

MACON PROGRAM FOR PROGRESS, INC.

Franklin, North Carolina

Financial Statements and
Supplementary Information

Year Ended June 30, 2016



MACON PROGRAM FOR PROGRESS, INC.

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Tony Potts
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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 7, 2016, 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 7, 2016

MACON PROGRAM FOR PROGRESS, INC.

Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Assets		
Current assets:		
Cash and equivalents	\$ 1,443,158	\$ 1,326,831
Grants receivable	295,888	245,310
Sales taxes receivable	23,745	20,627
Other receivables	173	
Prepaid expenses	46,181	41,076
Total current assets	1,809,145	1,633,844
Property and equipment	1,582,057	1,657,117
Total assets	\$ 3,391,202	\$ 3,290,961
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 102,019	\$ 144,205
Accrued liabilities	231,481	205,021
Total liabilities	333,500	349,226
Net assets:		
Unrestricted:		
Undesignated	1,345,843	1,147,247
Investment in property and equipment	1,582,057	1,657,117
Total unrestricted	2,927,900	2,804,364
Temporarily restricted	129,802	137,371
Total net assets	3,057,702	2,941,735
Total liabilities and net assets	\$ 3,391,202	\$ 3,290,961

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

MACON PROGRAM FOR PROGRESS, INC.

Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
Public support and other revenues				
Grants and contracts	\$ 5,777,331	\$ 129,802	\$ 5,907,133	\$ 5,629,509
Contributions	4,960		4,960	4,805
In-kind contributions	56,487		56,487	101,675
Client fees	124,050		124,050	133,710
Fund-raising	4,807		4,807	3,883
Investment income	100		100	246
Net assets released from restriction	<u>137,371</u>	<u>(137,371)</u>		
Total public support and other revenues	<u>6,105,106</u>	<u>(7,569)</u>	<u>6,097,537</u>	<u>5,873,828</u>
Expenses				
Program services	5,043,244		5,043,244	5,229,133
Supporting services	<u>938,326</u>		<u>938,326</u>	<u>675,301</u>
Total expenses	<u>5,981,570</u>		<u>5,981,570</u>	<u>5,904,434</u>
Increase (decrease) in net assets	123,536	(7,569)	115,967	(30,606)
Net assets at beginning of year	<u>2,804,364</u>	<u>137,371</u>	<u>2,941,735</u>	<u>2,972,341</u>
Net assets at end of year	<u>\$ 2,927,900</u>	<u>\$ 129,802</u>	<u>\$ 3,057,702</u>	<u>\$ 2,941,735</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, 2016
(With Comparative Totals for 2015)

	Program Services						Supporting Services			2016 Total	2015 Total
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- raising	Total		
Salaries	\$ 2,100,007	\$ 135,544	\$ 61,317	\$ 252,531	\$ 55,142	\$ 2,604,541	\$ 309,686	\$	\$ 309,686	\$ 2,914,227	\$ 2,790,756
Payroll taxes	142,579	9,203	4,163	17,145	3,744	176,834	21,026		21,026	197,860	192,319
Employee benefits	172,761	10,978	5,300	22,475	6,174	217,688	289,161		289,161	506,849	526,419
Total salaries and related expenses	2,415,347	155,725	70,780	292,151	65,060	2,999,063	619,873		619,873	3,618,936	3,509,494
Contractual	370			3,800		4,170	10,137		10,137	14,307	13,676
Travel	35,079	3,647	430	54,962	1,588	95,706	1,746		1,746	97,452	96,583
Insurance	17,280			2,798		20,078	28,314		28,314	48,392	45,928
Space costs	47,566	3,939				51,505	29,462		29,462	80,967	81,394
Telephone and communications	8,998	18	57	422		9,495	52,509		52,509	62,004	90,661
Postage	2,436	36	1,530	1,323	83	5,408	114	147	261	5,669	6,320
Materials and supplies	325,224	9,922	7,660	10,245	6,435	359,486	23,658	662	24,320	383,806	385,382
Advertising	10,532	202		1,880	205	12,819				12,819	14,491
Repairs and maintenance	79,094	1,205		12,779		93,078	64,483		64,483	157,561	132,782
Food	3,605		9	1,639	264,483	269,736	1,473	2,023	3,496	273,232	260,267
Housing assistance payments			615,561			615,561				615,561	585,545
Schooling costs	8,943			147,231		156,174				156,174	162,372
Staff/board training	28,105	25	92	11,604		39,826	1,218		1,218	41,044	62,085
Professional fees	96,033	426	106	817	925	98,307	33,161		33,161	131,468	175,157
Dues and subscriptions	10,067	190		85		10,342	3,597	575	4,172	14,514	14,502
Other	8,606	32	23	3,418	120	12,199	783	6,051	6,834	19,033	23,854
Total expenses before interest and depreciation	3,097,285	175,367	696,248	545,154	338,899	4,852,953	870,528	9,458	879,986	5,732,939	5,660,493
Depreciation	168,083	4,646		15,813	1,749	190,291	58,045	295	58,340	248,631	243,941
Total expenses	\$ 3,265,368	\$ 180,013	\$ 696,248	\$ 560,967	\$ 340,648	\$ 5,043,244	\$ 928,573	\$ 9,753	\$ 938,326	\$ 5,981,570	\$ 5,904,434

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

MACON PROGRAM FOR PROGRESS, INC.

Statement of Cash Flows
Year Ended June 30, 2016
(With Comparative Totals for 2015)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 115,967	\$ (30,606)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	248,631	243,941
Changes in working capital - sources (uses)		
Grants receivable	(50,578)	53,615
Sales taxes receivable	(3,118)	(4,810)
Other receivables	(173)	8,901
Prepaid expenses	(5,105)	(40,794)
Accounts payable	(42,186)	52,155
Accrued liabilities	<u>26,460</u>	<u>14,856</u>
Net cash provided by operating activities	<u>289,898</u>	<u>297,258</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(173,571)</u>	<u>(189,064)</u>
Net increase in cash and equivalents	116,327	108,194
Cash and equivalents at beginning of year	<u>1,326,831</u>	<u>1,218,637</u>
Cash and equivalents at end of year	<u>\$ 1,443,158</u>	<u>\$ 1,326,831</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements
June 30, 2016

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 tax 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 are 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).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of restrictions of use that are placed by its donors: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are reported in this class if the donor limited their use, as are promised contributions that are not yet due.

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Permanently restricted net assets are resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by passage of time.

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 donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Goods and Services

Donated marketable securities are recorded as contributions at their fair value at the date of donation.

Donated goods and materials received are reflected as in-kind contributions at their estimated fair value at the date of receipt. Donated materials totaled \$13,411 and \$24,442, for the years ended June 30, 2016 and 2015, 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 \$43,076 and \$77,233, for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, costs charged to expense were \$12,819 and \$14,491, 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.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services by statistical means. Management and general expenses include those expenses that are not identifiable with any other specific function but provided for the overall support and direction of the Organization.

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. Management believes that the estimates and assumptions are reasonable in the circumstances; however, 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, 2015, 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>2016</u>	<u>2015</u>
Food Program	\$ 101,850	\$ 103,861
Housing	5,491	10,990
Neidig Foundation		55
Race to the Top	22,461	22,463
WIA		2
	<u> </u>	<u> </u>
<u>Temporarily restricted net assets</u>	<u>\$ 129,802</u>	<u>\$ 137,371</u>

Note 3 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 830,333	\$ 830,333
Buildings	3,440,877	3,404,250
Equipment and furnishings	458,165	448,769
Vehicles	<u>559,101</u>	<u>462,301</u>
	5,288,476	5,145,653
Less, accumulated depreciation	<u>3,706,419</u>	<u>3,488,536</u>
<u>Property and equipment</u>	<u>\$ 1,582,057</u>	<u>\$ 1,657,117</u>

Depreciation expense for the years ended June 30, 2016 and 2015, was \$248,631 and \$243,941, 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 the prime rate, with minimums of 4% and 8%. At June 30, 2016 and 2015, 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, 2016 and 2015, for all operating leases and service agreements was \$56,206 and \$43,123, respectively.

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

<u>Years Ending June 30</u>	<u>Amount</u>
2017	\$ 46,037
2018	15,385
2019	15,385
2020	15,385
2021	<u>4,950</u>
<u>Minimum lease commitments</u>	<u>\$ 97,142</u>

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.

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 participated in a tax-sheltered annuity retirement plan through June 30, 2015. This plan was terminated on June 30, 2015 and a 401(k) plan established effective July 1, 2015. The employer may contribute up to 1.5% of employee compensation for employees who meet certain minimum eligibility requirements. The employer may also match up to 3.5% of compensation for employees making contributions to the plan. The Organization's contributions for the years ended June 30, 2016 and 2015, were \$106,191 and \$93,311, 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 employees 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, 2016 and 2015, were \$113,059 and \$137,082, respectively. The Organization recognized a liability in the amount of \$9,059 at June 30, 2016 and 2015, 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 \$398,520 and \$380,756, based upon that indirect cost rate, for the years ended June 30, 2016 and 2015, 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 \$99,101 and \$88,778 in HUD payments, for the years ended June 30, 2016 and 2015, respectively.

The Organization has the responsibility to appoint certain members of 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.

Note 12 - Subsequent Events

Management has evaluated subsequent events through December 7, 2016, 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, NC
Program Balance Sheet Summary

Submission Type:	Audited/Single Audit	Fiscal Year End:	06/30/2016	
		14.871 Housing Choice Vouchers	Total	
111	Cash - Unrestricted	\$2,519	\$2,519	
112	Cash - Restricted - Modernization and Development			
113	Cash - Other Restricted	\$5,518	\$5,518	
114	Cash - Tenant Security Deposits			
115	Cash - Restricted for Payment of Current Liabilities			
100	Total Cash	\$8,037	\$8,037	
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	\$8,037	\$8,037	
161	Land			
162	Buildings			
163	Furniture, Equipment & Machinery - Dwellings			
164	Furniture, Equipment & Machinery - Administration			
165	Leasehold Improvements			

Macon Program For Progress (NC165)
Franklin, NC
Program Balance Sheet Summary

Submission Type:	Audited/Single Audit	Fiscal Year End:	06/30/2016	
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			
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		\$8,037	\$8,037
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			
352	Long-term Debt, Net of Current - Operating Borrowings			
353	Non-current Liabilities - Other			

Macon Program For Progress (NC165)
 Franklin, NC
Program Balance Sheet Summary

Submission Type:	Audited/Single Audit	Fiscal Year End:	06/30/2016	
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		\$5,518	\$5,518
512.4	Unrestricted Net Position		\$2,519	\$2,519
513	Total Equity - Net Assets / Position		\$8,037	\$8,037
600	Total Liabilities, Deferred Inflows of Resources and Equity -		\$8,037	\$8,037

Macon Program For Progress (NC165)
Franklin, NC
Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2016

	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue	\$0	\$0
70400 Tenant Revenue - Other	\$0	\$0
70500 Total Tenant Revenue	\$0	\$0
70600 HUD PHA Operating Grants	\$714,319	\$714,319
70610 Capital Grants	\$0	\$0
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	\$0	\$0
71100 Investment Income - Unrestricted	\$0	\$0
71200 Mortgage Interest Income	\$0	\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0	\$0
71310 Cost of Sale of Assets	\$0	\$0
71400 Fraud Recovery	\$1,424	\$1,424
71500 Other Revenue	\$0	\$0
71600 Gain or Loss on Sale of Capital Assets	\$0	\$0
72000 Investment Income - Restricted	\$0	\$0
70000 Total Revenue	\$715,743	\$715,743
91100 Administrative Salaries	\$61,317	\$61,317
91200 Auditing Fees		
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$16,185	\$16,185
91600 Office Expenses		
91700 Legal Expense		
91800 Travel	\$430	\$430
91810 Allocated Overhead	\$9,136	\$9,136

Macon Program For Progress (NC165)
Franklin, NC
Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2016

91900 Other	\$13,048	\$13,048
91000 Total Operating - Administrative	\$100,116	\$100,116
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

Macon Program For Progress (NC165)
Franklin, NC
Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2016

96200	Other General Expenses		
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	\$100,116	\$100,116
97000	Excess of Operating Revenue over Operating Expenses	\$615,627	\$615,627
97100	Extraordinary Maintenance		
97200	Casualty Losses - Non-capitalized		
97300	Housing Assistance Payments	\$615,561	\$615,561
97350	HAP Portability-In		
97400	Depreciation Expense	\$0	\$0
97500	Fraud Losses		
97600	Capital Outlays - Governmental Funds		
97700	Debt Principal Payment - Governmental Funds		
97800	Dwelling Units Rent Expense		
90000	Total Expenses	\$715,677	\$715,677
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		

Macon Program For Progress (NC165)
Franklin, NC
Program Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 06/30/2016

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		
10094	Transfers between Project and Program - Out		
10100	Total Other financing Sources (Uses)	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total	\$66	\$66
11020	Required Annual Debt Principal Payments	\$0	\$0
11030	Beginning Equity	\$7,971	\$7,971
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	\$2,519	\$2,519
11180	Housing Assistance Payments Equity	\$5,518	\$5,518
11190	Unit Months Available	2688	2688
11210	Number of Unit Months Leased	2056	2056
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, 2016, 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 7, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 7, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CARTER, P.C." in a cursive, slightly slanted font.

Asheville, North Carolina
December 7, 2016

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2016

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 Passed Through NC Department of Health and Human Services: Community Services Block Grant	93.600 93.569	\$ 3,507,136 <u>150,560</u>
Total U.S. Department of Health and Human Services		<u>3,657,696</u>
U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers	14.871	<u>714,319</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	294,404
Pass Through NC Department of Public Instruction: Summer Food Service Program for Children	10.559	<u>66,910</u>
Total U.S. Department of Agriculture		<u>361,314</u>
U.S. Department of Labor: Passed Through Southwestern NC Planning and Economic Development Commission: Workforce Investment Act - Adult program	17.258	<u>303,162</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>2</u>
Total expenditures of federal awards		<u>\$ 5,036,493</u>

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2016

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>State Expenditures</u>
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		340,972
Head Start Wraparound		<u>169,936</u>
Total expenditures of state awards		<u>554,204</u>
Total expenditures of federal and state awards		<u>\$ 5,590,697</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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Macon Program for Progress, Inc., Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Macon Program for Progress, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures of federal and state awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect Cost Rate

Macon Program for Progress, Inc., Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting

Material weakness(es) identified yes no

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over compliance

Material weakness(es) identified yes no

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

Compliance with the Uniform Guidance

Type of auditors' report issued on compliance with each major federal program Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)? yes 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 \$750,000.

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, 2016

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, 2016

No audit findings were reported.