

MACON PROGRAM FOR PROGRESS, INC.

Franklin, North Carolina

Financial Statements and Supplementary Information

Year Ended June 30, 2015

MACON PROGRAM FOR PROGRESS, INC.

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Pedro Cisneros
Charlene Marcus
Alisa Ashe

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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, 2015, 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 auditors' 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 HUD financial data schedule, as required by the U.S. Department of Housing and Urban Development, is presented for purposes of additional analysis 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.

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 8, 2015, 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 8, 2015

MACON PROGRAM FOR PROGRESS, INC.

Statement of Financial Position
June 30, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets:		
Cash and equivalents	\$ 1,326,831	\$ 1,218,637
Grants receivable	245,310	298,925
Sales taxes receivable	20,627	15,817
Other receivables		8,901
Prepaid expenses	<u>41,076</u>	<u>282</u>
Total current assets	1,633,844	1,542,562
Property and equipment	<u>1,657,117</u>	<u>1,711,994</u>
Total assets	<u>\$ 3,290,961</u>	<u>\$ 3,254,556</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 144,205	\$ 92,050
Accrued liabilities	<u>205,021</u>	<u>190,165</u>
Total liabilities	<u>349,226</u>	<u>282,215</u>
Net assets:		
Unrestricted:		
Undesignated	1,147,247	1,095,991
Investment in property and equipment	<u>1,657,117</u>	<u>1,711,994</u>
Total unrestricted	2,804,364	2,807,985
Temporarily restricted	<u>137,371</u>	<u>164,356</u>
Total net assets	<u>2,941,735</u>	<u>2,972,341</u>
Total liabilities and net assets	<u>\$ 3,290,961</u>	<u>\$ 3,254,556</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Public support and other revenues				
Grants and contracts	\$ 5,492,138	\$ 137,371	\$ 5,629,509	\$ 5,314,773
Contributions	4,805		4,805	6,583
In-kind contributions	101,675		101,675	42,404
Client fees	133,710		133,710	84,660
Fund-raising	3,883		3,883	3,630
Investment income	246		246	7,437
Gain on sale of property and equipment				7,500
Net assets released from restriction	<u>164,356</u>	<u>(164,356)</u>		
Total public support and other revenues	<u>5,900,813</u>	<u>(26,985)</u>	<u>5,873,828</u>	<u>5,466,987</u>
Expenses				
Program services	5,229,133		5,229,133	4,586,097
Supporting services	<u>675,301</u>		<u>675,301</u>	<u>880,502</u>
Total expenses	<u>5,904,434</u>		<u>5,904,434</u>	<u>5,466,599</u>
Increase (decrease) in net assets	(3,621)	(26,985)	(30,606)	388
Net assets at beginning of year	<u>2,807,985</u>	<u>164,356</u>	<u>2,972,341</u>	<u>2,971,953</u>
Net assets at end of year	<u>\$ 2,804,364</u>	<u>\$ 137,371</u>	<u>\$ 2,941,735</u>	<u>\$ 2,972,341</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, 2015
(With Comparative Totals for 2014)

	Program Services						Supporting Services			2015 Total	2014 Total
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- raising	Total		
Salaries	\$ 1,912,776	\$ 135,277	\$ 57,130	\$ 320,124	\$ 45,022	\$ 2,470,329	\$ 320,427	\$	\$ 320,427	\$ 2,790,756	\$ 2,705,963
Payroll taxes	131,815	9,322	3,937	22,061	3,103	170,238	22,081		22,081	192,319	182,892
Employee benefits	365,439	25,668	11,150	63,462	9,764	475,483	50,936		50,936	526,419	496,905
Total salaries and related expenses	2,410,030	170,267	72,217	405,647	57,889	3,116,050	393,444		393,444	3,509,494	3,385,760
Contractual				1,800		1,800	11,876		11,876	13,676	10,740
Travel	26,800	2,026	812	57,384	2,037	89,059	7,524		7,524	96,583	88,084
Insurance	14,035			2,617		16,652	29,276		29,276	45,928	44,365
Space costs	53,253	10,933				64,186	17,208		17,208	81,394	84,724
Telephone and communications	48,402	87	74	395		48,958	41,703		41,703	90,661	56,644
Postage	3,027	27	1,443	1,399	65	5,961	193	166	359	6,320	4,778
Materials and supplies	318,906	13,167	834	37,433	13,649	383,989		1,393	1,393	385,382	259,313
Advertising	10,864		69	1,797	1,350	14,080	411		411	14,491	10,048
Repairs and maintenance	71,438			8,163		79,601	53,181		53,181	132,782	137,395
Food	4,352			567	253,283	258,202	1,749	316	2,065	260,267	248,517
Housing assistance payments			585,545			585,545				585,545	590,854
Schooling costs	8,354			154,018		162,372				162,372	127,355
Staff/board training	38,389			21,148		59,537	2,548		2,548	62,085	52,210
Professional fees	131,001		66	1,736	49	132,852	42,305		42,305	175,157	115,675
Dues and subscriptions	8,491	655		1,077		10,223	3,744	535	4,279	14,502	13,084
Other	11,162		41	1,695		12,898	1,137	9,819	10,956	23,854	9,912
Total expenses before interest and depreciation	3,158,504	197,162	661,101	696,876	328,322	5,041,965	606,299	12,229	618,528	5,660,493	5,239,458
Interest											52
Depreciation	164,964	5,060		16,660	484	187,168	56,478	295	56,773	243,941	227,089
Total expenses	<u>\$ 3,323,468</u>	<u>\$ 202,222</u>	<u>\$ 661,101</u>	<u>\$ 713,536</u>	<u>\$ 328,806</u>	<u>\$ 5,229,133</u>	<u>\$ 662,777</u>	<u>\$ 12,524</u>	<u>\$ 675,301</u>	<u>\$ 5,904,434</u>	<u>\$ 5,466,599</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, 2015
(With Comparative Totals for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (30,606)	\$ 388
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	243,941	227,089
Gain on sale of property and equipment		(7,500)
Changes in working capital - sources (uses)		
Grants receivable	53,615	(21,770)
Sales taxes receivable	(4,810)	16,413
Other receivables	8,901	1,031
Prepaid expenses	(40,794)	(256)
Accounts payable	52,155	(18,135)
Accrued liabilities	<u>14,856</u>	<u>10,472</u>
Net cash provided by operating activities	<u>297,258</u>	<u>207,732</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(189,064)</u>	<u>(131,411)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u> </u>	<u>(8,301)</u>
Net increase in cash and equivalents	108,194	68,020
Cash and equivalents at beginning of year	<u>1,218,637</u>	<u>1,150,617</u>
Cash and equivalents at end of year	<u>\$ 1,326,831</u>	<u>\$ 1,218,637</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ </u>	<u>\$ 52</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements

June 30, 2015

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 Western North Carolina. The Organization's programs are funded by federal, state, and local funds.

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.

Income Tax Status

The Organization is exempt from federal income taxes under section 501(c)(3) of the internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Information regarding its financial position and activities are grouped according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined 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 for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified 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. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income may be unrestricted or may also be restricted according to the donor's 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 Goods and Services

Donated goods and materials received are reflected as in-kind contributions at their estimated fair value at the date of receipt. Donated materials totaled \$24,442 and \$9,985, for the years ended June 30, 2015 and 2014, respectively.

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 \$77,233 and \$32,419, for the years ended June 30, 2015 and 2014, respectively.

Cash and Equivalents

The Organization considers all cash and short-term investments with original maturities 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

The organization capitalizes all expenditures for property and equipment in excess of \$5,000 and an estimated useful life extending beyond one year. Property and equipment are carried at cost. Expenses for repairs, maintenance, renewals and betterments that materially prolong the useful life of assets are capitalized. Depreciation is computed using the straight-line method over a period of two to forty 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, 2015 and 2014, costs charged to expense were \$14,491 and \$10,048, 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.

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.

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, 2014, from which the summarized information was derived.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2015</u>	<u>2014</u>
Food Program	\$ 103,861	\$ 93,813
Housing	10,990	49,682
Neidig Foundation	55	619
Race to the Top	22,463	20,120
WIA	<u>2</u>	<u>122</u>
<u>Temporarily restricted net assets</u>	<u>\$ 137,371</u>	<u>\$ 164,356</u>

Note 3 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2015</u>	<u>2014</u>
Land and land improvements	\$ 830,333	\$ 754,683
Buildings	3,404,250	3,371,876
Equipment and furnishings	448,769	527,179
Vehicles	<u>462,301</u>	<u>422,002</u>
	5,145,653	5,075,740
Less, accumulated depreciation	<u>3,488,536</u>	<u>3,363,746</u>
<u>Property and equipment</u>	<u>\$ 1,657,117</u>	<u>\$ 1,711,994</u>

Depreciation expense for the years ended June 30, 2015 and 2014, was \$243,941 and \$227,089, respectively.

Note 4 - 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, 2015 and 2014, there was no outstanding balance on either line of credit.

Note 5 - Lease Commitments

The Organization is obligated under lease agreements for storage space, office equipment, and service contracts with various monthly payments and maturity dates. Total rent expense for the years ended June 30, 2015 and 2014, for all operating leases and service agreements was approximately \$43,123 and \$61,528, respectively. Future minimum lease payments under non-cancelable operating leases total \$6,694 for the year ending June 30, 2016.

Note 6 - 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.

Note 6 - Summary Disclosure of Significant Contingencies (continued)

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.

Note 7 - Retirement Plan

The Organization participates in a tax-sheltered annuity retirement plan. The employer may contribute up to 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, 2015 and 2014, were \$93,311 and \$100,374, respectively.

Note 8 - Health Insurance Plan

In 2013, the Organization adopted a high deductible health insurance plan and established a health reimbursement account for each employee. The account will pay 80% of the deductible for the employee during the year. The annual maximum amount the Organization would pay per employee was \$2,800. The costs of claims paid under the plan for the years ended June 30, 2015 and 2014, were \$137,082 and \$113,101, respectively. The Organization recognized a liability in the amount of \$9,059 at June 30, 2015 and 2014, which represented claims that have been processed but not paid as of year-end.

Note 9 - Indirect Cost Rate

A 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 \$380,756 and \$368,798, based upon that indirect cost rate, for the years ended June 30, 2015 and 2014, respectively.

Note 10 - 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 housing assistance program that is administered by the Organization. The Organization paid Orchard View \$88,778 and \$75,640 in HUD payments, for the years ended June 30, 2015 and 2014, respectively.

Note 10 - Related Parties (continued)

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 11 - 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, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Note 12 - Subsequent Events

Management has evaluated subsequent events through December 8, 2015, 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, other than the item noted below.

Effective July 1, 2015, the Organization terminated the tax-sheltered annuity retirement plan and established a 401(k) retirement plan.

SUPPLEMENTARY INFORMATION

Macon Program For Progress (NC165)

Franklin, NC

Program Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted		
112 Cash - Restricted - Modernization and Development		
113 Cash - Other Restricted	\$7,971	\$7,971
114 Cash - Tenant Security Deposits		
115 Cash - Restricted for Payment of Current Liabilities		
100 Total Cash	\$7,971	\$7,971
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	\$7,971	\$7,971
161 Land		
162 Buildings		
163 Furniture, Equipment & Machinery - Dwellings		
164 Furniture, Equipment & Machinery - Administration		
165 Leasehold Improvements		
166 Accumulated Depreciation		

Macon Program For Progress (NC165)

Franklin, NC

Program Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
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		
173 Grants Receivable - Non Current		
174 Other Assets		
176 Investments in Joint Ventures		
180 Total Non-Current Assets	\$0	\$0
200 Deferred Outflow of Resources		
290 Total Assets and Deferred Outflow of Resources	\$7,971	\$7,971
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 Unearned Revenue		
343 Current Portion of Long-term Debt - Capital		
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		

Macon Program For Progress (NC165)

Franklin, NC

Program Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
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
400 Deferred Inflow of Resources		
508.4 Net Investment in Capital Assets		
511.4 Restricted Net Position	\$7,971	\$7,971
512.4 Unrestricted Net Position	\$0	\$0
513 Total Equity - Net Assets / Position	\$7,971	\$7,971
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$7,971	\$7,971

Macon Program For Progress (NC165)

Franklin, NC

Program Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	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	\$610,361	\$610,361
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	\$956	\$956
71500 Other Revenue	\$20,490	\$20,490
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	\$631,807	\$631,807
91100 Administrative Salaries	\$57,130	\$57,130
91200 Auditing Fees		
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$15,422	\$15,422
91600 Office Expenses	\$6,531	\$6,531
91700 Legal Expense		
91800 Travel	\$812	\$812
91810 Allocated Overhead	\$8,512	\$8,512
91900 Other		
91000 Total Operating - Administrative	\$88,407	\$88,407

Macon Program For Progress (NC165)

Franklin, NC

Program Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
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		
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		
96210 Compensated Absences		

Macon Program For Progress (NC165)

Franklin, NC

Program Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
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	\$88,407	\$88,407
97000 Excess of Operating Revenue over Operating Expenses	\$543,400	\$543,400
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	\$585,111	\$585,111
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	\$673,518	\$673,518
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		

Macon Program For Progress (NC165)

Franklin, NC

Program Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 06/30/2015

	14.871 Housing Choice Vouchers	Total
10093 Transfers between Program and Project - In		
10094 Transfers between Project and Program - Out		
10100 Total Other financing Sources (Uses)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$41,711	-\$41,711
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$49,682	\$49,682
11040 Prior Period Adjustments, Equity Transfers and Correction		
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		
11100 Changes in Allowance for Doubtful Accounts - Other		
11170 Administrative Fee Equity	\$0	\$0
11180 Housing Assistance Payments Equity	\$7,971	\$7,971
11190 Unit Months Available	2688	2688
11210 Number of Unit Months Leased	1803	1803
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 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, 2015, 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 8, 2015.

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 Macon Program for Progress, Inc.'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 8, 2015

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, 2015. 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, 2015.

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 8, 2015

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2015

Federal-State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
FEDERAL AWARDS		
U.S. Department of Health and Human Services: Head Start/Early Head Start	93.600	\$ 3,352,325
Passed Through NC Department of Health and Human Services: Community Services Block Grant	93.569	<u>138,331</u>
Subtotal U.S. Department of Health and Human Services		<u>3,490,656</u>
U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers	14.871	<u>610,361</u>
U.S. Department of Agriculture: Passed Through NC Department of Health and Human Services, Division of Public Health Child and Adult Care Food Program	10.558	282,018
Summer Food Service Program for Children	10.559	48,843
Pass Through NC Department of Public Instruction: Summer Food Service Program for Children	10.559	<u>20,230</u>
Subtotal U.S. Department of Agriculture		<u>351,091</u>
U.S. Department of Labor: Passed Through Southwestern NC Planning and Economic Development Commission: Workforce Investment Act - Adult program	17.258	<u>386,773</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>660</u>
Total expenditures of federal awards		<u>\$ 4,839,541</u>

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2015

Federal-State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	State Expenditures
STATE AWARDS		
NC Department of Health and Human Services:		
Passed through Region A Partnership for Children:		
Smart Start - Parents as Teachers		\$ 43,296
Passed through Southwestern Child Development Commission:		
Zero - Three		288,604
Head Start Wraparound		166,949
Total expenditures of state awards		498,849
Total expenditures of federal and state awards		\$ 5,338,390

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, 2015

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

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, 2015

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, 2015

No audit findings were reported.