BRIGHT HORIZONS FAMILY SOLUTIONS INC.
Form 11-K
June 18, 2015
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the fiscal year ended December 31, 2014.
OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the transition period from to

Commission file number: 001-35780

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
Bright Horizons 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
Bright Horizons Family Solutions Inc.
200 Talcott Avenue South
Watertown, MA 02472

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Administrator and Trustee of the Bright Horizons 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Bright Horizons 401(k) Plan (the “Plan”) as of December 31, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended December 31, 2014. These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2014 and 2013, and the changes in net assets available for benefits for the year ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

The supplementary information in the accompanying schedules of Delinquent Participant Contributions for 2014 and assets (held at end of year) as of December 31, 2014 have been subjected to audit procedures performed in conjunction with the audit of Bright Horizons 401(k) Plan’s financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the financial statements but include supplementary information required by the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplementary information is the responsibility of the Plan’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information in the accompanying schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information in the accompanying schedules is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Gray, Gray & Gray, LLP
Canton, Massachusetts
June 18, 2015

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BRIGHT HORIZONS 401(k) PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31, 2014	2013
ASSETS		
Investments, at fair value:		
Pooled separate accounts	$131,931,448	$123,319,789
Investment contract	41,277,498	38,104,697
Mutual fund	17,096,018	16,163,949
Company stock fund	458,431	—
Total investments	190,763,395	177,588,435
Contributions receivable	1,411	—
Notes receivable from participants	4,109,444	3,546,815
TOTAL ASSETS	194,874,250	180,743,061
LIABILITIES		
Excess contributions refundable	269,178	392,189
TOTAL LIABILITIES	269,178	392,189
NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE	194,605,072	180,743,061
Adjustment from fair value to contract value for fully benefit-responsive investment contract	(5,168,309)	(4,142,081)
NET ASSETS AVAILABLE FOR BENEFITS	$189,436,763	$176,600,980

See notes to financial statements.

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BRIGHT HORIZONS 401(k) PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2014

ASSETS	
Additions	
Investment income:	
Interest and dividends	$2,654,439
Net appreciation in fair value of investments	9,486,919
Total investment income	12,141,358
Interest earned on notes receivable from participants	154,876
Contributions:	
Participant deferrals	11,804,864
Participant rollovers	1,209,496
Employer	2,272,689
Total contributions	15,287,049
Total additions	27,583,283
Deductions	
Benefits paid to participants	14,682,342
Deemed distributions of notes receivable from participants	3,312
Administrative expenses	61,846
Total deductions	14,747,500
NET INCREASE	12,835,783
NET ASSETS AVAILABLE FOR BENEFITS	
Beginning of year	176,600,980
End of year	$189,436,763

See notes to financial statements.

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BRIGHT HORIZONS 401(k) PLAN
NOTES TO FINANCIAL STATEMENTS
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1. DESCRIPTION OF THE PLAN

The following description of the Bright Horizons 401(k) Plan (the “Plan”) provides only general information. Participants should refer to the Summary Plan Description for a more comprehensive description of the Plan’s provisions.

General - The Plan is a defined-contribution plan that is available to eligible U.S. based employees of Bright Horizons Children's Centers LLC (the “Plan Sponsor”), and any eligible affiliated company, except for employees residing in Puerto Rico. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Administration - The Plan is administered by Bright Horizons Children's Centers LLC which, as Plan Administrator, has substantial control of and discretion over the administration of the Plan. The Plan Administrator has engaged a third party, MassMutual, to provide recordkeeping and administrative services.

Eligibility - Employees are eligible to participate in the Plan after completion of 60 days and 160 hours of service within those 60 days or completion of one year of service and 1,000 hours or 1,000 hours in a calendar year thereafter, provided they are then at least 20 ½ years of age. However, participants are not eligible to receive employer contributions until completion of one year of service.

Contributions - Participants are permitted to contribute up to 50% of pretax compensation (as defined in the Plan) up to a maximum not to exceed amounts allowable under current income tax regulations. Catch-up contributions are permitted for participants reaching age 50 during the plan year.

Employer matching contributions are made at the discretion of the Board of Directors of Bright Horizons Family Solutions Inc. (the "Company") to participants who have completed one year of service. For the year ended December 31, 2014, the Company contributed an amount equal to 25% of the participants' contributions up to 8% of the participants' compensation contributed by the participant for each of the bi-weekly pay periods. The Company may also make an additional discretionary contribution, as determined annually by the Company. For the plan years ended December 31, 2014 and 2013, the Company did not make any additional discretionary contributions.

Vesting - Employees are immediately vested in their own contributions and related earnings. Company contributions to participants and earnings thereon are 20% vested after the second year of employment and 20% for each year thereafter, such that a participant is 100% vested after six years of continued employment.

Participant Accounts - Each participant’s account is credited with the participant’s contributions and earnings (losses) thereon and an allocation of the Company’s contributions and Plan earnings. Allocations of earnings (losses) are based on account balances, as defined in the Plan. Employer discretionary contributions are allocated based on employee compensation amounts. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account balance.

Forfeitures - The distribution and allocation of forfeited Company discretionary and matching contributions are first made available to reinstate previously forfeited Company discretionary or matching contributions of account balances for rehired former participants provided certain provisions in the Plan Agreement are met. The remaining forfeitures are used to reduce Company matching contributions or to reduce Plan expenses for the plan year in which such forfeitures occur. At December 31, 2014 and 2013, forfeited non-vested accounts totaled $348,701 and $269,380, respectively. Forfeitures in the amount of $88,144 were used to reduce Company matching contributions during 2014.

Payment of Benefits - On termination of service due to death, disability or retirement, each participant is entitled to 100% of his or her account balance. Upon termination of employment for reasons other than death, disability, or retirement, each participant is entitled to distributions based upon the vested portion of his or her account valuation determined as of the day the participant terminates employment. In addition, participants can withdraw their deferred compensation balance in the event of certain hardship circumstances, as defined in the Plan. Payment of benefits is made in one lump sum amount.

Notes Receivable from Participants - Participants may borrow a minimum of $1,000 and a maximum of the lesser of 50% of their vested account balance or $50,000. Interest rates on these loans are at prime, plus 1% and the interest rates for outstanding loans currently range from 4.25% to 9.25%. Loans must be repaid within five years, unless the loan is taken for the purchase of a primary residence, which may be repaid over a period not to exceed 30 years. Participants repay principal and interest through payroll deductions. If participants are terminating or retiring, they will have the choice of repaying the loan or having the loan offset from their account. The offset loan amount will be considered a taxable distribution.

Investment Options - Participants direct the investment of their contributions into various investment options offered by the Plan.

2. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Plan are prepared on the accrual basis of accounting. The financial statements and supplemental schedules have been prepared to satisfy the reporting and disclosure requirements of ERISA.

Investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The statements of net assets available for benefits present the fair value of the investment contract as well as the adjustment of the fully benefit-responsive investment contract from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis.

The Bright Horizons Stock Fund (the "Fund") is tracked on a unitized basis. The Fund consists of Bright Horizons Family Solutions Inc. common stock and cash investments used to cover the Fund's daily cash needs. The value of a unit reflects the combined market value of Bright Horizons Family Solutions Inc. common stock and the cash investments held by the Fund. As of December 31, 2014, the Fund held 8,965 shares of Bright Horizons Family Solutions Inc. common stock with an aggregate value of $421,444 and cash investments of $36,987.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Plan management to make estimates and assumptions that affect the reported amounts of Plan assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties - The Plan invests in various investment securities. Investment securities, in general, are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 10 for discussion of fair value measurements.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Payment of Benefits - Benefits paid to participants are recorded when paid.

Administrative Expenses - Certain expenses incurred in connection with the general administration of the Plan are paid by the Plan and are recorded in the accompanying statement of changes in net assets available for benefits as deductions. Other expenses incurred in the administration of the Plan are paid by the Company.

Plan Termination - Although it has not expressed intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their accounts.

Uncertain Tax Positions - Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more-likely-than-not would not be sustained upon examination. The Plan Sponsor has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Sponsor believes it is no longer subject to income tax examinations for years prior to 2010.

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Note Receivable from Participants - Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Delinquent participant loans are reclassified as distributions based upon the terms of the Summary Plan Description.

3. INVESTMENTS

The following presents investments that represent five percent or more of the Plan’s net assets available for benefits as of December 31, 2014 and 2013:

	2014 Shares	Value
MassMutual Group Annuity Contract - Fixed Fund	—	$36,109,189
Northern Trust S&P 500 Index Equity Fund	126,105	$22,801,795
Babson Premier Discipline Growth	91,413	$22,197,199
T. Rowe Price New Horizons Fund	33,893	$18,941,640
RidgeWorth Large Cap Value Equity I	1,059,773	$17,096,018
T. Rowe Price Retirement 2030	105,298	$15,611,344
T. Rowe Price Retirement 2020	70,588	$10,296,467

	2013 Shares	Value
MassMutual Group Annuity Contract - Fixed Fund	—	$33,962,616
Babson Premier Discipline Growth	97,653	$21,106,298
Northern Trust S&P 500 Index Equity Fund	113,051	$20,955,648
T. Rowe Price New Horizons Fund	23,454	$19,499,855
RidgeWorth Large Cap Value Equity I	1,113,331	$16,163,949
T. Rowe Price Retirement 2030	101,210	$14,179,092
American EuroPacific Growth	61,204	$9,585,735
T. Rowe Price Retirement 2020	65,328	$9,043,643

During 2014, the Plan’s investments (including gains and losses on investments bought and sold, as well as held during 2014) appreciated in fair value by $9,486,919 as follows:

Pooled separate accounts	$9,174,681
Mutual fund	253,196
Company stock fund	59,042
Total appreciation in value	$9,486,919

4. INVESTMENT CONTRACT WITH INSURANCE COMPANY

The Plan entered into a benefit-responsive investment contract with Massachusetts Mutual Life Insurance Company (“MassMutual”). MassMutual maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at contract value as reported to the Plan by MassMutual. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value. The guaranteed investment contract issuer is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Plan.

As described in Note 2, because the guaranteed contract is fully benefit-responsive, contract value is the relevant measurement attribute for that portion of the net assets available for benefits attributable to the guaranteed investment contract. Contract value, as reported to the Plan by MassMutual, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The crediting interest rate is based

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on a formula agreed upon with the issuer, but it may not be less than 3.00%. Such interest rates are reviewed on a semi-annual basis for resetting. The crediting interest rate was 3.30% and 3.40% as of December 31, 2014 and 2013, respectively.

Certain events may limit the ability of the Plan to transact at contract value with the issuer. Such events include but may not be limited to the following: (1) temporary absence; (2) change in position or other occurrence qualifying as a temporary break in service under the Plan; (3) transfer or other change of position resulting in employment by an entity controlling, controlled by, or under other common control with the employer; (4) cessation of an employment relationship resulting from a reorganization, merger, layoff or the sale or discontinuance of all or any part of the Plan Sponsor's business; (5) removal from the Plan of one or more groups or classifications of participants; (6) partial or complete Plan termination; or (7) Plan disqualification. The Plan Sponsor does not believe that the occurrence of any such event, which would limit the Plan's ability to transact at contract value with participants, is probable.

The average yields were as follows:

	2014		2013	
Based on actual earnings	2.86	%	2.99	%
Based in interest rate credited to participants	2.86	%	2.99	%

5. EXCESS CONTRIBUTIONS REFUNDABLE
At December 31, 2014 and 2013, liabilities of $269,178 and $392,189, respectively, were recorded for amounts refundable by the Plan to participants for contributions made in excess of amounts allowed by the Internal Revenue Service (the "IRS").
6. TAX STATUS
On May 11, 2009, the IRS stated that the prototype adopted by the Plan, as then designed, qualifies under Internal Revenue Code (“IRC”) Section 401(a). The Plan has not received a determination letter specific to the Plan itself; however, the Plan Sponsor and the Plan’s tax counsel believe that the Plan was designed and was being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan’s financial statements.
7. RELATED PARTY TRANSACTIONS
The Plan engages in investment transactions with funds managed by the trustee, MassMutual. The total fees paid by the Plan to MassMutual during 2014 amounted to $61,846. At December 31, 2014, the Plan held 8,965 shares of Company common stock. These transactions qualify as exempt party-in-interest transactions and are allowable under ERISA.
8. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500
The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2014 and 2013:

	2014		2013
Net assets available for benefits per the financial statements	$189,436,763		$176,600,980
Excess contributions refundable	269,178		392,189
Employee contribution receivable	(1,132	)	—
Employer contribution receivable	(279	)	—
Accrued interest on notes receivable from participants	7,169		6,822
Net assets per Form 5500	$189,711,699		$176,999,991

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BRIGHT HORIZONS 401(k) PLAN
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The following is a reconciliation of the change in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2014:

Net increase in net assets available for benefits per the financial statements		$12,835,783	
Add	excess contributions refundable at December 31, 2014	269,178	
Less	excess contributions refundable at December 31, 2013	(392,189	)
Less	Employer contribution receivable at December 31, 2014	(279	)
Less	Employee contribution receivable at December 31, 2014	(1,132	)
Add	decrease in accrued interest on notes receivable from participants	347	
Net income per the Form 5500		$12,711,708	

9. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”), Accounting Standards Codification (ASC) 820, Fair Value Measurement and Disclosures, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 - inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the assets or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investment from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. Management evaluates the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2014, there were no significant transfers in or out of Levels 1, 2, or 3.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Mutual fund: Valued at the unit value calculated based on the observable net asset value (“NAV”) of the underlying investments. The investment seeks capital appreciation; current income is secondary. The fund invests at least 80% of net assets (plus any borrowings for investment purposes) in U.S. traded equity securities of large cap companies. It targets companies with market capitalizations similar to those of companies in the Russell 1000® Value Index.

Pooled separate accounts: Valued at the unit value based on the NAV of the underlying mutual fund at year end. The pooled separate accounts have various investment strategies. The growth funds seek to outperform the total return performance of its

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benchmark index, the Russell 1000® Growth Index, while maintaining risk characteristics similar to those of the benchmark. The growth and income funds seek the highest total return over time consistent with an emphasis on both capital growth and income. The fixed income funds seek a superior total rate of return by investing in fixed income instruments. The large blend funds seek to approximate as closely as practicable (before fees and expenses) the capitalization-weighted total rate of return of that portion of the U.S. market for publicly-traded common stocks composed of larger-capitalized companies. The capital appreciation and other funds seek to achieve long-term growth of capital.

Investment contract: Valued using a formula the same as a serial bond valuation formula for a bond which repays its original principal in installments, pays interest on the outstanding principal, and is being valued in the current interest rate environment.

The Bright Horizons Stock Fund - The fund is a unitized stock fund that consists of Bright Horizons Family Solutions Inc. common stock and investments in a temporary investment fund to provide liquidity for daily trading. Fair value is based upon the fair value of the underlying assets derived principally from or corroborated by observable market data by correlation or other means. These investments are classified within Level 2 of the fair value heirarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2014 and 2013.

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value as of December 31, 2014 and 2013:

	2014			
	Level 1	Level 2	Level 3	Total
Mutual fund				
Large value	$—	$17,096,018	$—	$17,096,018
Pooled separate accounts				
Growth funds	—	57,972,986	—	57,972,986
Growth and income funds	—	43,447,764	—	43,447,764
Large blend funds	—	22,801,795	—	22,801,795
Fixed income funds	—	4,996,943	—	4,996,943
Capital appreciation funds	—	860,905	—	860,905
Other funds	—	1,851,055	—	1,851,055
Bright Horizons Company Stock	—	458,431	—	458,431
Investment contract	—	—	41,277,498	41,277,498
Total investments at fair value	$—	$149,485,897	$41,277,498	$190,763,395
	2013			
	Level 1	Level 2	Level 3	Total
Mutual fund				
Large value	$—	$16,163,949	$—	$16,163,949
Pooled separate accounts				
Growth funds	—	58,036,627	—	58,036,627

Growth and income funds	—	37,835,549	—	37,835,549
Large blend funds	—	20,955,648	—	20,955,648
Fixed income funds	—	4,328,128	—	4,328,128
Capital appreciation funds	—	704,893	—	704,893
Other funds	—	1,458,944	—	1,458,944
Investment contract	—	—	38,104,697	38,104,697
Total investments at fair value	$—	$139,483,738	$38,104,697	$177,588,435

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Certain amounts for 2013 have been reclassified to conform to the current year's classification.

Level 3 - Gains and Losses

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2014:

Investment Cont