,007	1,613	686	2,299	20,306
Bad debt	10,527	-	-	-	10,527
Children's medical and dental	8,223	-	-	-	8,223
Total for the year ended 2021	$ 6,118,878	$ 587,693	$ 412,634	$ 1,000,327	$ 7,119,205

See Notes to Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 1,005,328	$ 1,725,368
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	357,394	343,291
Realized and unrealized gain (loss) on investments	25,966	(998,626)
Paycheck Protection Program forgiveness	-	(774,250)
Changes in operating assets and liabilities		
Pledges receivable	128,725	(187,997)
Grants receivable	(126,300)	69,896
Prepaid expenses and other current assets	(37,852)	(10,132)
Accounts payable and accrued expenses	5,992	246,387
Net cash provided by operating activities	1,359,253	413,937
Cash flows from investing activities		
Purchases of investments	(2,172,911)	(606,370)
Proceeds from the sale of investments	1,183,981	473,485
Purchases of property and equipment	(673,816)	(249,173)
Net cash used in investing activities	(1,662,746)	(382,058)
Net increase (decrease) in cash and cash equivalents	(303,493)	31,879
Cash and cash equivalents at the beginning of the year	2,098,818	2,066,939
Cash and cash equivalents at the end of the year	$ 1,795,325	$ 2,098,818

See Notes to Consolidated Financial Statements.

Note 1 - Nature of organization

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. The Center provides economically disadvantaged children and their families with quality infant, pre-school and school-age child care and family support and health screening.

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, and other miscellaneous sources.

The Center's key programs are:

- **Infant Program:** The Infant Care program provides exceptional care between 7:30 a.m. and 5:30 p.m. on both the East and West Campuses for infants aged 6 weeks to 12 months old.

- **Early Childhood Education:** The Early Childhood Education program is designed for children aged 1 to 3 years old and is offered from 7:30 a.m. to 5:30 p.m. This program is geared towards the "moving and grooving" years of childhood from the toddlers to the "trying twos and threes" to the "I can do it myself" fives.

- **Voluntary Pre-Kindergarten:** VPK for 4 and 5 year olds prepares early learners for success in kindergarten and beyond. VPK helps build a strong foundation for school using educational material corresponding to various stages in a child's development.

- **Fuller Academy:** The Fuller Academy opened in August 2021 as a Florida Choice School serving children in kindergarten through third grade. The academy offers a customized curriculum following B.E.S.T standards and practices. Instruction is provided by teachers and instructors with a bachelor's degree or higher. The program focuses on project-based learning and art and technology education.

- **After School Program/Out of School Time Program:** A.C.E.S (Academic, Character Education and SPARK -a physical fitness program), provides a safe and enriching environment for children in kindergarten through 5th grade, Monday through Friday until 5:30 p.m. The Center approaches child development in a holistic manner by providing extracurricular activities that not only improve academic achievements but also enhance physical well-being and social skills, all of which are critical in the development of a healthy, well-rounded, and successful adult

- **Summer Camp:** The Center's Summer Camp program helps children from kindergarten to fifth grade develop social and physical skills. Academic enrichment, field trips and computer classes are provided to mitigate summer learning loss.

- **Mentoring:** The Center's mentoring program recruits adults and teens willing to commit to a minimum of one year to a meaningful relationship that impacts the children involved and influence their lives at home and at school. For those mentoring the relationship provides an empowering opportunity to give back to the community.

- **Teen Leadership:** Offers at-risk youth ages 16-22 the opportunity to develop leadership skills, create and implement projects, learn real life soft skills necessary for success in school, work, and life, in a structured setting under the guidance of a mentor/job coach.

- **Health Services:** The CDC points to systemic inequities (discrimination, access to healthcare, jobs, education/income gaps and housing) as principal reasons for minority groups' poorer health outcomes. The majority of Fuller families are Black, Latinx or mixed race. Many are uninsured with life circumstances increasing risk for disease, including COVID-19. Healthcare access is further limited by transportation, childcare, and language barriers; inability to take time off from work, cultural differences between patients and providers and discrimination. Many Fuller parents have poor diets, are obese and suffer with chronic conditions, undermining their stability and increased losses of jobs, lives, housing, increased hospitalization and suffering throughout this pandemic. The Center also treats the child through onsite health and behavioral health screenings and services available to every child that the Center serves.

- **Family Support Services:** The Center incorporates models that are family focused and emphasize highly structured, comprehensive family strengthening with behavioral parent training, family skills training and family therapy components. The Center's staff provides a full array of case management and assists families in accessing the services they need to provide a safe, healthy, and stable home for their children while they positively contribute to the community.

Florence Fuller Child Development Foundation, Inc. (the "Foundation") was incorporated on June 28, 2002. The Foundation received its tax-exempted determination letter on January 30, 2003 as a private, not-for-profit organization. The purpose of the Foundation is to provide long-term endowment funding for the continued operation and growth of the Center.

Note 2 - Summary of significant accounting policies

Basis of presentation

The accompanying consolidated financial statements include the accounts of the Center and the Foundation (collectively referred to as the "Organization"). All material inter-organizational transactions and balances have been eliminated in consolidation. The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets.

Use of estimates
The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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.

Cash equivalents
Cash equivalents consist principally of money market funds and amounts held for operations in interest or noninterest- bearing accounts with original maturities of three (3) 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 fully collectible at years ended December 31, 2022 and 2021, no allowance for doubtful accounts has been provided for in these financial statements.

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 fully collectible at years ended December 31, 2022 and 2021; no allowance for doubtful accounts has been provided for in these financial statements.

Investments
The Organization reports investments at fair value. Net investment income (loss) consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Net investment income (loss) is reported in the consolidated statements of activities and changes in net assets as a change in net assets without donor restriction unless the use of the income (loss) is limited by donor-imposed restrictions.

Property and equipment
Property and equipment in excess of $1,200 and with an acquisition life of more than one year are capitalized. Property and equipment are stated at historical 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 are retired, or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in the results of activities 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 (5) to forty (40) years. Land is not depreciated or amortized. Property and equipment, if donated, are recorded at the approximate fair value on the date of the donation.

Revenue recognition

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.

Grants and contributions are classified as either conditional or unconditional. Revenue is recognized on a conditional grant or contribution once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. Any funding received prior to overcoming the barrier is recognized as refundable advance.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advance in the statements of financial position. At December 31, 2022 and 2021, the Organization had no refundable advances.

Unconditional grants, 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 increases in net assets with donor restriction. Unconditional promises to give are presumed to be time-restricted by the donor until collected and are reported as net assets with donor restriction.

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 past 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.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Program service fees, consist of parent fees for full or reduced tuition, is recognized when the performance obligations of providing the services are met.

Contributed nonfinancial assets

During 2022, the Organization received a donation of chrome books donation through Universal Service Administrative Company (USAC). The donated chrome books were used for children’s classrooms and reported as repairs and maintenance expenses on the statement of functional expenses. There were no donor restrictions placed on these contributions. The chrome books were provided at no cost to the Organization but based on current market price, the Organization would have paid $244,000 for the year end December 31, 2022.

Functional allocation of expenses
The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and changes in net assets. Expenses that can be identified with a specific program or support service are charged directly to that program; certain costs such as personnel cost are based on time and effort; office expenses, insurances, taxes and depreciation costs have been allocated among the programs and supporting services benefited based on a percentage of square footage.

Income taxes
The Center and Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and from state income taxes under similar provisions of the Florida Status. Accordingly, no provision for federal and state income taxes was recorded during the years ended December 31, 2022 or 2021. Neither the Center nor the Foundation had any significant unrelated business income. In addition, management assessed whether there were any uncertain tax positions which may give rise to income tax liabilities and determined that there were no such matters requiring recognition in the accompanying consolidated financial statements. The Center is not a private foundation pursuant to section 509(a)(1) of the IRC. The foundation is not a private foundation pursuant to section 509(a)(3) of the IRC.

In accordance with U.S. GAAP on accounting for uncertainty in income taxes, 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's tax years subject to examination by tax authorities generally remain open for three (3) years from the date of filing.

Valuation of long-lived assets
The Organization accounts for the valuation of long-lived assets under authoritative guidance issued by the Financial Accounting Standards Board ("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, 2022 and 2021.

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 not experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2022 and 2021 totaled $1,392,000 and $1,664,000, respectively. 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.

Adopting of new accounting pronouncement

During the year ended December 31, 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This standard provides guidance on the presentation of contributed nonfinancial assets in the consolidated statement of activities and change in net assets and additional disclosure requirements for each type of contributed nonfinancial assets. This ASU did not have a material impact on the consolidated financial statements.

Subsequent events

Management has evaluated subsequent events through September 27, 2023, the date on which the consolidated financial statements were available to be issued.

Note 3 - Liquidity and availability of resources

The Organization strives to maintain liquid financial assets to cover normal operating expenditures. As part of the Organization's liquidity management, it structures operations to allow financial assets to be available as its normal operating expenditures, liabilities, and other obligations come due.

The following table reflects the Organization’s financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet normal operating expenditures within one year of the statement of financial position date due to donor restrictions or contractual obligations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets	2022	2021
Cash and cash equivalents	$ 1,795,325	$ 2,098,818
Pledges receivable	186,800	315,525
Grants receivable	432,384	306,084
Investments	5,765,119	4,802,155
Total financial assets	8,179,628	7,522,582
Less: financial assets unavailable for general expenditures within one year due to:		
Net assets with donor-imposed restrictions	(2,377,108)	(2,605,119)
Total financial assets unavailable for general expenditures	(2,377,108)	(2,605,119)
Total financial assets available within one year to meet cash needs for general expenditures	$ 5,802,520	$ 4,917,463

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments under board designated investment portfolio.

Note 4 - Pledges receivable

Pledges receivable represent unconditioned promises to give by donors. Pledges receivable consist of the following at December 31:

	2022	2021
Receivable in less than one year	$ 116,800	$ 212,245
Receivable in one to five years	70,000	103,280
Total pledges receivable	$ 186,800	$ 315,525

Note 5 - Investments

Investments as of December 31, 2022 and 2021, is comprised of the following:

	2022	2021
Fixed income funds	$ 1,605,276	$ 1,820,386
Mutual funds	1,434,209	2,280,661
Cash and money market accounts	2,725,634	701,108
Total investments	$ 3,041,507	$ 4,103,068

Net investment income (loss) consists of the following for the years ended December 31:

	2022	2021
Interest and dividend income	$ 84,387	$ 73,354
Net unrealized and realized gain (loss) on investments	(433,279)	277,272
Investment fees	(26,728)	(21,956)
	$ (375,620)	$ 328,670

Note 6 - Property and equipment

Property and equipment consists of the following at December 31:

	2022	2021
Buildings	$ 6,648,649	$ 6,648,649
Campus improvements	2,168,704	1,528,930
Vehicles	410,050	453,107
Land	410,000	410,000
Computer equipment	398,672	403,505
Machinery and equipment	386,449	375,120
Computer software	107,520	100,020
Furniture and fixtures	82,047	78,867
Construction in progress	830	-
	10,612,921	9,998,198
Less: accumulated depreciation and amortization	(4,703,242)	(4,404,941)
	$ 5,909,679	$ 5,593,257

Depreciation and amortization expense for the years ended December 31, 2022 and 2021 totaled $357,394 and $343,291, respectively.

Note 7 - Accounts payable and accrued expenses

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

	2022	2021
Accounts payable	$ 151,719	$ 467,918
Accrued payroll	208,955	184,780
Accrued sick leave	319,369	21,353
	$ 680,043	$ 674,051

Note 8 - Paycheck Protection Program Loan

During May 2020, the Organization was granted a loan (the "Loan") from a financial institution for the aggregate amount of $774,250 pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act. The Loan, which was in the form of a note dated May 1, 2020 issued to the Organization, matured in May 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing December 2020. The Loan may be prepaid at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. In February 2021, the $774,252 Loan was fully forgiven by the U.S. Small Business Administration ("SBA") and included as a gain on forgiveness of debt in the accompanying statements of activities and changes in net assets.

There is a six-year period during which the SBA can review the Organization's loan forgiveness calculation.

Note 9 - 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 made matching contributions of $56,387 and $16,025 to the Plan for the years ended December 31, 2022 and 2021, respectively.

Note 10 - Fair value measurements

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

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

- Level 1 - Inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 - Inputs that are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar investments in markets that are not active, or models based on valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the investment.
- Level 3 - Inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

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

- Equity securities, preferred stock, mutual and money market funds - equity securities, mutual and money market funds are valued at the quoted net asset value of shares reported in the active market in which the mutual funds are traded.

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

	At December 31, 2022			
	Assets measured at	Fair value hierarchy level		
Description	fair value	Level 1	Level 2	Level 3
Investments				
Fixed income funds	$ 1,605,276	$ 1,605,276	$ -	$ -
Mutual funds	1,434,209	1,434,209	-	-
Cash and money market accounts	2,725,634	2,725,634	-	-
Total investments	$ 5,765,119	$ 5,765,119	$ -	$ -

	At December 31, 2021			
	Assets measured at	Fair value hierarchy level		
Description	fair value	Level 1	Level 2	Level 3
Investments				
Fixed income funds	$ 1,820,386	$ 1,820,386	$ -	$ -
Mutual funds	2,280,661	2,280,661	-	-
Cash and money market accounts	701,108	701,108	-	-
Total investments	$ 4,802,155	$ 4,802,155	$ -	$ -

Note 11 - Net assets with donor restrictions

Net assets with donor restrictions consists of the following at December 31:

	2022	2021
Time restrictions		
Building renovations and improvements	$ 989,474	$ 1,146,846
Purpose restrictions		
Future building renovations	532,842	603,480
Mental health counseling	279,922	279,922
Pre-school scholarships	38,441	80,171
Other	41,729	-
Maintained in perpetuity		
Endowments	84,700	84,700
Land	410,000	410,000
	$ 2,377,108	$ 2,605,119

Land at the West Campus totaling $410,000 at December 31, 2022 and 2021 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.

At December 31, 2022 and 2021, building renovations and improvements at the West Campus totaling $3,322,153 and $3,443,033 (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, 2022 and 2021, building renovations and improvements at the East Campus totaling $488,693 and $518,960 (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.

Note 12 - Net assets released from donor restrictions

Net assets released from donor restrictions consist of the following at December 31:

	2022	2021
Time restrictions		
Building renovations and improvements	$ 157,373	$ 159,247
Purpose restrictions		
Future building renovations	70,638	164,699
	$ 228,011	$ 323,946

Note 13 - Endowment

The Foundation's endowment consists of individual funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law
In June 2011, the State of Florida adopted the *Florida Uniform Prudent Management of Institutional Funds Act* ("FUPMIFA") which is effective July 1, 2012. The Organization has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as with donor restrictions (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 is classified as with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by FUPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment fund earnings:

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; and

7. The investment policies of the Organization.

The Organization has elected to not add appreciation for cost of living or other spending policies to net assets with donor restrictions held in perpetuity.

Return objectives and risk parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets on an inflation adjusted basis. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to achieve a competitive rate of return while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide a rate of return in excess of the original with donor restriction principal. Actual returns in any given year may vary.

Strategies employed for achieving objectives
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 emphasis on investments in mutual funds to achieve its long-term return objectives within prudent risk constraints.

Summary of endowment net assets at December 31, 2022 and 2021 is as follows:

	Without donor restriction	With donor restriction	Total
Perpetuity			
Donor-designated endowment funds	$ -	$ 50,500	$ 50,500

There were no changes in endowment net assets for the years ended December 31, 2022 and 2021. The Foundation did not have any deficiencies in the endowment net assets at December 31, 2022 and 2021.

Note 14 - Revenue concentration

During the years ended December 31, 2022 and 2021, the Organization received approximately 42% and 44% of its total revenue and support from four (4) and two (2) grantors and contributors, respectively.

Note 15 - Commitments and contingencies

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 consolidated financial statements.

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 and have an impact on future awards granted. During 2022 and 2021, the Organization was unaware of any instances of non-compliance and 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 consolidated financial statements, reduction or loss of funding from these grant programs may affect the Organization's ability to operate in its present form.

Note 16 - Funds held in trust by others

During 2018, the Foundation established a charitable endowment fund known as the Florence Fuller Child Development Foundation, Inc. (the "Fund") with the Community Foundation for Palm Beach and Martin Counties, Inc. (the "Community Foundation"). The earnings of the Fund have been restricted for the benefit of the Organization. Assets contributed to the Community Foundation for the benefit of the Organization are recorded as assets of the Organization. These "Organization restricted funds" are pooled with the other assets of the Community Foundation for investment purposes.

The Organization's initial contribution of $25,000 was matched with a $25,000 grant from the Community Foundation and is not available for distribution and may not be removed from the Fund.

Funds held in trust by others by type consists of the following at December 31:

	2022	2021
Florence Fuller Child Development Foundation, Inc. Endowment Fund	$ 34,200	$ 31,364
Changes in endowment nets assets		
Net appreciation (realized and unrealized)	(4,429)	2,997
Investment fees	(489)	(161)
	$ 29,282	$ 34,200

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature do not exist as the Fund has an original contribution value of $25,000, a current fair value of $29,282 and a cumulative appreciation of $4,282 at December 31, 2022. This appreciation results from favorable market fluctuations that occurred after the original contribution was made.

Return objectives and risk parameters

The Funds shall be invested by the Community Foundation in a long-term growth portfolio whose primary objective is long-term capital appreciation with an investment strategy of five (5) years or longer.

Interpretation of relevant law
Management has interpreted the law as requiring donor-restricted net assets in an endowment fund to remain restricted until appropriated for expenditure by the Organization following the donor's intended purpose. In accordance with the State Management of Institutional Funds Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Spending policy
All distributions from the Fund shall be in accordance with the Community Foundation's spending policy in effect during any fiscal year of the Community Foundation. Distributions may be made from income and capital appreciation but not from the endowment principal. The endowment principal is the sum of the value of the initial contribution establishing the Fund by the Organization and Community Foundation plus all subsequent contributions to the Fund.

Supplementary Information

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

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022

	Florence Fuller Child Development Centers, Inc.	Florence Fuller Child Development Foundation, Inc.	Eliminations	Consolidated Total
Support and revenues				
Grants	$ 5,021,721	$ -	$ -	$ 5,021,721
Contributions from private sources	2,549,563	24,601	-	2,574,164
Net special event income	628,463	-	-	628,463
Program service fees	1,120,818	-	-	1,120,818
Net investment income	17,906	(393,526)	-	(375,620)
Bequests and other income	39,877	-	-	39,877
Contributions of nonfinancial assets	244,000	-	-	244,000
Total support and revenues	9,622,348	(368,925)	-	9,253,423
Expenses				
Program services	7,062,823	-	-	7,062,823
Supporting services				
Management and general	790,884	19,399	-	810,283
Fundraising	374,989	-	-	374,989
Total supporting services	1,165,873	19,399	-	1,185,272
Total expenses	8,228,696	19,399	-	8,248,095
Changes in net assets	1,393,652	(388,324)	-	1,005,328
Net assets at the beginning of the year	8,309,684	4,259,521	-	12,569,205
Net assets at the end of the year	$ 9,703,336	$ 3,871,197	$ -	$ 13,574,533

See Notes to Consolidated Financial Statements.

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

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal grantor/ pass through grantor/ program or cluster title	Assistance listing number	Pass-through award number	Total federal expenditures	Provided to subrecipients
U.S. Department of Health and Human Services (U.S HHS)				
Pass-through from Lutheran Services Florida, Inc.				
Head Start Cluster				
Head Start / Early Head Start Programs	93.600	04CH011690	$ 1,054,978	$ -
HS CRRSA & ARP Funding	93.600	04HE000622	546,913	-
Total U.S. Department of Health and Human Services/ Head Start Cluster			1,601,891	-
U.S. Department of Agriculture				
Pass-through from Florida Department of Agriculture and Consumer Services / Division of Food, Nutrition and Wellness				
Child Nutrition Cluster				
Child Nutrition Program, National School Lunch Program (NSLP)	10.555	1615	24,866	-
Total Child Nutrition Cluster			24,866	-
Pass-through from Florida Department of Health				
Child and Adult Care Food Program	10.558	S-649	563,400	-
Total U.S. Department of Agriculture			588,266	-
Total Expenditures of Federal Awards			$ 2,190,157	$ -

See Notes to Schedule of Expenditures of Federal Awards.

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

Notes to Schedule of Expenditures of Federal Awards December 31, 2022

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc., (collectively, the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirement for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect cost rate

The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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
Florence Fuller Child Development Foundation, Inc.
Boca Raton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc., (collectively, the "Organization") which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 27, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boca Raton, Florida
September 27, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required By the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Florence Fuller Child Development Centers, Inc. and Florence Fuller Child Development Foundation, Inc.'s (collectively, the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

CohnReznick LLP

Boca Raton, Florida
September 27, 2023

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

Schedule of Findings and Questioned Costs
December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting

   a. Material weakness(es) identified? __ yes ✓ no

   b. Significant deficiency(ies) identified? __ yes ✓ none reported

3. Noncompliance material to financial statements noted? __ yes ✓ no

Federal Awards

1. Internal control over major federal programs:

   a. Material weakness(es) identified? _ yes ✓ no

   b. Significant deficiency(ies) identified? _ yes ✓ none reported

2. Type of auditor's report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _ yes ✓ no

4. Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
93.600	Head Start/Head Start Cluster

5. Dollar threshold used to distinguish between type A and B programs $750,000

6. Auditee qualified as low-risk auditee? ✓ yes _ no

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

CohnReznick

ADVISORY • ASSURANCE • TAX