

# **MACON PROGRAM FOR PROGRESS, INC.**

Franklin, North Carolina

Financial Statements

Year Ended June 30, 2013

**MACON PROGRAM FOR PROGRESS, INC.**

OFFICERS

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Pedro Cisneros  
Charlene Marcus  
Phillip Moore

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Vice-Chair  
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Assistant Secretary

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EXECUTIVE DIRECTOR

Chuck Sutton

# MACON PROGRAM FOR PROGRESS, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Macon Program for Progress, Inc.

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

We have audited the accompanying financial statements of Macon Program for Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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.

### **Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 entity'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 entity'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 Macon Program for Progress, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Macon Program for Progress, Inc.'s 2012 financial statements, and our report dated December 11, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Other 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 federal and state awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying program balance sheet summary and program revenue and expense summary as required by the U.S. Department of Housing and Urban Development (HUD) are presented for purposes of additional analysis and are 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.

To the Board of Directors  
Macon Program for Progress, Inc.  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of Macon Program for Progress, 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 Macon Program for Progress, Inc.'s internal control over financial reporting and compliance.

*CARTER, P.C.*

Asheville, North Carolina  
December 10, 2013

**MACON PROGRAM FOR PROGRESS, INC.**

Statement of Financial Position  
June 30, 2013  
(With Comparative Totals for 2012)

	2013	2012
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 1,150,617	\$ 1,160,977
Grants receivable	277,155	210,843
Sales taxes receivable	32,230	27,742
Other receivables	9,932	
Prepaid expenses	26	48,496
Total current assets	1,469,960	1,448,058
Property and equipment	1,800,172	1,972,966
Reserve for escrow		18,839
Total assets	\$ 3,270,132	\$ 3,439,863
<b>Liabilities and net assets</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 8,301	\$ 28,847
Accounts payable	110,185	85,873
Accrued liabilities	179,693	172,895
Escrow deposits		18,839
Total current liabilities	298,179	306,454
Long-term debt, net of current maturities		11,922
Total liabilities	298,179	318,376
Net assets:		
Unrestricted:		
Undesignated	1,025,156	1,025,397
Investment in property and equipment	1,791,871	1,932,197
Total unrestricted	2,817,027	2,957,594
Temporarily restricted	154,926	163,893
Total net assets	2,971,953	3,121,487
Total liabilities and net assets	\$ 3,270,132	\$ 3,439,863

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

**MACON PROGRAM FOR PROGRESS, INC.**

Statement of Activities  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
<b>Public support and other revenues</b>				
Grants and contracts	\$ 4,284,705	\$ 1,047,724	\$ 5,332,429	\$ 5,532,148
Contributions	3,909		3,909	8,443
In-kind contributions	69,351		69,351	13,699
Client fees	73,908		73,908	81,080
Fund-raising	5,221		5,221	4,334
Investment income	1,066		1,066	1,825
Miscellaneous	13,798		13,798	163
Net assets released from restriction	<u>1,056,691</u>	<u>(1,056,691)</u>		
Total public support and other revenues	<u>5,508,649</u>	<u>(8,967)</u>	<u>5,499,682</u>	<u>5,641,692</u>
<b>Expenses</b>				
Program services	4,885,857		4,885,857	4,786,370
Supporting services	<u>763,359</u>		<u>763,359</u>	<u>749,942</u>
Total expenses	<u>5,649,216</u>		<u>5,649,216</u>	<u>5,536,312</u>
Increase (decrease) in net assets	(140,567)	(8,967)	(149,534)	105,380
Net assets at beginning of year	<u>2,957,594</u>	<u>163,893</u>	<u>3,121,487</u>	<u>3,016,107</u>
Net assets at end of year	<u>\$ 2,817,027</u>	<u>\$ 154,926</u>	<u>\$ 2,971,953</u>	<u>\$ 3,121,487</u>

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



## MACON PROGRAM FOR PROGRESS, INC.

Statement of Functional Expenses  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	Program Services						Supporting Services			2013 Total	2012 Total
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- raising	Total		
Salaries	\$ 1,884,572	\$ 167,949	\$ 58,787	\$ 275,394	\$ 34,967	\$ 2,421,669	\$ 314,497	\$	\$ 314,497	\$ 2,736,166	\$ 2,779,862
Payroll taxes	137,558	12,259	4,291	20,101	2,552	176,761	22,956		22,956	199,717	195,682
Employee benefits	254,414	22,409	8,217	38,178	5,415	328,633	144,683		144,683	473,316	364,132
Total salaries and related expenses	2,276,544	202,617	71,295	333,673	42,934	2,927,063	482,136		482,136	3,409,199	3,339,676
Contractual	2,172			1,800		3,972	23,577		23,577	27,549	18,598
Travel	37,424	4,052	273	58,351	92	100,192	4,821		4,821	105,013	84,237
Insurance	20,212			173		20,385	23,299		23,299	43,684	39,707
Space costs	63,613	1,100				64,713	25,405		25,405	90,118	86,521
Telephone and communications	7,465	5	99	555		8,124	39,811		39,811	47,935	66,533
Postage	2,755	13	1,345	1,341		5,454	1,226	174	1,400	6,854	4,718
Materials and supplies	265,470	24,876	2,521	18,233	20,175	331,275	18,270	1,178	19,448	350,723	303,791
Advertising	3,847			1,731		5,578				5,578	5,955
Repairs and maintenance	72,475			5,689	20	78,184	50,212		50,212	128,396	144,880
Food	2,199			967	228,157	231,323	1,299	1,774	3,073	234,396	253,076
Housing assistance payments			667,814			667,814				667,814	691,028
Schooling costs	12,801	1,310		92,652		106,763				106,763	114,085
Staff/board training	28,844	12	19	527		29,402	1,949		1,949	31,351	30,013
Professional fees	115,113		163	1,751		117,027	26,152		26,152	143,179	93,386
Dues and subscriptions	9,732	960		220		10,912	4,703	2,850	7,553	18,465	17,656
Other	3,329		33			3,362		3,266	3,266	6,628	16,003
Total expenses before interest and depreciation	2,923,995	234,945	743,562	517,663	291,378	4,711,543	702,860	9,242	712,102	5,423,645	5,309,863
Interest							1,269		1,269	1,269	3,043
Depreciation	138,169	15,334		20,811		174,314	49,693	295	49,988	224,302	223,406
Total expenses	<u>\$ 3,062,164</u>	<u>\$ 250,279</u>	<u>\$ 743,562</u>	<u>\$ 538,474</u>	<u>\$ 291,378</u>	<u>\$ 4,885,857</u>	<u>\$ 753,822</u>	<u>\$ 9,537</u>	<u>\$ 763,359</u>	<u>\$ 5,649,216</u>	<u>\$ 5,536,312</u>

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

**MACON PROGRAM FOR PROGRESS, INC.**

Statement of Cash Flows  
Year Ended June 30, 2013  
(With Comparative Totals for 2012)

	2013	2012
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ (149,534)	\$ 105,380
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	224,302	223,406
Changes in working capital - sources (uses)		
Grants receivable	(66,312)	176,185
Sales taxes receivable	(4,488)	5,583
Other receivables	(9,932)	10
Prepaid expenses	48,470	(11,491)
Reserve for escrow	18,839	8,335
Accounts payable	24,312	(122,411)
Accrued liabilities	6,798	(91,393)
Escrow deposits	(18,839)	(8,335)
Net cash provided by operating activities	73,616	285,269
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(51,508)	(161,065)
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(32,468)	(27,116)
Net increase (decrease) in cash and equivalents	(10,360)	97,088
Cash and equivalents at beginning of year	1,160,977	1,063,889
Cash and equivalents at end of year	\$ 1,150,617	\$ 1,160,977
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,269	\$ 3,043

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

# MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements  
June 30, 2013

## **Note 1 - Summary of Significant Accounting Policies**

### Organization

Macon Program for Progress, Inc. (Organization) was incorporated on October 20, 1964. The purposes of the Organization are to provide education and care for pre-school children, provide employment training for low-income individuals, and improve living conditions and alleviate poverty in North Carolina. The Organization's programs are funded by federal, state, and local funds.

### Tax-exempt Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. It has qualified for exemption from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

### Financial Statement Presentation

The Organization reports in compliance with the FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, 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:** Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.
- **Temporarily Restricted Net Assets:** Temporarily restricted net assets represent resources whose use is limited by donors or applicable laws for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are released to unrestricted as their time and purpose requirements are met.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Financial Statement Presentation (continued)

- **Permanently Restricted Net Assets:** Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor or applicable laws. However, permanently restricted net assets generally do not get reclassified since, by definition, their restrictions never expire. The income may be unrestricted or restricted, according to the donors' wishes.

### Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which support is 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 and reported in the statement of activities as net assets released from restrictions.

### Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services, for speech therapy and dental screenings, totaled \$62,102 and \$0 for the years ended June 30, 2013 and 2012, respectively. Donated materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair value at date of receipt. Donated materials totaled \$7,249 and \$13,699 for the years ended June 30, 2013 and 2012, respectively.

### Cash and Equivalents

The Organization considers all cash and short-term investments with an original maturity of three months or less to be cash equivalents.

### Receivables

Grants receivable consist of amounts due from governmental and other agencies for services performed before year-end. Other receivables consist of amounts due from individuals for childcare fees. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over a period of five to twenty-five years.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

### Support and Revenues

Certain revenues received under government grant programs are subject to audit by the providing agency. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or designated by the Board of Directors.

### Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2013 and 2012, costs charged to expense were \$5,578 and \$5,955, respectively.

### Cost Pools

The Organization uses three cost pools (fringe, indirect, and leave) to accumulate and allocate costs that are not chargeable directly to a specific program. Costs from these pools are allocated to the various programs based upon a percentage of each program's salaries to total salaries of all programs.

### Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

## **Note 1 - Summary of Significant Accounting Policies (continued)**

### Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

### Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

### Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

### Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

## **Note 2 - Restrictions on Assets**

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Food Program	\$ 75,567	\$ 58,893
Housing	71,717	105,000
Neidig Foundation	619	
Race to the Top	6,774	
WIA	<u>249</u>	<u></u>
<u>Temporarily restricted net assets</u>	<u>\$ 154,926</u>	<u>\$ 163,893</u>

### **Note 3 - Property and Equipment**

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 660,568	\$ 638,130
Buildings	3,371,876	3,366,676
Equipment and furnishings	503,230	479,360
Vehicles	<u>433,114</u>	<u>433,114</u>
	4,968,788	4,917,280
Less, accumulated depreciation	<u>3,168,616</u>	<u>2,944,314</u>
<u>Property and equipment</u>	<u>\$ 1,800,172</u>	<u>\$ 1,972,966</u>

Depreciation expense for the years ended June 30, 2013 and 2012, was \$224,302 and \$223,406, respectively.

### **Note 4 - Reserve for Escrow**

Reserve for escrow is comprised of cash accounts for participants in the HUD Self-Sufficiency Program. At June 30, 2013 and 2012, the total of these accounts was \$0 and \$18,839, respectively.

### **Note 5 - Long-term Debt**

Long-term debt is described as follows:

<u>At June 30</u>	<u>2013</u>	<u>2012</u>
Wells Fargo - 150 monthly payments of \$2,513, including interest at a rate of 5.77%, secured by a deed of trust, due December 2014	\$ 8,301	\$ 40,769
Less, current maturities	<u>8,301</u>	<u>28,847</u>
<u>Long-term debt, net of current maturities</u>	<u>\$</u>	<u>\$ 11,922</u>

**Note 5 - Long-term Debt (continued)**

Scheduled principal repayments on notes payable for the next five years are as follows:

<u>Years Ending June 30</u>	
2014	\$ 8,301
2015	
2016	
2017	
2018	
<u>Total principal payments</u>	<u>\$ 8,301</u>

**Note 6 - Line of Credit**

The Organization maintains two lines of credit with a local bank to meet short-term working capital needs. Maximum borrowings on these lines of credit are \$50,000 each. The Organization has no significant compensating balance requirements or commitment fees related to either line. Interest is payable monthly at a prime rate, with minimums of 4.0% and 8%. At June 30, 2013 and 2012, there was no outstanding balance on either line of credit.

**Note 7 - Lease Commitments**

The Organization is obligated under lease agreements for storage space, office equipment, and service contracts with various monthly payments and maturity dates.

The following is a schedule of future minimum lease payments under non-cancelable operating leases.

<u>Years Ending June 30</u>	<u>Amount</u>
2014	\$ 24,368
2015	12,746
2016	5,585
2017	
2018	
<u>Minimum lease commitments</u>	<u>\$ 42,699</u>

Total rent expense for the years ended June 30, 2013 and 2012, for all operating leases and service agreements was approximately \$65,628 and \$74,137, respectively.



## **Note 8 - Summary Disclosure of Significant Contingencies**

### **Federal and State Assisted Programs**

The Organization has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

### **Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and volunteers, and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any year since inception.

### **Contingencies**

During the year ended June 30, 2013, a candidate for employment filed a Charge of Discrimination with the Equal Employment Opportunity Commission (EEOC) claiming age discrimination in hiring. A determination from the EEOC has not been received as of the date of these financial statements. The Organization intends to vigorously defend its interests regarding this matter.

## **Note 9 - Retirement Plan**

The Organization participates in a tax-sheltered annuity retirement plan. The employer contributes 1.5% of employee compensation for employees who meet certain minimum eligibility requirements. The employer also matches up to 3.5% of compensation for employees making contributions to the plan. The Organization's contributions for the years ended June 30, 2013 and 2012, were \$103,677 and \$96,842, respectively.

## **Note 10 - Health Insurance Plan**

For the year ended June 30, 2013, the Organization adopted a high deductible health insurance plan with Blue Cross Blue Shield. The Organization established a health reimbursement account for each employee. The account will pay 80% of the deductible for the employee during the year. The maximum amount the Organization would pay per employee during the year was \$2,800. The costs of claims paid under the plan for the year ended June 30, 2013, was \$101,399. The Organization recognized a liability in the amount of \$9,059 at June 30, 2013, which represented claims that have been processed but not paid as of year-end.

### **Note 11 - Indirect Cost Rate**

The provisional indirect cost rate of 14.9% was approved by the U.S. Department of Health and Human Services. The basis for allocating indirect costs is direct salaries and wages including vacation, holiday, sick pay, and other paid absences but excluding all other fringe benefits. The various programs of the Organization were charged \$372,601 and \$378,826 based upon that indirect cost rate, for the years ended June 30, 2013 and 2012, respectively.

### **Note 12 - Related Parties**

The Organization is responsible for appointing 3 out of 7 board members of The Apartments at Orchard View Inc.'s (Orchard View) board of directors. The day-to-day management and operations of the complex is contracted to a professional property manager who is accountable to Orchard View's board of directors. The Organization has no ownership interest in Orchard View and it has no control over its operations. Several tenants of this apartment complex participate in the HUD section 8 rental assistance program that is administered by the Organization. The Organization paid Orchard View \$83,351 and \$90,548 in HUD Section 8 rental assistance payments, for the years ended June 30, 2013 and 2012, respectively.

The Organization has the responsibility to appoint the board of directors of Macon Housing Development Corporation, a nonprofit corporation that owns the Oak Forest Apartments complex in Franklin, North Carolina. This complex is managed by a professional management company that is not related to the Organization. The Organization's appointive interest in this complex is not substantial enough to warrant consolidation in these financial statements.

### **Note 13 - Income Taxes**

#### **Uncertain Tax Positions**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

#### **Open Tax Years**

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the fiscal years ended June 30, 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

### **Note 14 - Subsequent Events**

Management has evaluated subsequent events through December 10, 2013, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

**SUPPLEMENTARY INFORMATION**

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted		
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted	\$71,717	\$71,717
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$71,717	\$71,717
121 Accounts Receivable - PHA Projects		
122 Accounts Receivable - HUD Other Projects		
124 Accounts Receivable - Other Government		
125 Accounts Receivable - Miscellaneous		
126 Accounts Receivable - Tenants		
126.1 Allowance for Doubtful Accounts - Tenants		
126.2 Allowance for Doubtful Accounts - Other		
127 Notes, Loans, & Mortgages Receivable - Current		
128 Fraud Recovery		
128.1 Allowance for Doubtful Accounts - Fraud		
129 Accrued Interest Receivable		
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0
131 Investments - Unrestricted		
132 Investments - Restricted		
135 Investments - Restricted for Payment of Current Liability		
142 Prepaid Expenses and Other Assets		
143 Inventories		
143.1 Allowance for Obsolete Inventories		
144 Inter Program Due From		
145 Assets Held for Sale		
150 Total Current Assets	\$71,717	\$71,717
161 Land		
162 Buildings		
163 Furniture, Equipment & Machinery - Dwellings		
164 Furniture, Equipment & Machinery - Administration		
165 Leasehold Improvements		

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Balance Sheet Summary**

Submission Type: Audited/A-133	Fiscal Year End:	06/30/2013
166 Accumulated Depreciation		
167 Construction in Progress		
168 Infrastructure		
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		
180 Total Non-Current Assets	\$0	\$0
190 Total Assets	\$71,717	\$71,717
311 Bank Overdraft		
312 Accounts Payable <= 90 Days		
313 Accounts Payable >90 Days Past Due		
321 Accrued Wage/Payroll Taxes Payable		
322 Accrued Compensated Absences - Current Portion		
324 Accrued Contingency Liability		
325 Accrued Interest Payable		
331 Accounts Payable - HUD PHA Programs		
332 Account Payable - PHA Projects		
333 Accounts Payable - Other Government		
341 Tenant Security Deposits		
342 Deferred Revenues		
343 Current Portion of Long-term Debt - Capital Projects/Mortgage		
344 Current Portion of Long-term Debt - Operating Borrowings		
345 Other Current Liabilities		
346 Accrued Liabilities - Other		
347 Inter Program - Due To		
348 Loan Liability - Current		
310 Total Current Liabilities	\$0	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Balance Sheet Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

352 Long-term Debt, Net of Current - Operating Borrowings		
353 Non-current Liabilities - Other		
354 Accrued Compensated Absences - Non Current		
355 Loan Liability - Non Current		
356 FASB 5 Liabilities		
357 Accrued Pension and OPEB Liabilities		
350 Total Non-Current Liabilities	\$0	\$0
300 Total Liabilities	\$0	\$0
508.1 Invested In Capital Assets, Net of Related Debt		
511.1 Restricted Net Assets	\$71,717	\$71,717
512.1 Unrestricted Net Assets	\$0	\$0
513 Total Equity/Net Assets	\$71,717	\$71,717
600 Total Liabilities and Equity/Net Assets	\$71,717	\$71,717

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Revenue and Expense Summary**

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2013

	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue		
70400 Tenant Revenue - Other		
70500 Total Tenant Revenue	\$0	\$0
70600 HUD PHA Operating Grants	\$707,449	\$707,449
70610 Capital Grants		
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted		
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery	\$2,460	\$2,460
71500 Other Revenue	\$15,891	\$15,891
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted	\$33	\$33
70000 Total Revenue	\$725,833	\$725,833
91100 Administrative Salaries	\$58,693	\$58,693
91200 Auditing Fees		
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$15,841	\$15,841
91600 Office Expenses	\$7,749	\$7,749
91700 Legal Expense		
91800 Travel	\$273	\$273
91810 Allocated Overhead	\$8,745	\$8,745
91900 Other	\$1,333	\$1,333

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Revenue and Expense Summary**

Submission Type:	Audited/A-133	Fiscal Year End:	06/30/2013
91000	Total Operating - Administrative	\$92,634	\$92,634
92000	Asset Management Fee		
92100	Tenant Services - Salaries		
92200	Relocation Costs		
92300	Employee Benefit Contributions - Tenant Services		
92400	Tenant Services - Other		
92500	Total Tenant Services	\$0	\$0
93100	Water		
93200	Electricity		
93300	Gas		
93400	Fuel		
93500	Labor		
93600	Sewer		
93700	Employee Benefit Contributions - Utilities		
93800	Other Utilities Expense		
93000	Total Utilities	\$0	\$0
94100	Ordinary Maintenance and Operations - Labor		
94200	Ordinary Maintenance and Operations - Materials and Other		
94300	Ordinary Maintenance and Operations Contracts		
94500	Employee Benefit Contributions - Ordinary Maintenance		
94000	Total Maintenance	\$0	\$0
95100	Protective Services - Labor		
95200	Protective Services - Other Contract Costs		
95300	Protective Services - Other		
95500	Employee Benefit Contributions - Protective Services		
95000	Total Protective Services	\$0	\$0
96110	Property Insurance		
96120	Liability Insurance		
96130	Workmen's Compensation		
96140	All Other Insurance		
96100	Total insurance Premiums	\$0	\$0
96200	Other General Expenses		



Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Revenue and Expense Summary**

Submission Type:	Audited/A-133	Fiscal Year End:	06/30/2013
96210	Compensated Absences		
96300	Payments in Lieu of Taxes		
96400	Bad debt - Tenant Rents		
96500	Bad debt - Mortgages		
96600	Bad debt - Other		
96800	Severance Expense		
96000	Total Other General Expenses	\$0	\$0
96710	Interest of Mortgage (or Bonds) Payable		
96720	Interest on Notes Payable (Short and Long Term)		
96730	Amortization of Bond Issue Costs		
96700	Total Interest Expense and Amortization Cost	\$0	\$0
96900	Total Operating Expenses	\$92,634	\$92,634
97000	Excess of Operating Revenue over Operating Expenses	\$633,199	\$633,199
97100	Extraordinary Maintenance		
97200	Casualty Losses - Non-capitalized		
97300	Housing Assistance Payments	\$666,481	\$666,481
97350	HAP Portability-In		
97400	Depreciation Expense		
97500	Fraud Losses		
97600	Capital Outlays - Governmental Funds		
97700	Debt Principal Payment - Governmental Funds		
97800	Dwelling Units Rent Expense		
90000	Total Expenses	\$759,115	\$759,115
10010	Operating Transfer In		
10020	Operating transfer Out		
10030	Operating Transfers from/to Primary Government		
10040	Operating Transfers from/to Component Unit		
10050	Proceeds from Notes, Loans and Bonds		
10060	Proceeds from Property Sales		
10070	Extraordinary Items, Net Gain/Loss		
10080	Special Items (Net Gain/Loss)		
10091	Inter Project Excess Cash Transfer In		
10092	Inter Project Excess Cash Transfer Out		
10093	Transfers between Program and Project - In		

Macon Program For Progress (NC165)  
 Franklin, North Carolina  
**Program Revenue and Expense Summary**

Submission Type:	Audited/A-133	Fiscal Year End:	06/30/2013
10094	Transfers between Project and Program - Out		
10100	Total Other financing Sources (Uses)	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	-\$33,282	-\$33,282
11020	Required Annual Debt Principal Payments	\$0	\$0
11030	Beginning Equity	\$104,999	\$104,999
11040	Prior Period Adjustments, Equity Transfers and Correction of		
11050	Changes in Compensated Absence Balance		
11060	Changes in Contingent Liability Balance		
11070	Changes in Unrecognized Pension Transition Liability		
11080	Changes in Special Term/Severance Benefits Liability		
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents		
11100	Changes in Allowance for Doubtful Accounts - Other		
11170	Administrative Fee Equity	\$0	\$0
11180	Housing Assistance Payments Equity	\$71,717	\$71,717
11190	Unit Months Available	2688	2688
11210	Number of Unit Months Leased	1818	1818
11270	Excess Cash		
11610	Land Purchases		
11620	Building Purchases		
11630	Furniture & Equipment - Dwelling Purchases		
11640	Furniture & Equipment - Administrative Purchases		
11650	Leasehold Improvements Purchases		
11660	Infrastructure Purchases		
13510	CFFP Debt Service Payments		
13901	Replacement Housing Factor Funds		

## **COMPLIANCE SECTION**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Macon Program for Progress, 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 Macon Program for Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 December 10, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Macon Program for Progress, Inc.'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 Macon Program for Progress, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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.

To the Board of Directors  
Macon Program for Progress, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Macon Program for Progress, Inc.'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.



Asheville, North Carolina  
December 10, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors  
Macon Program for Progress, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Macon Program for Progress, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Macon Program for Progress, Inc.'s major federal programs for the year ended June 30, 2013. Macon Program for Progress, Inc.'s major federal programs are identified in the summary of auditors' 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 federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Macon Program for Progress, Inc.'s major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Macon Program for Progress, Inc.'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 each major federal program. However, our audit does not provide a legal determination of Macon Program for Progress, Inc.'s compliance.

To the Board of Directors  
Macon Program for Progress, Inc.

### **Opinion on Each Major Federal Program**

In our opinion, Macon Program for Progress, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control over Compliance**

Management of Macon Program for Progress, Inc. 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 Macon Program for Progress, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Macon Program for Progress, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

To the Board of Directors  
Macon Program for Progress, Inc.

**Purpose of this Report**

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*CARTER, P.C.*

Asheville, North Carolina  
December 10, 2013



**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2013

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>FEDERAL AWARDS</b>		
U.S. Department of Health and Human Services: Head Start/Early Head Start Passed Through NC Department of Health and Human Services:	93.600	\$ 3,163,999
Community Service Block Grant	93.569	<u>120,000</u>
Subtotal U.S. Department of Health and Human Services		<u>3,283,999</u>
U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers	14.871	<u>707,449</u>
U.S. Department of Agriculture: Passed Through NC Department of Environment, Health and Natural Resources, Division of Maternal and Child Health:		
Child and Adult Care Food Program	10.558	262,623
Summer Food Service Program for Children	10.559	<u>52,078</u>
Subtotal U.S. Department of Agriculture		<u>314,701</u>
U.S. Department of Labor: Passed Through Southwestern NC Planning and Economic Development Commission:		
Workforce Investment Act - Adult program	17.258	<u>241,319</u>
U.S. Department of Education: Passed Through North Carolina State Board of Education:		
Race to the Top - Early Learning Challenge Grant	84.395A	<u>17,500</u>
Total expenditures of federal awards		<u>\$ 4,564,968</u>

**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2013

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State Expenditures</u>
<b>STATE AWARDS</b>		
NC Department of Health and Human Services:		
Passed through Region A Partnership for Children:		
Smart Start - Parents as Teachers		\$ 44,396
Passed through Southwestern Child Development Commission:		
Zero - Three		297,346
Head Start Wraparound		<u>197,004</u>
Total expenditures of state awards		<u>538,746</u>
Total expenditures of federal and state awards		<u>\$ 5,103,714</u>

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Macon Program for Progress, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

Section I Summary of Auditors' Results

***Financial Statements***

Type of auditors' report issued Unmodified

***Internal control over financial reporting***

Material weakness(es) identified \_\_\_\_\_ yes      X   no

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      X   no

***Federal Awards***

***Internal control over compliance***

Material weakness(es) identified \_\_\_\_\_ yes      X   no

Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes      X   none reported

***Compliance***

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes      X   no

Programs tested as major were:  
Head Start/Early Head Start                      CFDA#        93.600  
Section 8 Housing Choice Vouchers                      CFDA#        14.871

The threshold for distinguishing Type A and Type B programs was \$300,000.

Macon Program for Progress, Inc. was determined to be a low-risk auditee.

**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2013

Section II Financial Statement Findings

No audit findings were reported.

Section III Federal Award Findings and Questioned Costs

No audit findings were reported.

**MACON PROGRAM FOR PROGRESS, INC.**

Summary Schedule of Prior Audit Findings  
June 30, 2013

U.S. Department of Housing and Urban Development

Finding 2012-1

*Condition* - Currently, the HUD Coordinator approves all eligibility documentation, HAP payment calculations, and HAP contracts. Subsequent to the approval process, it was noted that an error in the HAP calculation existed that caused an amount in excess of the proper payment amount to be paid on behalf of the Section 8 Housing Choice Voucher recipient.

*Recommendation* - We recommend that procedures be implemented to ensure the accurate amount of HAP payments is calculated and the HUD Coordinator documents their review/approval by initialing the document.

*Status* - The condition was not present in the current year.