

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

BRIGHT HORIZONS FAMILY SOLUTIONS INC
Form 10-Q
May 15, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2003.

Commission File Number 0-24699

BRIGHT HORIZONS FAMILY SOLUTIONS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE -----	62-1742957 -----
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

200 Talcott Avenue South
Watertown, Massachusetts 02472
(Address of principal executive offices)

(617) 673-8000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date: 12,579,981 shares of common stock, \$.01 par value, at May 8, 2003.

FORM 10-Q
INDEX

Page
Number

PART I. FINANCIAL INFORMATION

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

ITEM 1.	Consolidated Financial Statements	
	A. Consolidated Balance Sheets at March 31, 2003 (unaudited) and December 31, 2002	3
	B. Consolidated Statements of Operations for the Three Months ended March 31, 2003 and 2002 (unaudited)	4
	C. Consolidated Statements of Cash Flows for the Three Months ended March 31, 2003 and 2002 (unaudited)	5
	D. Notes to Consolidated Financial Statements (unaudited)	6
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
ITEM 3.	Quantitative and Qualitative Disclosures about Market Risk	14
ITEM 4.	Controls and Procedures	14
PART II. OTHER INFORMATION		
ITEM 1.	Legal Proceedings	15
ITEM 2.	Changes in Securities and Use of Proceeds	15
ITEM 3.	Defaults Upon Senior Securities	15
ITEM 4.	Submission of Matters to a Vote of Security Holders	15
ITEM 5.	Other Information	15
ITEM 6.	Exhibits and Reports on Form 8-K	15
SIGNATURES		16
CERTIFICATIONS		17
EXHIBITS		21

2

Bright Horizons Family Solutions, Inc.
Consolidated Balance Sheets
(in thousands except share data)

	March 31, 2003	Decemb 20
	-----	-----
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 22,856	\$ 2
Accounts receivable, net	27,010	2

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Prepaid expenses and other current assets	3,746	
Current deferred tax asset	9,745	
	-----	-----
Total current assets	63,357	6
Fixed assets, net	90,851	8
Goodwill and other intangible assets, net	39,628	3
Non-current deferred tax asset	7,231	
Other assets	632	
	-----	-----
Total assets	\$ 201,699	\$ 20
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt and obligations under capital leases	\$ 155	\$
Accounts payable and accrued expenses	43,397	4
Deferred revenue	22,623	2
Income tax payable	14	
Other current liabilities	2,257	
	-----	-----
Total current liabilities	68,446	7
Long-term debt and obligations under capital leases, net of current portion	970	
Accrued rent	2,678	
Other long-term liabilities	4,515	
Deferred revenue, net of current portion	10,514	1
	-----	-----
Total liabilities	87,123	9
	-----	-----
Stockholders' equity:		
Preferred Stock: 5,000,000 shares authorized, none issued or outstanding		
Common Stock \$.01 par value		
Authorized: 30,000,000 shares		
Issued: 13,017,000 and 12,950,000 shares at March 31, 2003 and December 31, 2002, respectively		
Outstanding: 12,501,000 and 12,433,000 at March 31, 2003 and December 31, 2002, respectively		
	130	
Additional paid in capital	86,279	8
Treasury stock, 517,000 shares, at cost	(7,560)	(
Cumulative translation adjustment	1,538	
Retained earnings	34,189	2
	-----	-----
Total stockholders' equity	114,576	10
	-----	-----
Total liabilities and stockholders' equity	\$ 201,699	\$ 20
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Bright Horizons Family Solutions, Inc.
 Consolidated Statements of Income
 (in thousands except per share data)
 (Unaudited)

	Three months ended March 31,	
	2003	2002
Revenue	\$112,407	\$ 94,476
Cost of services	95,299	80,307
	-----	-----
Gross profit	17,108	14,169
Selling, general and administrative	9,225	7,648
Amortization	127	109
	-----	-----
Income from operations	7,756	6,412
Net interest income	38	23
	-----	-----
Income before tax	7,794	6,435
Income tax provision	3,266	2,717
	-----	-----
Net income	\$ 4,528	\$ 3,718
	=====	=====
Earnings per share - basic	\$ 0.36	\$ 0.30
	=====	=====
Weighted average shares - basic	12,451	12,298
	=====	=====
Earnings per share - diluted	\$ 0.35	\$ 0.29
	=====	=====
Weighted average shares - diluted	13,012	12,978
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Bright Horizons Family Solutions, Inc.
 Consolidated Statements of Cash Flows
 (in thousands)
 (Unaudited)

	Three months ended March 31	
	2003	2002
	-----	-----
Net income	\$ 4,528	\$ 3,718
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,618	2,221
Non cash expenses	12	--
Changes in assets and liabilities:		
Accounts receivable	(4,489)	262
Prepaid expenses and other current assets	856	164
Accounts payable and accrued expenses	(5,329)	(2,024)
Income taxes payable	(1,294)	(1,428)
Deferred revenue	549	2,953
Accrued rent	748	6
Other long-term assets	(102)	148
Other current and long-term liabilities	272	(140)
	-----	-----
Net cash (used) provided by operating activities	(1,631)	5,880
	-----	-----
Cash flows from investing activities:		
Additions to fixed assets	(5,052)	(3,769)
	-----	-----
Net cash used in investing activities	(5,052)	(3,769)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of common stock from exercise of options	756	549
Proceeds from note payable	699	--
Principal payments of long term debt and obligations under capital leases	(116)	(36)
	-----	-----
Net cash provided by financing activities	1,339	513
	-----	-----
Effect of exchange rate changes on cash and cash equivalents	7	(4)
	-----	-----
Net(decrease) increase in cash and cash equivalents	(5,337)	2,620
Cash and cash equivalents, beginning of period	28,193	12,770
	-----	-----
Cash and cash equivalents, end of period	\$ 22,856	\$ 15,390

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

	=====	=====
Supplemental cash flow information:		
Cash payments for interest	\$ 7	\$ 29
	=====	=====
Cash payments for income taxes	\$ 4,562	\$ 4,144
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

5

ITEM 1.D. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. The Company and Basis of Presentation

ORGANIZATION - Bright Horizons Family Solutions, Inc. (the "Company") was incorporated under the laws of the state of Delaware on April 27, 1998 and commenced substantive operations upon the completion of the merger by and between Bright Horizons, Inc. ("BRHZ") and CorporateFamily Solutions, Inc. ("CFAM") on July 24, 1998 (the "Merger".) The Company provides workplace services for employers and families including childcare, early education and strategic work/life consulting throughout the United States, Guam, Canada, the United Kingdom, and Ireland.

The Company operates its family centers under various types of arrangements, which generally can be classified in two forms: (i) the sponsor model, where the Company operates a childcare and early education center on the premises of a sponsor and gives priority enrollment to the sponsor's employees or affiliates, and (ii) the management model, where the Company manages a work-site childcare and early education center under a cost-plus arrangement, typically for a single employer.

BASIS OF PRESENTATION - The accompanying financial statements have been prepared by the Company in accordance with the accounting policies described in the Company's audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and should be read in conjunction with the notes thereto.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments which are necessary to present fairly its financial position as of March 31, 2003, and the results of its operations for the three month periods ended March 31, 2003 and 2002, and its cash flows for the three month period ended March 31, 2003 and 2002, and are of a normal and recurring nature. The results of operations for interim periods are not necessarily indicative of the operating results to be expected for the full year.

SEGMENT INFORMATION - The Company operates solely in one segment, providing

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

workplace services to employers and families including childcare, early education and work/life consulting and generates in excess of 90% of revenue and operating profit domestically.

STOCK-BASED COMPENSATION - SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Company has chosen to continue to account for employee stock-based compensation using the intrinsic value method as prescribed in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related

6

interpretations. Under APB Opinion No. 25, no compensation cost related to employee stock options has been recognized as options are granted with exercise prices equal to or greater than the fair market value at the date of grant. The Company accounts for options granted to non-employees and certain options issued in connection with acquisitions using the fair value method, in accordance with the provisions of SFAS No. 123. Had compensation cost for the stock option plans been determined based on the fair value at the grant date for awards in 1995 through March 2003, consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts for periods ended March 31, 2003 and 2002.

Period Ended:	March 31, 2003 -----	March 31, 2002 -----
Net income:		
As reported	\$ 4,528,000	\$ 3,718,000
Pro forma	\$ 3,612,000	\$ 2,801,000
Earnings per share - Basic:		
As reported	\$ 0.36	\$ 0.30
Pro forma	\$ 0.29	\$ 0.21
Earnings per share - Diluted:		
As reported	\$ 0.35	\$ 0.29
Pro forma	\$ 0.28	\$ 0.20

Because the method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The fair value of each option on its date of grant has been estimated for pro forma purposes using the Black-Scholes option pricing model using the following weighted average assumptions:

2003	2002
------	------

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

	-----	-----
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	51.6%	51.6%
Risk free interest rate	1.90%	3.20%
Expected life of options	7.3 years	7.3 years
Weighted-average fair value per share of options granted during the year	\$ 14.54	\$ 16.76

COMPREHENSIVE INCOME - The Company applies the provisions of SFAS No. 130, "Reporting Comprehensive Income," which establishes standards for reporting and displaying comprehensive income and its components in the consolidated financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The only components of comprehensive income reported by

7

the Company are net income and foreign currency translation adjustments.

	For the Three Months Ended March 31,	
	-----	-----
	2003	2002
	-----	-----
Net income	\$ 4,528	\$ 3,718
Foreign currency translation adjustments	(347)	(36)
	-----	-----
Comprehensive income	\$ 4,181	\$ 3,682
	=====	=====

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS -

In November 2002, the EITF issued EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF No. 00-21 establishes three principles: revenue arrangements with multiple deliverables should be divided into separate units of accounting, arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, and revenue recognition criteria should be considered separately for separate units of accounting. EITF No. 00-21 is effective for all revenue arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Company does not expect this standard to have an impact on its revenue recognition policies.

2. Notes Payable

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

The Company entered into an agreement to develop a childcare and early education center, which will be funded by proceeds from a note payable, with a client, not to exceed \$2.6 million. The note will bear interest at 5.75% and will be payable over a term of 54 months, commencing August 2003. Through March 31, 2003, the Company has borrowed approximately \$699,000 of the amount available. This amount is secured by the Company's leasehold interest in the childcare center.

3. Earnings Per Share

Earnings per share has been calculated in accordance with SFAS No. 128 "Earnings per Share" ("SFAS 128"), which established standards for computing and presenting earnings per share. The computation of net earnings per share is based on the weighted average number of common shares and common equivalent shares outstanding during the period.

8

The following tables present information necessary to calculate earnings per share:

	Three months Ended March 31, 2003		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share:			
Income available to common stockholders	\$4,528,000	12,451,000	\$ 0.36 =====
Effect of dilutive securities:			
Stock options	--	561,000	
Diluted earnings per share	\$4,528,000	13,012,000	\$ 0.35 =====

	Three months Ended March 31, 2002		
	Earnings (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per share:			
Income available to common stockholders	\$3,718,000	12,298,000	\$ 0.30 =====
Effect of dilutive securities:			
Stock options	--	680,000	

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Diluted earnings per share	----- \$3,718,000 -----	----- 12,978,000 -----	\$ 0.29 -----
----------------------------	-------------------------------	------------------------------	------------------

The weighted average number of shares excluded from the above calculations for the three months ended March 31, 2003 was approximately 306,000, as their effect would be anti-dilutive. There were no anti-dilutive shares in the three months ended March 31, 2002. For the three-month periods ended March 31, 2003 and 2002, the Company had no warrants or preferred stock outstanding.

4. Commitments and Contingencies

The Company self-insures a portion of its workers compensation and medical insurance plans. While management believes that the amounts accrued for these obligations is sufficient, any significant increase in the number of claims and costs associated with claims made under these plans could have a material adverse effect on the Company's financial position or results of operations.

The Company is a defendant in certain legal matters in the ordinary course of business. Management believes the resolution of such legal matters will not have a material effect on the Company's financial condition or results of operations.

The Company is guarantor on a lease for a childcare center that was transitioned to another provider. The lease guarantee expires in June 2006. Management estimates that its current obligations associated with this lease, including real estate taxes and related expenses, to be approximately \$700,000.

9

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Form 10-Q contains certain forward-looking statements regarding, among other things, the anticipated financial and operating results of the Company. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to publicly release any modifications or revisions to these forward-looking statements to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company cautions investors that future financial and operating results may differ materially from those projected in forward-looking statements made by, or on behalf of, the Company. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. See "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference for a description of a number of risks and uncertainties, which could affect actual results.

General

The Company provides workplace services for employers and families, including child care, early education and strategic work/life consulting, operating 476 child care and early education centers at March 31, 2003. During the three-month

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

period ending March 31, 2003, the Company opened 15 new centers and closed 4 centers. The Company has the capacity to serve approximately 55,000 children in 37 states, the District of Columbia, Canada, Guam, Ireland and the United Kingdom and has partnerships with many leading employers, including 82 Fortune 500 companies. Working Mother's 2002 list of the "100 Best Companies for Working Mothers" includes 54 clients of the Company. Historical revenue growth has resulted primarily from the addition of new centers as well as increased enrollment at existing centers. The Company reports its operating results on a calendar year basis.

The Company's business is subject to seasonal and quarterly fluctuations. Demand for child care and early education services have historically decreased during the summer months. During this season, families are often on vacation or have alternative child care arrangements. Demand for the Company's services generally increases in September upon the beginning of the new school year and remains relatively stable throughout the remainder of the school year. Results of operations may also fluctuate from quarter to quarter as a result of, among other things, the performance of existing centers including enrollment and staffing fluctuations, the number and timing of new center openings and/or acquisitions, the length of time required for new centers to achieve profitability, center closings, refurbishment or relocation, the model mix (sponsor vs. management) of new and existing centers, competitive factors and general economic conditions.

10

RESULTS OF OPERATIONS

The following table sets forth certain statement of operations data as a percentage of revenue for the three-month periods ended March 31, 2003 and 2002:

	Three Months Ended March 31,	
	2003	2002
	-----	-----
Revenue	100.0%	100.0%
Cost of services	84.8	85.0
	-----	-----
Gross profit	15.2	15.0
Selling, general & administrative	8.2	8.1
Amortization	0.1	0.1
	-----	-----
Income from operations	6.9	6.8
Net interest income (expense)	0.0	0.0
	-----	-----
Income before income taxes	6.9	6.8
Income tax provision	2.9	2.9
	-----	-----
Net income	4.0%	3.9%
	=====	=====

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Three Months Ended March 31, 2003 Compared to the Three Months Ended March 31, 2002

Revenue. Revenue increased \$17.9 million, or 19.0%, to \$112.4 million for the three months ended March 31, 2003 from \$94.5 million for the three months ended March 31, 2002. The growth in revenues is primarily attributable to the net addition of 78 family centers since March 31, 2002, modest growth in the existing base of family centers and tuition increases at existing centers of approximately 4% to 5%.

Gross Profit. Cost of services consists of center operating expenses, including payroll and benefits for center personnel, facilities costs, which include depreciation, supplies and other expenses incurred at the family center level. Gross profit increased \$2.9 million, or 20.7%, to \$17.1 million for the three month period ended March 31, 2003 from \$14.2 million for the three months ended March 31, 2002. As a percentage of revenue, gross profit increased to 15.2% for the three months ended March 31, 2003 compared to 15.0% for the three months ended March 31, 2002.

The modest increase in gross profit margins for the three-month period ended March 31, 2003 compared to the same period in 2002 resulted from increased enrollment in the Company's ramping centers, cost savings attributable to labor management at the Company's domestic centers, and growth in the Company's European operations, which produce a higher profit margin than domestic centers. As noted above, the Company's operations are subject to seasonal variation and, as a result, the Company expects gross profit to approximate 14.7% to 14.8% for the full year in 2003.

11

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses consist of regional and district management personnel, corporate management and administrative functions, and development expenses for new and existing centers. Selling, general and administrative expenses increased \$1.6 million, or 20.6%, to \$9.2 million for the three months ended March 31, 2003 from \$7.6 million for the three months ended March 31, 2002. As a percentage of revenue, SG&A expenses increased to 8.2% for the three months ended March 31, 2003 from 8.1% for the same period in 2002.

The dollar increase in SG&A expenses is primarily attributable to investments, both domestic and international, in regional and divisional management, as well as general corporate and administrative personnel necessary to support long-term growth. SG&A expenses, as a percentage of revenue, increased during the current quarter in connection with the integration of businesses acquired in Europe in the latter half of 2002. The Company expects SG&A spending, as a percentage of revenue, to remain in the 8.1% to 8.2% range in 2003.

Amortization. Amortization expense totaled \$128,000 for the three months ended March 31, 2003, as compared to \$109,000 in the same period for 2002.

Income from Operations. Income from operations totaled \$7.8 million for the three months ended March 31, 2003, an increase of \$1.4 million, or 21.0%, from \$6.4 million in the same period for 2002 as a result of the factors discussed above.

Net Interest Income. Net interest income was approximately \$38,000 for the three months ended March 31, 2003 as compared to \$23,000 for the three months ended March 31, 2002. The increase in net interest income in 2003 from 2002 is

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

attributable to higher levels of invested cash in 2003.

Income Tax Provision. The Company's effective income tax rate was approximately 41.9% for the three-month period ended March 31, 2003 and 42.2% for the three-month period ended March 31, 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash requirements are the ongoing operations of its existing centers and the addition of new centers through development or acquisition. The Company's primary sources of liquidity have been existing cash balances and cash flow from operations, supplemented by borrowing capacity under the Company's revolving line of credit. The Company had a working capital deficit of \$5.1 million and \$8.7 million as of March 31, 2003 and December 31, 2002, respectively.

Cash used in operations was \$1.6 million for the three months ended March 31, 2003, as compared to \$5.8 million of cash provided by operations for the three months ended March 31, 2002. The decrease is primarily the result of increases in client accounts receivable due to the timing of client invoicing and collections, as well as reductions in accounts payable and accrued expenses, primarily accrued salaries, which vary according to the payroll cycle.

Cash used in investing activities increased to \$5.1 million for the three months ended March 31, 2003 from \$3.8 million for the three months ended March 31, 2002. This

12

was a result of an increase of \$1.3 million in fixed asset additions in 2003 as compared to the same period in 2002. Of the \$5.1 million of fixed asset additions for the three months ended March 31, 2003, approximately \$2.9 million relates to new family centers, with the remainder utilized for the refurbishment of existing family centers. Management expects the current level of center related fixed asset spending to remain the same or increase slightly in 2003.

Cash provided by financing activities totaled \$1.3 million for the three months ended March 31, 2003 compared to \$513,000 in the three months ended March 31, 2002. The Company received \$756,000 from stock option exercises in the three months ended March 31, 2003, as compared to \$549,000 in the same period in 2002. The Company also received approximately \$699,000 in proceeds from a note payable to fund the construction of a client sponsored center.

Management believes that funds provided by operations and the Company's existing cash and cash equivalent balances and borrowings available under its line of credit will be adequate to meet planned operating and capital expenditure needs for at least the next 12 months.

OTHER REPORTING MATTERS

We considered the disclosure requirements of FR-60 regarding critical accounting policies and FR-61 regarding liquidity and capital resources, certain trading activities, and related party/certain other disclosures, and concluded that nothing materially changed during the quarter that would warrant further disclosure under these releases.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In November 2002, the EITF issued EITF No. 00-21, Accounting for Revenue Arrangements with Multiple Deliverables. EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF No. 00-21 establishes three principles: revenue arrangements with multiple deliverables should be divided into separate units of accounting, arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, and revenue recognition criteria should be considered separately for separate units of accounting. EITF No. 00-21 is effective for all revenue arrangements entered into in fiscal periods beginning after June 15, 2003, with early adoption permitted. The Company does not expect this standard to have an impact on its revenue recognition policies.

13

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

There have been no material changes in the Company's investment strategies, types of financial instruments held or the risks associated with such instruments which would materially alter the market risk disclosures made in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Foreign Currency Exchange Rate Risk

The Company's exposure to fluctuations in foreign currency exchange rates is primarily the result of foreign subsidiaries domiciled in the United Kingdom and Ireland. The Company does not currently use financial derivative instruments to hedge foreign currency exchange rate risks associated with its foreign subsidiaries.

The assets and liabilities of the Company's Canada, Ireland, and United Kingdom subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effects for the subsidiaries are included in cumulative translation adjustment in stockholders' equity.

There have been no changes in the Company's foreign operations that would materially alter the disclosures on foreign currency exchange risk made in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Within 90 days prior to the date of this quarterly report (the "Evaluation Date"), the Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15(d)-14(c)). Based on that evaluation, these officers concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information required to be disclosed in this report regarding the Company and its consolidated subsidiaries has been made known to them by others within Company.

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date. There were no significant deficiencies or material weaknesses identified, and therefore no corrective actions were taken.

14

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings:

Not Applicable

ITEM 2. Changes in Securities and Use of Proceeds:

Not applicable

ITEM 3. Defaults Upon Senior Securities:

None

ITEM 4. Submission of Matters to a Vote of Security Holders:

Not applicable

ITEM 5. Other information:

Not applicable

ITEM 6. Exhibits and Reports on Form 8-K:

(a) Exhibits:

99.1 Certificate of Chief Executive Officer relating to Quarterly Report on Form 10-Q for period ended March 31, 2003.

99.2 Certificate of Chief Financial Officer relating to Quarterly Report on Form 10-Q for period ended March 31, 2003.

(b) Reports on Form 8-K

Not Applicable

15

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

Date: May 15, 2003

BRIGHT HORIZONS FAMILY SOLUTIONS, INC.

By: /s/ Elizabeth J. Boland

Elizabeth J. Boland
Chief Financial Officer
(Duly Authorized Officer and Principal
Financial and Accounting Officer)

16

CERTIFICATION

I, David H. Lissy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent

17

evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ David H. Lissy

David H. Lissy
Chief Executive Officer

18

CERTIFICATION

I, Elizabeth J. Boland, certify that:

Edgar Filing: BRIGHT HORIZONS FAMILY SOLUTIONS INC - Form 10-Q

1. I have reviewed this quarterly report on Form 10-Q of Bright Horizons Family Solutions, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that

19

could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Elizabeth J. Boland

Elizabeth J. Boland
Chief Financial Officer

20

EXHIBIT INDEX

- 99.1 Certificate of Chief Executive Officer relating to Quarterly Report on Form 10-Q for period ended March 31, 2003.
- 99.2 Certificate of Chief Financial Officer relating to Quarterly Report on Form 10-Q for period ended March 31, 2003.

21