

**MARY LEE'S HOUSE, INC.**

**Financial Statements**

**December 31, 2014**

**(With Independent Auditor's Report Thereon)**

**MARY LEE'S HOUSE, INC.**

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## **Independent Auditor's Report**

The Board of Directors of  
Mary Lee's House, Inc.:

We have audited the accompanying financial statements of Mary Lee's House, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mary Lee's House, Inc. as of December 31, 2014, and the changes in its net assets, its functional expenses and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance, is presented for purposes of additional analysis as required by Chapter 10.650, *Rules of the Auditor General*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 June 3, 2015, on our consideration of Mary Lee's House, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Mary Lee's House, Inc.'s internal control over financial reporting and compliance.

MAYER HOFFMAN MCCANN P.C.

June 3, 2015  
Clearwater, Florida

**MARY LEE'S HOUSE, INC.**

**Statement of Financial Position**

**December 31, 2014**

**Assets**

|   |                     |
|---|---------------------|
| Current assets:                                     |                     |
| Cash and cash equivalents                           | \$ 556,738          |
| Investments   | 1,132,121           |
| Grants receivable                                   | 125,000             |
| Contributions receivable, current portion           | 20,000              |
| Other receivables                                   | 2,089               |
| Prepaid expenses                                    | 21,618              |
| Deposits  | <u>1,100</u>        |
| Total current assets                                | 1,858,666           |
| Contributions receivable, excluding current portion | 10,000              |
| Property and equipment, net                         | <u>4,402,374</u>    |
| Total assets  | <u>\$ 6,271,040</u> |

**Liabilities and Net Assets**

|   |                     |
|---|---------------------|
| Current liabilities:                        |                     |
| Accounts payable                            | \$ 16,091           |
| Accrued salaries and related expenses       | 9,041               |
| Deferred revenue                            | 70,552              |
| Note payable                                | <u>560,336</u>      |
| Total current liabilities                   | 656,020             |
| Net assets:                                 |                     |
| Unrestricted                                |                     |
| Operating                                   | 1,625,102           |
| Property and equipment, net of related debt | 3,842,038           |
| Board-designated operating reserve          | <u>96,000</u>       |
| Total unrestricted net assets               | 5,563,140           |
| Temporarily restricted                      | <u>51,880</u>       |
| Total net assets                            | <u>5,615,020</u>    |
| Total liabilities and net assets            | <u>\$ 6,271,040</u> |

**MARY LEE'S HOUSE, INC.****Statement of Activities****Year Ended December 31, 2014**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>     |
|---|---------------------|-----------------------------------|------------------|
| Support and revenue:  |                     |                                   |                  |
| Contributions   | \$ 86,546           | 20,000                            | 106,546          |
| Grants and contracts  | 1,032,705           | -                                 | 1,032,705        |
| Fundraising events, net of direct expenses<br>of \$79,119                 | 383,767             | -                                 | 383,767          |
| Auxiliary membership dues   | 14,120              | 3,240                             | 17,360           |
| Rental income, net of concessions<br>of \$346,061                         | 242,179             | -                                 | 242,179          |
| In-kind donations:  |                     |                                   |                  |
| Materials   | 4,188               | -                                 | 4,188            |
| Investment income   | 51,785              | -                                 | 51,785           |
| Miscellaneous   | 6,294               | -                                 | 6,294            |
|   | <u>10,000</u>       | <u>(10,000)</u>                   | <u>-</u>         |
| Net assets released from restrictions:<br>Expiration of time restrictions |                     |                                   |                  |
|   | <u>10,000</u>       | <u>(10,000)</u>                   | <u>-</u>         |
| Total support and revenue   | 1,831,584           | 13,240                            | 1,844,824        |
| Expenses:   |                     |                                   |                  |
| Program services  | 687,182             | -                                 | 687,182          |
| Supporting services:  |                     |                                   |                  |
| Management and general  | 60,025              | -                                 | 60,025           |
| Fundraising   | 17,321              | -                                 | 17,321           |
|   | <u>764,528</u>      | <u>-</u>                          | <u>764,528</u>   |
| Total expenses  | 764,528             | -                                 | 764,528          |
| Increase in net assets before other changes                               | 1,067,056           | 13,240                            | 1,080,296        |
| Other changes:  |                     |                                   |                  |
| Loss from property damage   | (5,000)             | -                                 | (5,000)          |
|   | <u>(5,000)</u>      | <u>-</u>                          | <u>(5,000)</u>   |
| Total other changes   | (5,000)             | -                                 | (5,000)          |
| Increase in net assets  | 1,062,056           | 13,240                            | 1,075,296        |
| Net assets, beginning of year   | 4,501,084           | 38,640                            | 4,539,724        |
| Net assets, end of year   | \$ <u>5,563,140</u> | <u>51,880</u>                     | <u>5,615,020</u> |

See accompanying independent auditor's report and notes to financial statements.

**MARY LEE'S HOUSE, INC.**

**Statement of Functional Expenses**

**Year Ended December 31, 2014**

|  | <b>Program<br/>Services</b> | <b>Supporting Services</b>        |                    |  | <b>Total<br/>Expenses</b> |
|--|-----------------------------|-----------------------------------|--------------------|--|---------------------------|
|  |                             | <b>Management<br/>and General</b> | <b>Fundraising</b> | <b>Total<br/>Supporting<br/>Services</b> |                           |
| Personnel costs  | \$ 148,769                  | 22,744                            | 11,210             | 33,954                                   | 182,723                   |
| Contractor fees  | 50,846                      | 8,690                             | 3,795              | 12,485                                   | 63,331                    |
| Community outreach   | 62,114                      | 2,166                             | 77                 | 2,243                                    | 64,357                    |
| Occupancy  | 135,428                     | 1,837                             | 803                | 2,640                                    | 138,068                   |
| Insurance  | 24,654                      | 445                               | -                  | 445                                      | 25,099                    |
| Small equipment and maintenance                                  | 31,605                      | 1,922                             | 839                | 2,761                                    | 34,366                    |
| Professional services  | 5,936                       | 323                               | 141                | 464                                      | 6,400                     |
| Supplies   | 19,272                      | 7,088                             | -                  | 7,088                                    | 26,360                    |
| Printing and publications  | 8,455                       | 649                               | -                  | 649                                      | 9,104                     |
| Communications   | 7,452                       | -                                 | -                  | -  | 7,452                     |
| Conferences and seminars   | 4,890                       | 2,434                             | 105                | 2,539                                    | 7,429                     |
| Bank and merchant services fees                                  | 85                          | 4,753                             | 12                 | 4,765                                    | 4,850                     |
| Miscellaneous  | 702                         | 1,150                             | 228                | 1,378                                    | 2,080                     |
| Total expenses before interest,<br>depreciation and amortization | 500,208                     | 54,201                            | 17,210             | 71,411                                   | 571,619                   |
| Interest   | 43,999                      | 254                               | 111                | 365                                      | 44,364                    |
| Depreciation and amortization                                    | 142,975                     | 5,570                             | -                  | 5,570                                    | 148,545                   |
| Total expenses   | \$ <u>687,182</u>           | <u>60,025</u>                     | <u>17,321</u>      | <u>77,346</u>                            | <u>764,528</u>            |

See accompanying independent auditor's report and notes to financial statements.

**MARY LEE'S HOUSE, INC.**

**Statement of Cash Flows**

**Year Ended December 31, 2014**

|  |                          |
|--|--------------------------|
| Cash flows from operating activities:  |                          |
| Increase in net assets   | \$ 1,075,296             |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |                          |
| Depreciation and amortization  | 148,545                  |
| Net appreciation in value of investment securities   | (34,830)                 |
| Contribution of securities   | (77,890)                 |
| Increase in grants receivable  | (82,612)                 |
| Increase in contributions receivable   | 893                      |
| Increase in prepaid expenses and other assets  | (5,550)                  |
| Increase in accounts payable   | 205                      |
| Increase in accrued expenses   | 4,109                    |
| Decrease in deferred revenue   | <u>(135,606)</u>         |
| Net cash provided by operating activities  | 892,560                  |
| Cash flows from investing activities:  |                          |
| Purchases of property and equipment  | (6,190)                  |
| Purchases of investments   | (673,899)                |
| Proceeds from sale of investments  | <u>408,080</u>           |
| Net cash used in investing activities  | (272,009)                |
| Cash flows from financing activities:  |                          |
| Principal payments on long-term debt   | <u>(641,672)</u>         |
| Net cash used in financing activities  | <u>(641,672)</u>         |
| Net decrease in cash and cash equivalents  | (21,121)                 |
| Cash and cash equivalents, beginning of year   | <u>577,859</u>           |
| Cash and cash equivalents, end of year   | <u><u>\$ 556,738</u></u> |
| Supplementary data for non-cash activities:  |                          |
| Non-cash contributions:  |                          |
| In-kind donations  | <u><u>\$ 4,188</u></u>   |
| Cash paid for interest   | <u><u>\$ 44,364</u></u>  |

See accompanying independent auditor's report and notes to financial statements.

**MARY LEE'S HOUSE, INC.**

**Notes to Financial Statements**

**December 31, 2014**

**(1) Nature of Activities and Summary of Significant Accounting Policies**

**(a) Nature of Activities**

Mary Lee's House (the "Organization") is a Florida not-for-profit organization, exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, which combines services in a multi-disciplinary center that provides a comprehensive, child-friendly approach to the difficult issue of physical abuse, sexual abuse and neglect. The Organization accomplishes this through collaboration with University of South Florida Child Protection Team, Child Advocacy Center of the 13th Judicial Court, Corbett Trauma Center of the Crisis Center of Tampa Bay, Success 4 Kids and Families, and Healthy Start Coalition of Hillsborough County. Forensic exams, interviews, counseling, and support are available under one roof in order to provide a one stop child friendly experience for victims of abuse and trauma.

**(b) Financial Statement Presentation**

The Organization's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Include net assets that are not subject to donor-imposed stipulations and net assets that have been designated for a specific purpose by the board of directors.

**Temporarily Restricted Net Assets** – Include contributions for which donor-imposed restrictions have not been met.

**Permanently Restricted Net Assets** – Include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

**(c) Financial Accounting Standards**

The Financial Accounting Standards Board (FASB) has issued authoritative guidance establishing two levels of U.S. generally accepted accounting principles (GAAP) - authoritative and nonauthoritative - and making the Accounting Standards Codification (ASC) the source of authoritative, nongovernmental GAAP, except for rules and interpretive releases of the Securities and Exchange Commission. This guidance is incorporated into ASC Topic 105 - *Generally Accepted Accounting Principles*.

## MARY LEE'S HOUSE, INC.

### Notes to Financial Statements – Continued

#### (1) Nature of Activities and Summary of Significant Accounting Policies – Continued

##### (d) Cash and Cash Equivalents

For purposes of the statements of cash flows, Mary Lee's House considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

##### (e) Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Organization's statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Restrictions on investment earnings are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the earnings are recognized.

##### (f) Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received.

The Organization uses the allowance method to determine uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

##### (g) Property and Equipment

Property and equipment are capitalized at cost, if purchased or at estimated fair value at date of receipt if acquired by donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to capitalize expenditures for those items in excess of \$1,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets.

## MARY LEE'S HOUSE, INC.

### Notes to Financial Statements – Continued

#### (1) Nature of Activities and Summary of Significant Accounting Policies – Continued

##### (h) Contributions

Contributions received are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or are amounts to be received in the future. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. All contributions are available for unrestricted use unless specifically restricted by the donor.

##### (i) Grant Revenue

Revenue from federal, state and local grants is recorded based upon terms of the individual grant which generally provide that revenue is earned when the allowable costs of the specific grant provisions have been incurred.

##### (j) Auxiliary

The Mary Lee's House Auxiliary was established in 2011 with approximately 180 founding members. The purpose of the auxiliary is educational and charitable, focusing on promoting and supporting the Organization. The principal objective is to highlight and further enhance the work being accomplished at Mary Lee's House. Membership dues collected are to cover the expenses associated with the Auxiliary meetings, etc. These dues are classified as temporarily restricted and are released to cover Auxiliary related costs. Amounts raised by the Auxiliary are available for unrestricted use unless specifically restricted by the donor.

##### (k) Donated Services and In-Kind Gifts

Donated services that require specialized skills, that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value. No in-kind services were provided to the Organization for the year ended December 31, 2014.

In 2014, the Organization received contributed materials used for operations and items for the golf tournament fundraising event. In-kind contributions of tangible items for the golf tournament fundraising event are included as a component of fundraising event revenue in the accompanying statement of activities. Total in-kind contributions of materials, including items contributed for the golf tournament fundraising event were approximately \$36,000 in 2014.

MARY LEE'S HOUSE, INC.

Notes to Financial Statements – Continued

(1) **Nature of Activities and Summary of Significant Accounting Policies – Continued**

(l) **Income Taxes**

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code of 1986. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. The Organization is treated as a publicly supported organization, and not as a private foundation. The Organization has adopted the provisions of FASB ASC Topic 740, relating to *Accounting for Uncertainty in Income Taxes*, and does not believe it has any material income tax exposure relating to uncertain tax positions. The Organization's income tax filings for periods after 2010 remain subject to examination.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization believes that it has no liability for taxes with respect to unrelated business income. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

(m) **Estimates in Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of increases or decreases in net assets during the period. Actual results could differ from those estimates.

(n) **Fair Value Measurements**

The Organization has adopted FASB guidance relating to *Fair Value Measurements* which requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices that are observable for the assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

(o) **Functional Allocation of Expenses**

The cost of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

MARY LEE'S HOUSE, INC.

Notes to Financial Statements – Continued

(1) **Nature of Activities and Summary of Significant Accounting Policies – Continued**

(p) **Deferred Revenue**

Deferred revenue includes prepaid golf tournament sponsorships and grant revenue received and not expended all of which will be recognized in the future period to which they relate.

(q) **Rent Concessions**

The Organization rents out suites within their building at rental rates significantly below what management considers being market rates. The difference between the fair market rental rates and the actual rental income charged to various tenants is presented as a reduction of rental income in the accompanying statement of activities.

(2) **Investments**

Investments consist of the following at December 31, 2014:

|               | <u>Cost</u>         | <u>Market</u>    |
|---------------|---------------------|------------------|
| Common stocks | \$ 850,313          | 935,379          |
| Mutual funds  | <u>203,500</u>      | <u>196,742</u>   |
| Total         | <u>\$ 1,053,813</u> | <u>1,132,121</u> |

Investment income for the year ended December 31, 2014 is summarized as follows:

|  |                  |
|--|------------------|
| Interest and dividends (net of investment management expenses of \$10,130) | \$ 16,955        |
| Net appreciation of investments  | <u>34,830</u>    |
| Total  | <u>\$ 51,785</u> |

An investment in a single entity represents 47% of the Organization's common stock holdings at December 31, 2014.

**MARY LEE'S HOUSE, INC.**

**Notes to Financial Statements – Continued**

**(3) Contributions Receivable**

Contributions receivable at December 31, 2014 are summarized as follows:

|   |    |                      |
|---|----|----------------------|
| Amounts due in:                         |    |                      |
| Less than one year                      | \$ | 20,000               |
| One to five years                       |    | <u>10,000</u>        |
|   |    | 30,000               |
| Less allowance for doubtful receivables |    | <u>-</u>             |
| Net contributions receivable            | \$ | <u><u>30,000</u></u> |

Contributions receivable consist primarily of promises from individuals, foundations and corporations within the Tampa Bay area. Contributions receivable in more than one year are discounted to fair value when the discount is material. Pledges and contributions from two donors comprise 100% of the balance of outstanding contributions receivable at December 31, 2014.

**(4) Property and Equipment**

Property and equipment consisted of the following at December 31, 2014:

|                               |    |                         |
|-------------------------------|----|-------------------------|
| Land                          | \$ | 1,012,282               |
| Buildings and improvements    |    | 3,955,414               |
| Furniture and fixtures        |    | 83,853                  |
| Computer equipment            |    | <u>253,320</u>          |
|                               |    | 5,304,869               |
| Less accumulated depreciation |    | <u>(902,495)</u>        |
|                               | \$ | <u><u>4,402,374</u></u> |

Depreciation expense of approximately \$148,000 is included in the accompanying statement of activities for the year ended December 31, 2014.

**(5) Note Payable**

The Organization has a construction loan for the building through a commercial bank with a maturity date of June 2015. Interest on the loan accrues at a fixed annual rate of 4.25% and is secured by the building located in Tampa, Florida. The loan requires the payment of monthly installments in the amount of \$94,134, including interest, through maturity. A balance of \$560,336 was outstanding on the loan at December 31, 2014.

MARY LEE'S HOUSE, INC.

Notes to Financial Statements – Continued

(6) **Temporarily Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of December 31, 2014:

|                          |    |               |
|--------------------------|----|---------------|
| Contributions receivable | \$ | 30,000        |
| Auxiliary                |    | 11,880        |
| Future fiscal periods    |    | <u>10,000</u> |
|                          | \$ | <u>51,880</u> |

(7) **Board-Designated Operating Reserve**

The Organization maintains a board-designated operating reserve to provide an internal source of funds for emergency situations. The designated amount to be set aside annually is determined as part of the annual budget preparation and approved by the Board of Directors. A request including an analysis of the need for the funds, the determination of the use of the funds and plans for replenishment must be submitted to the Finance Committee and approved by the Board of Directors. The board-designated operating reserve was \$96,000 at December 31, 2014.

(8) **Fair Value Measurements**

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That 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 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 Organization 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 or liabilities 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 asset 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.

**MARY LEE'S HOUSE, INC.**

**Notes to Financial Statements – Continued**

**(8) Fair Value Measurements – Continued**

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.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Fair value of assets measured on a recurring basis at December 31, 2014 is as follows:

| <u>Description</u>       | <u>Assets Measured at Fair Value at December 31, 2014</u> | <u>Fair Value Measurements at Reporting Date Using Significant</u> |  |  |
|--------------------------|---|--|--|--|
|                          |   | <u>Quoted Prices in Active Markets (Level 1)</u>                   | <u>Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Equity securities:       |   |  |  |  |
| Consumer discretionary   | \$ 121,589  | 121,589  | -  | -  |
| Consumer staples         | 532,098   | 532,098  | -  | -  |
| Financials               | 65,861  | 65,861   | -  | -  |
| Health care              | 30,007  | 30,007   | -  | -  |
| Industrials              | 51,321  | 51,321   | -  | -  |
| Information technology   | 117,207   | 117,207  | -  | -  |
| Materials                | 17,296  | 17,296   | -  | -  |
| Total equity securities  | <u>935,379</u>  | <u>935,379</u>   | <u>-</u>                                 | <u>-</u>   |
| Mutual funds:            |   |  |  |  |
| Emerging markets         | 98,623  | 98,623   | -  | -  |
| International stock fund | 98,119  | 98,119   | -  | -  |
| Total mutual funds       | <u>196,742</u>  | <u>196,742</u>   | <u>-</u>                                 | <u>-</u>   |
|                          | <u>\$ 1,132,121</u>                                       | <u>1,132,121</u>   | <u>-</u>                                 | <u>-</u>   |

**(9) Contingencies**

The Organization enters into agreements and contracts with governmental agencies that provide for reimbursement of the eligible direct and indirect costs of providing certain of the Organization's program services. The grants and contracts are subject to audit or review and retroactive adjustment based on a final determination by the grantor of eligible reimbursable expenditures. The effect of such adjustments, if any, on the Organization's financial statements cannot be determined at this time and no provision has been made for any such adjustment in the accompanying financial statements.

MARY LEE'S HOUSE, INC.

Notes to Financial Statements – Continued

(10) **Rental Income**

The Organization rents out five suites within their building to local not-for-profit organizations that provide services to meet the needs of victims of child abuse and neglect in Hillsborough County. The initial lease terms range from one year to 3 years with the option to renew at the end of the lease term. Total rent income on all operating leases was approximately \$242,000 in 2014.

The future minimum rentals to be received under non-cancelable operating leases as of December 31, 2014 are as follows:

**Year Ending December 31:**

|      |    |                       |
|------|----|-----------------------|
| 2015 | \$ | 196,970               |
| 2016 |    | <u>97,126</u>         |
|      | \$ | <u><u>294,096</u></u> |

The Organization has determined that the standard market rental rate for each suite is \$20 per square foot based on comparison with other office rentals in the immediate area. Some not-for-profit organizations are charged less than the standard market rental rate and the difference between the standard market rate and actual rental rate for those suites is presented as rent concessions in the accompanying statement of activities. Total rent concessions were approximately \$346,000 for the year ended December 31, 2014.

(11) **Funding and Credit Concentrations and Commitments**

The Organization received funding from the United States Federal Government and the State of Florida accounting for approximately 56% of the Organization's total support and revenue for the year ended December 31, 2014. As of December 31, 2014, the Organization's receivables from these funding sources were approximately \$125,000.

The Organization maintains an operating and a money market deposit account with what management believes to be a high credit quality financial institution. The balances in these accounts may exceed the federal deposit insurance limit at times throughout the year. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk of loss. Total uninsured deposit account balances at December 31, 2014 were approximately \$252,000.

The Organization maintains various investment accounts that include money market and bank deposit balances included in cash and cash equivalents in the financial statements which in certain cases are eligible for federal deposit insurance or Securities Investor Protection Corporation ("SIPC") insurance. The balances in these accounts may exceed insurance limits throughout the year. Total uninsured brokerage account money market and bank deposit balances at December 31, 2014 were approximately \$55,000.

**MARY LEE'S HOUSE, INC.**

**Notes to Financial Statements – Continued**

**(12) Subsequent Events**

Management has evaluated subsequent events through June 3, 2015, the date on which the financial statements were available for issuance.

**REPORTS AND SCHEDULES AS REQUIRED BY CHAPTER 10.650,  
*RULES OF THE AUDITOR GENERAL***



**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**

The Board of Directors  
Mary Lee’s House, Inc.:

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 financial statements of Mary Lee’s House, Inc. (the “Organization”), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 organization’s 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 may exist that have not been identified.

## **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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

MAYER HOFFMAN MCCANN P.C.

June 3, 2015  
Clearwater, Florida



**Independent Auditor’s Report on Compliance For Each Major State Project  
and on Internal Control Over Compliance Required  
by Chapter 10.650, Rules of the Auditor General**

The Board of Directors  
Mary Lee’s House, Inc.:

**Report on Compliance for Major State Project**

We have audited Mary Lee’s House, Inc.’s (the “Organization”) compliance with the types of compliance requirements described in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on the Organization’s major State project for the year ended December 31, 2014. The Organization’s major State project is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State project.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for the Organization’s major State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, *Rules of the Auditor General*. Those standards and Chapter 10.650, *Rules of the Auditor General*, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State project. However, our audit does not provide a legal determination of the Organization’s compliance.

## Opinion on Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended December 31, 2014.

## Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major State project and to test and report on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State project 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 State project 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

MAYER HOFFMAN MCCANN P.C.

June 3, 2015  
Clearwater, Florida

**MARY LEE'S HOUSE, INC.**

**Schedule of Expenditures of State Financial Assistance**

**Year Ended December 31, 2014**

| <u>Grantor/Program Title</u>                     | <u>Contract/<br/>Grant<br/>Number</u> | <u>State<br/>CSFA<br/>Number</u> | <u>Current<br/>Year<br/>Expenditures</u> |
|--|---------------------------------------|----------------------------------|--|
| State Courts System                              |                                       |                                  |  |
| Mary Lee House                                   | SC0052S                               | 22.017                           | \$ <u>709,448</u>                        |
| Subtotal - State Courts System                   |                                       |                                  | <u>709,448</u>                           |
| Total expenditures of state financial assistance |                                       |                                  | \$ <u><u>709,448</u></u>                 |

**MARY LEE'S HOUSE, INC.**

**Notes to Schedule of Expenditures of State Financial Assistance**

**Year Ended December 31, 2014**

**(1) General**

The accompanying schedule of expenditures of state financial assistance presents the activity of all state projects of Mary Lee's House, Inc. All state projects passed through other government agencies, if any, are included in the accompanying schedule.

**(2) Basis of Presentation**

The accompanying schedule of expenditures of state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Chapter 10.650, *Rules of the Auditor General*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**(3) Subrecipients**

None of the expenditures presented in the accompanying schedule of expenditures of the state financial assistance were transferred to subrecipients.

**MARY LEE'S HOUSE, INC.**

**Schedule of Findings and Questioned Costs**

**Year Ended December 31, 2014**

**(A) Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of Mary Lee's House, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters.
3. No instances of noncompliance material to the financial statements of Mary Lee's House, Inc. were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state project are reported in the independent auditor's report on compliance for each major state project and on internal control over compliance required by Chapter 10.650, *Rules of the Auditor General*.
5. The auditor's report on compliance for the major state project for Mary Lee's House, Inc. expresses an unmodified opinion on the major state project.
6. Audit findings that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General*, are reported in Part C. of this schedule.
7. The project tested as a major state project was:  

Mary Lee House (CSFA 22.017)
8. The threshold for distinguishing Types A and B projects was \$300,000 for major state projects.

**(B) Findings – Financial Statements Audit**

None.

**(C) Findings and Questioned Costs – Major State Financial Assistance Project Audit**

None.

**(D) Other Issues**

A Summary Schedule of Prior Audit Findings is not required because there was no prior audit findings related to state projects. A Corrective Action Plan is not required because there were no findings required to be reported under the Florida Single Audit Act.



## **Management Letter**

The Board of Directors  
Mary Lee's House, Inc.:

### **Report on the Financial Statements**

We have audited the financial statements of Mary Lee's House, Inc. as of and for the year ended December 31, 2014 and have issued our report thereon dated June 3, 2015.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Florida Auditor General.

### **Other Reports and Schedule**

We have issued our independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*, our independent auditor's report on compliance for each major state project and on internal control over compliance in accordance with Chapter 10.650, *Rules of the Auditor General* and a schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated June 3, 2015, should be considered in conjunction with this management letter.

### **Other Matter**

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or state project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and other granting agencies, the board of directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

MAYER HOFFMAN MCCANN P.C.

June 3, 2015  
Clearwater, Florida