



MACON PROGRAM FOR PROGRESS, INC.

Franklin, North Carolina

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

MACON PROGRAM FOR PROGRESS, INC.

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Tony Potts
Judy Chapman
Alisa Ashe

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Vice-Chair
Secretary/Treasurer
Assistant Secretary

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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, 2017, 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.

To the Board of Directors
Macon Program for Progress, Inc.
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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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 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 5, 2017, 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 5, 2017

MACON PROGRAM FOR PROGRESS, INC.

Statement of Financial Position
June 30, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current assets:		
Cash and equivalents	\$ 1,178,074	\$ 1,443,158
Grants receivable	511,044	295,888
Sales taxes receivable	18,248	23,745
Other receivables		173
Prepaid expenses	<u>19,086</u>	<u>46,181</u>
Total current assets	1,726,452	1,809,145
Property and equipment	<u>1,424,551</u>	<u>1,582,057</u>
Total assets	<u>\$ 3,151,003</u>	<u>\$ 3,391,202</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 94,359	\$ 102,019
Accrued liabilities	<u>149,407</u>	<u>231,481</u>
Total liabilities	<u>243,766</u>	<u>333,500</u>
Net assets:		
Unrestricted:		
Undesignated	1,357,655	1,345,843
Investment in property and equipment	<u>1,424,551</u>	<u>1,582,057</u>
Total unrestricted	2,782,206	2,927,900
Temporarily restricted	<u>125,031</u>	<u>129,802</u>
Total net assets	<u>2,907,237</u>	<u>3,057,702</u>
Total liabilities and net assets	<u>\$ 3,151,003</u>	<u>\$ 3,391,202</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Statement of Activities
Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Public support and other revenues				
Grants and contracts	\$ 5,514,173	\$ 125,031	\$ 5,639,204	\$ 5,907,133
Contributions	3,550		3,550	4,960
In-kind contributions	64,888		64,888	56,487
Client fees	119,630		119,630	124,050
Fund-raising	2,719		2,719	4,807
Investment income				100
Net assets released from restriction	<u>129,802</u>	<u>(129,802)</u>		
Total public support and other revenues	<u>5,834,762</u>	<u>(4,771)</u>	<u>5,829,991</u>	<u>6,097,537</u>
Expenses				
Program services	5,070,382		5,070,382	5,043,244
Supporting services	<u>910,074</u>		<u>910,074</u>	<u>938,326</u>
Total expenses	<u>5,980,456</u>		<u>5,980,456</u>	<u>5,981,570</u>
Increase (decrease) in net assets	(145,694)	(4,771)	(150,465)	115,967
Net assets at beginning of year	<u>2,927,900</u>	<u>129,802</u>	<u>3,057,702</u>	<u>2,941,735</u>
Net assets at end of year	<u>\$ 2,782,206</u>	<u>\$ 125,031</u>	<u>\$ 2,907,237</u>	<u>\$ 3,057,702</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, 2017
(With Comparative Totals for 2016)

	Program Services						Supporting Services			2017 Total	2016 Total
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- raising	Total		
Salaries	\$ 1,719,454	\$ 163,136	\$ 62,172	\$ 598,350	\$ 64,350	\$ 2,607,462	\$ 310,016	\$ 492	\$ 310,508	\$ 2,917,970	\$ 2,914,227
Payroll taxes	121,598	11,537	4,397	42,315	4,550	184,397	21,924	35	21,959	206,356	197,860
Employee benefits	266,556	25,045	9,781	93,679	11,563	406,624	171,799	75	171,874	578,498	506,849
Total salaries and related expenses	2,107,608	199,718	76,350	734,344	80,463	3,198,483	503,739	602	504,341	3,702,824	3,618,936
Contractual	1,195			1,800		2,995	43,482		43,482	46,477	14,307
Travel	26,197	2,077	1,423	27,110	1,400	58,207	4,830		4,830	63,037	97,452
Insurance	16,031			1,195		17,226	28,376		28,376	45,602	48,392
Space costs	8,316				53	8,369	79,437		79,437	87,806	80,967
Telephone and communications	13,862	6	101	378		14,347	27,123		27,123	41,470	62,004
Postage	158	20	1,647	1,014	2	2,841	1,675	164	1,839	4,680	5,669
Materials and supplies	271,059	1,468	8,037	19,094	11,508	311,166	43,598	2,160	45,758	356,924	383,806
Advertising	10,153			775	23	10,951				10,951	12,819
Repairs and maintenance	56,247	8,337		5,478		70,062	68,764		68,764	138,826	157,561
Food	3,196			2,057	257,928	263,181	1,655	2,001	3,656	266,837	273,232
Housing assistance payments			642,145			642,145				642,145	615,561
Schooling costs	9,808			83,064		92,872				92,872	156,174
Staff/board training	27,619		1,023	4,045		32,687	957		957	33,644	41,044
Professional fees	129,425	161	390	1,432	2,019	133,427	33,971	315	34,286	167,713	131,468
Dues and subscriptions	12,674	150		1,480		14,304	4,156	520	4,676	18,980	14,514
Other	5,464		19	2,319		7,802	853	3,501	4,354	12,156	19,033
Total expenses before depreciation	2,699,012	211,937	731,135	885,585	353,396	4,881,065	842,616	9,263	851,879	5,732,944	5,732,939
Depreciation	155,180	3,769		28,398	1,970	189,317	57,900	295	58,195	247,512	248,631
Total expenses	<u>\$ 2,854,192</u>	<u>\$ 215,706</u>	<u>\$ 731,135</u>	<u>\$ 913,983</u>	<u>\$ 355,366</u>	<u>\$ 5,070,382</u>	<u>\$ 900,516</u>	<u>\$ 9,558</u>	<u>\$ 910,074</u>	<u>\$ 5,980,456</u>	<u>\$ 5,981,570</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, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (150,465)	\$ 115,967
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	247,512	248,631
Changes in working capital - sources (uses)		
Grants receivable	(215,156)	(50,578)
Sales taxes receivable	5,497	(3,118)
Other receivables	173	(173)
Prepaid expenses	27,095	(5,105)
Accounts payable	(7,660)	(42,186)
Accrued liabilities	<u>(82,074)</u>	<u>26,460</u>
Net cash provided (used) by operating activities	<u>(175,078)</u>	<u>289,898</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(90,006)</u>	<u>(173,571)</u>
Net increase (decrease) in cash and equivalents	(265,084)	116,327
Cash and equivalents at beginning of year	<u>1,443,158</u>	<u>1,326,831</u>
Cash and equivalents at end of year	<u>\$ 1,178,074</u>	<u>\$ 1,443,158</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements

June 30, 2017

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. 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 accompanying financial statements have been prepared to focus on the Organization as a whole and to present its net assets, revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- *Unrestricted net assets*: Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets*: Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets*: Net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed stipulations. Expenses are recorded as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

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.

Property and Equipment

Property and equipment with a cost of \$5,000 or more and that have an estimated useful life greater than one year, are capitalized 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.

Donated Property and Equipment

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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. For the years ended June 30, 2017 and 2016, the Organization received in-kind goods and materials in the amount of \$9,236 and \$13,411, 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 \$55,652 and \$43,076, for the years ended June 30, 2017 and 2016, respectively.

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. Advertising expense for the years ended June 30, 2017 and 2016, was \$10,951 and \$12,819, respectively.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. The Organization regularly assesses these estimates and, while actual results could differ, management believes that the estimates are reasonable.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various program and supporting activities are summarized on a functional basis in the statements of activities and functional expenses. Accordingly, all costs have been allocated among the program and supporting services benefitted.

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, 2016, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities on the statement of financial position for the rights and obligations created by those leases. The standard will be effective for annual periods ending after December 15, 2019. Early adoption is permitted. The Organization is in the process of evaluating the effect this guidance will have on its financial statements and related disclosures.

In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 is intended to improve not-for-profit (NFP) financial statements and provide more useful information to donors, grantors, creditors, and other financial statement users. The standard will change the way all NFPs classify net assets and prepare financial statements, and will result in significant changes to financial reporting and disclosures for NFPs. The standard is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Food program	\$ 100,660	\$ 101,850
Housing	3,398	5,491
Race to the Top	<u>20,973</u>	<u>22,461</u>
Temporarily restricted net assets	<u>\$ 125,031</u>	<u>\$ 129,802</u>

Note 3 - Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 772,285	\$ 830,333
Buildings	3,508,153	3,440,877
Equipment and furnishings	203,959	458,165
Vehicles	<u>486,314</u>	<u>559,101</u>
	4,970,711	5,288,476
Less, accumulated depreciation	<u>3,546,160</u>	<u>3,706,419</u>
Property and equipment	<u>\$ 1,424,551</u>	<u>\$ 1,582,057</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$247,512 and \$248,631, 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 18%. At June 30, 2017 and 2016, 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, 2017 and 2016, for all operating leases and service agreements was \$57,573 and \$56,206, respectively.

Note 5 - Lease Commitments (continued)

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

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 46,635
2019	15,385
2020	15,385
2021	4,950
2022	
<u>Minimum lease commitments</u>	<u>\$ 82,355</u>

Note 6 - Summary Disclosure of Significant Contingencies

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.

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 7 - Retirement Plan

The Organization established a 401(k) plan 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, 2017 and 2016, were \$113,974 and \$106,191, 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, 2017 and 2016, were \$121,850 and \$113,059, respectively. The Organization recognized a liability in the amount of \$9,059, at June 30, 2017 and 2016, 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 \$398,113 and \$398,520, based upon that indirect cost rate, for the years ended June 30, 2017 and 2016, 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 \$104,545 and \$99,101 in HUD payments, for the years ended June 30, 2017 and 2016, respectively.

The Organization also 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 11 - Income Taxes (continued)

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2016, 2015, 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 5, 2017, 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

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, 2017, 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 5, 2017.

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 5, 2017

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, 2017. 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, 2017.

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 5, 2017

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Award Contract Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS			
U.S. Department of Health and Human Services: Head Start/Early Head Start	93.600	04CH4669-03-02	
	93.600	04CH4669-04-01	\$ 3,281,654
Passed Through NC Department of Health and Human Services: Community Services Block Grant	93.569	OW#33653	<u>115,980</u>
Total U.S. Department of Health and Human Services			<u>3,397,634</u>
U.S. Department of Housing and Urban Development: Section 8 Housing Choice Vouchers	14.871		<u>737,788</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	7195	301,485
Pass Through NC Department of Public Instruction: Summer Food Service Program for Children	10.559	09021	<u>61,858</u>
Total U.S. Department of Agriculture			<u>363,343</u>
U.S. Department of Labor: Passed Through Southwestern NC Planning and Economic Development Commission: Workforce Investment Act - Adult program	17.258		<u>245,053</u>
Total expenditures of federal awards			<u>\$ 4,743,818</u>

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2017

Federal-State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Award Contract Number	State Expenditures
STATE AWARDS			
NC Department of Health and Human Services:			
Passed through Region A Partnership for Children:			
Smart Start - Parents as Teachers			\$ 43,796
Passed through Southwestern Child Development Commission:			
Zero - Three			388,106
Head Start Wraparound			<u>194,582</u>
Total expenditures of state awards			<u>626,484</u>
Total expenditures of federal and state awards			<u>\$ 5,370,302</u>

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2017

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* 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., 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, 2017

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 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 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 \$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, 2017

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, 2017

No audit findings were reported for the year ended June 30, 2016.

No audit findings were reported for the year ended June 30, 2015.