



## MACON PROGRAM FOR PROGRESS, INC.

Franklin, North Carolina

Financial Statements and  
Supplementary Information

Year Ended June 30, 2018

**MACON PROGRAM FOR PROGRESS, INC.**

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Tony Potts  
Judy Chapman  
Alisa Ashe

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EXECUTIVE DIRECTOR

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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 18, 2018, 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 the effectiveness of Macon Program for Progress Inc.'s 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 18, 2018

**MACON PROGRAM FOR PROGRESS, INC.**

Statement of Financial Position  
June 30, 2018  
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 1,590,362	\$ 1,178,074
Grants receivable	298,072	511,044
Sales taxes receivable	25,384	18,248
Prepaid expenses	<u>60,520</u>	<u>19,086</u>
Total current assets	1,974,338	1,726,452
Property and equipment	<u>1,264,368</u>	<u>1,424,551</u>
Total assets	<u>\$ 3,238,706</u>	<u>\$ 3,151,003</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 154,207	\$ 94,359
Accrued liabilities	<u>156,885</u>	<u>149,407</u>
Total liabilities	<u>311,092</u>	<u>243,766</u>
Net assets:		
Unrestricted:		
Undesignated	1,587,266	1,357,655
Investment in property and equipment	<u>1,264,368</u>	<u>1,424,551</u>
Total unrestricted	2,851,634	2,782,206
Temporarily restricted	<u>75,980</u>	<u>125,031</u>
Total net assets	<u>2,927,614</u>	<u>2,907,237</u>
Total liabilities and net assets	<u>\$ 3,238,706</u>	<u>\$ 3,151,003</u>

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

**MACON PROGRAM FOR PROGRESS, INC.**

Statement of Activities  
Year Ended June 30, 2018  
(With Comparative Totals for 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Public support and other revenues</b>				
Grants and contracts	\$ 6,220,813	\$ 75,980	\$ 6,296,793	\$ 5,639,204
Contributions	5,474		5,474	3,550
In-kind contributions	85,125		85,125	64,888
Client fees	104,061		104,061	119,630
Fund-raising	2,370		2,370	2,719
Net assets released from restrictions	<u>125,031</u>	<u>(125,031)</u>		
Total public support and other revenues	<u>6,542,874</u>	<u>(49,051)</u>	<u>6,493,823</u>	<u>5,829,991</u>
<b>Expenses</b>				
Program services	5,579,687		5,579,687	5,070,382
Supporting services	<u>893,759</u>		<u>893,759</u>	<u>910,074</u>
Total expenses	<u>6,473,446</u>		<u>6,473,446</u>	<u>5,980,456</u>
Increase (decrease) in net assets	69,428	(49,051)	20,377	(150,465)
Net assets at beginning of year	<u>2,782,206</u>	<u>125,031</u>	<u>2,907,237</u>	<u>3,057,702</u>
Net assets at end of year	<u>\$ 2,851,634</u>	<u>\$ 75,980</u>	<u>\$ 2,927,614</u>	<u>\$ 2,907,237</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, 2018  
(With Comparative Totals for 2017)

	Program Services						Supporting Services			2018 Total	2017 Total
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- raising	Total		
Salaries	\$ 2,031,812	\$ 113,248	\$ 59,946	\$ 483,097	\$ 78,306	\$ 2,766,409	\$ 333,200	\$	\$ 333,200	\$ 3,099,609	\$ 2,917,970
Payroll taxes	140,634	7,839	4,149	33,438	5,420	191,480	23,062		23,062	214,542	206,356
Employee benefits	315,557	17,485	9,399	75,913	13,798	432,152	146,428		146,428	578,580	578,498
Total salaries and related expenses	2,488,003	138,572	73,494	592,448	97,524	3,390,041	502,690		502,690	3,892,731	3,702,824
Contractual	1,752			1,800	2,100	5,652	38,778		38,778	44,430	46,477
Travel	33,440	2,814	194	27,581	1,167	65,196	2,567	200	2,767	67,963	63,037
Insurance	15,990			970		16,960	28,705		28,705	45,665	45,602
Space costs	9,249			681		9,930	72,867		72,867	82,797	87,806
Telephone and communications	11,284	5	92	366		11,747	31,976		31,976	43,723	41,470
Postage							4,909		4,909	4,909	4,680
Materials and supplies	422,269	2,520	4,382	18,438	21,126	468,735	49,909	1,032	50,941	519,676	356,924
Advertising	7,161			916	996	9,073	510		510	9,583	10,951
Repairs and maintenance	169,388			3,311		172,699	55,308		55,308	228,007	138,826
Food	4,008			2,265	288,889	295,162	1,407	1,400	2,807	297,969	266,837
Housing assistance payments			689,606			689,606				689,606	642,145
Schooling costs	14,650	779		66,574		82,003			82,003	82,003	92,872
Staff/board training	25,264	20	22	2,484		27,790	3,876		3,876	31,666	33,644
Professional fees	127,225	60	64	348	1,824	129,521	36,065	39	36,104	165,625	167,713
Dues and subscriptions	11,551					11,551	5,095	1,780	6,875	18,426	18,980
Other	11,971			3,094		15,065	1,109	2,567	3,676	18,741	12,156
Total expenses before depreciation	3,353,205	144,770	767,854	721,276	413,626	5,400,731	835,771	7,018	842,789	6,243,520	5,732,944
Depreciation	146,113	334		30,296	2,213	178,956	50,896	74	50,970	229,926	247,512
Total expenses	<u>\$ 3,499,318</u>	<u>\$ 145,104</u>	<u>\$ 767,854</u>	<u>\$ 751,572</u>	<u>\$ 415,839</u>	<u>\$ 5,579,687</u>	<u>\$ 886,667</u>	<u>\$ 7,092</u>	<u>\$ 893,759</u>	<u>\$ 6,473,446</u>	<u>\$ 5,980,456</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, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 20,377	\$ (150,465)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	229,926	247,512
Changes in working capital - sources (uses)		
Grants receivable	212,972	(215,156)
Sales taxes receivable	(7,136)	5,497
Other receivables		173
Prepaid expenses	(41,434)	27,095
Accounts payable	59,848	(7,660)
Accrued liabilities	7,478	(82,074)
Net cash provided (used) by operating activities	482,031	(175,078)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(69,743)	(90,006)
Net increase (decrease) in cash and equivalents	412,288	(265,084)
Cash and equivalents at beginning of year	1,178,074	1,443,158
Cash and equivalents at end of year	\$ 1,590,362	\$ 1,178,074

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

# MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements  
June 30, 2018

## **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. Generally, the donors of these assets permit the Organization to use all or part of the earnings on the related investments for general or specific purposes.

## **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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. 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 stipulation 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.

### Grants Receivable

Grants receivable consist of amounts due from governmental and other agencies for services performed before year-end. 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 lives of assets are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three 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 estimated fair values at the date of donation.

Donated goods and materials received are reflected as in-kind contributions at their estimated fair values at the date of receipt. For the years ended June 30, 2018 and 2017, the Organization received in-kind goods and materials in the amount of \$26,414 and \$9,236, 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 \$58,711 and \$55,652, for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, was \$9,583 and \$10,951, 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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, 2017, 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 a lessee to recognize a lease liability and a right-of-use asset for most leases, including operating 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>2018</u>	<u>2017</u>
Food program	\$ 54,662	\$ 100,660
Housing	1,499	3,398
Race to the Top	<u>19,819</u>	<u>20,973</u>
Temporarily restricted net assets	<u>\$ 75,980</u>	<u>\$ 125,031</u>

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

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 796,636	\$ 772,285
Buildings	3,529,972	3,508,153
Equipment and furnishings	227,530	203,959
Vehicles	<u>522,488</u>	<u>486,314</u>
	5,076,626	4,970,711
Less, accumulated depreciation	<u>3,812,258</u>	<u>3,546,160</u>
Property and equipment	<u>\$ 1,264,368</u>	<u>\$ 1,424,551</u>

Depreciation expense for the years ended June 30, 2018 and 2017, was \$229,926 and \$247,512, 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 a minimum of 4% and maximum of 18%. At June 30, 2018 and 2017, 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, 2018 and 2017, for all operating leases and service agreements was \$38,985 and \$57,573, 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>
2019	\$ 38,835
2020	15,385
2021	4,950
2022	
2023	
<u>Minimum lease commitments</u>	<u>\$ 59,170</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 offers a 401(k) plan to employees. 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, 2018 and 2017, were \$108,349 and \$113,974, respectively.

### **Note 8 - Health Insurance Plan**

The Organization adopted a high deductible health insurance plan and established a health reimbursement account for each employee. The account will pay 60% of the deductible for employees during the year. The annual maximum amount the Organization would pay per employee was \$2,100. The costs of claims paid under the plan for the years ended June 30, 2018 and 2017, were \$92,189 and \$121,850, respectively. The Organization recognized a liability in the amount of \$9,059, at June 30, 2018 and 2017, 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 \$424,435 and \$398,113, based upon that indirect cost rate, for the years ended June 30, 2018 and 2017, 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 \$109,927 and \$104,545 in HUD payments, for the years ended June 30, 2018 and 2017, 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, 2017, 2016, and 2015, 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 18, 2018, the date on which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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

Submission Type:	Audited/Single Audit	Fiscal Year End:	06/30/2018
		14.871 Housing Choice Vouchers	Total
111	Cash - Unrestricted	\$8,054	\$8,054
112	Cash - Restricted - Modernization and Development		
113	Cash - Other Restricted	\$1,500	\$1,500
114	Cash - Tenant Security Deposits		
115	Cash - Restricted for Payment of Current Liabilities		
100	Total Cash	\$9,554	\$9,554
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	\$9,554	\$9,554
161	Land		
162	Buildings		
163	Furniture, Equipment & Machinery - Dwellings		
164	Furniture, Equipment & Machinery - Administration		
165	Leasehold Improvements		

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	\$9,554	\$9,554
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		
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	\$1,500	\$1,500
512.4 Unrestricted Net Position	\$8,054	\$8,054
513 Total Equity - Net Assets / Position	\$9,554	\$9,554
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$9,554	\$9,554

Macon Program For Progress (NC165)

Franklin, NC

Program Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2018

	14.871 Housing Choice Vouchers	Total
70300 Net Tenant Rental Revenue		
70400 Tenant Revenue - Other		
70500 Total Tenant Revenue	\$0	\$0
70600 HUD PHA Operating Grants	\$790,607	\$790,607
70610 Capital Grants		
70710 Management Fee		
70720 Asset Management Fee		
70730 Book Keeping Fee		
70740 Front Line Service Fee		
70750 Other Fees		
70700 Total Fee Revenue		
70800 Other Government Grants		
71100 Investment Income - Unrestricted		
71200 Mortgage Interest Income		
71300 Proceeds from Disposition of Assets Held for Sale		
71310 Cost of Sale of Assets		
71400 Fraud Recovery	\$700	\$700
71500 Other Revenue		
71600 Gain or Loss on Sale of Capital Assets		
72000 Investment Income - Restricted		
70000 Total Revenue	\$791,307	\$791,307
91100 Administrative Salaries	\$59,946	\$59,946
91200 Auditing Fees		
91300 Management Fee		
91310 Book-keeping Fee		
91400 Advertising and Marketing		
91500 Employee Benefit contributions - Administrative	\$16,200	\$16,200
91600 Office Expenses	\$10,301	\$10,301
91700 Legal Expense		
91800 Travel	\$194	\$194
91810 Allocated Overhead	\$8,932	\$8,932
91900 Other		
91000 Total Operating - Administrative	\$95,573	\$95,573

92000	Asset Management Fee		
92100	Tenant Services - Salaries		
92200	Relocation Costs		
92300	Employee Benefit Contributions - Tenant Services		
92400	Tenant Services - Other		
92500	Total Tenant Services	\$0	\$0
93100	Water		
93200	Electricity		
93300	Gas		
93400	Fuel		
93500	Labor		
93600	Sewer		
93700	Employee Benefit Contributions - Utilities		
93800	Other Utilities Expense		
93000	Total Utilities	\$0	\$0
94100	Ordinary Maintenance and Operations - Labor		
94200	Ordinary Maintenance and Operations - Materials and		
94300	Ordinary Maintenance and Operations Contracts		
94500	Employee Benefit Contributions - Ordinary Maintenance		
94000	Total Maintenance	\$0	\$0
95100	Protective Services - Labor		
95200	Protective Services - Other Contract Costs		
95300	Protective Services - Other		
95500	Employee Benefit Contributions - Protective Services		
95000	Total Protective Services	\$0	\$0
96110	Property Insurance		
96120	Liability Insurance		
96130	Workmen's Compensation		
96140	All Other Insurance		
96100	Total insurance Premiums	\$0	\$0
96200	Other General Expenses		
96210	Compensated Absences		
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	\$95,573	\$95,573
97000 Excess of Operating Revenue over Operating Expenses	\$695,734	\$695,734
97100 Extraordinary Maintenance		
97200 Casualty Losses - Non-capitalized		
97300 Housing Assistance Payments	\$689,606	\$689,606
97350 HAP Portability-In		
97400 Depreciation Expense		
97500 Fraud Losses		
97600 Capital Outlays - Governmental Funds		
97700 Debt Principal Payment - Governmental Funds		
97800 Dwelling Units Rent Expense		
90000 Total Expenses	\$785,179	\$785,179
10010 Operating Transfer In		
10020 Operating transfer Out		
10030 Operating Transfers from/to Primary Government		
10040 Operating Transfers from/to Component Unit		
10050 Proceeds from Notes, Loans and Bonds		
10060 Proceeds from Property Sales		
10070 Extraordinary Items, Net Gain/Loss		
10080 Special Items (Net Gain/Loss)		
10091 Inter Project Excess Cash Transfer In		
10092 Inter Project Excess Cash Transfer Out		
10093 Transfers between Program and Project - In		
10094 Transfers between Project and Program - Out		
10100 Total Other financing Sources (Uses)	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$6,128	\$6,128
11020 Required Annual Debt Principal Payments	\$0	\$0
11030 Beginning Equity	\$3,426	\$3,426
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	\$8,054	\$8,054
11180 Housing Assistance Payments Equity	\$1,500	\$1,500

11190 Unit Months Available	2688	2688
11210 Number of Unit Months Leased	2206	2206
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, 2018, 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 18, 2018.

### **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 18, 2018

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, 2018. 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, 2018.

### **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 18, 2018

**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award/ Contract Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<u>U.S. Department of Health and Human Services</u>			
Office of Head Start:			
Head Start/Early Head Start	93.600	04CH4669-04-01	
Head Start/Early Head Start	93.600	04CH4669-05-01	\$ 3,959,034
Office of Community Services:			
Passed Through NC Department of Health and Human Services:			
477 Cluster:			
Community Services Block Grant	93.569	OW#35415	<u>113,024</u>
Total U.S. Department of Health and Human Services			<u>4,072,058</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Public and Indian Housing:			
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871		<u>790,607</u>
<u>U.S. Department of Agriculture</u>			
Food and Nutrition Service:			
Passed Through NC Department of Health and Human Services - Division of Public Health:			
Child and Adult Care Food Program	10.558	7195	303,304
Passed Through NC Department of Public Instruction:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	09021	<u>77,020</u>
Total U.S. Department of Agriculture			<u>380,324</u>

**MACON PROGRAM FOR PROGRESS, INC.**

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2018

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Award/ Contract Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS (continued)</b>			
<u>U.S. Department of Labor</u>			
Employment and Training Administration:			
Passed Through Southwestern NC Planning and Economic Development Commission:			
WIOA Cluster:			
Workforce Investment Act - Adult program	17.258	00034605	\$ <u>232,388</u>
Total expenditures of federal awards			\$ <u><u>5,475,377</u></u>
<b>STATE AWARDS</b>			
<u>NC Department of Health and Human Services</u>			
Division of Child Development:			
Zero - Three			\$ 343,742
Head Start Wraparound			205,046
Passed through Region A Partnership for Children:			
Smart Start - Parents as Teachers			<u>48,760</u>
Total expenditures of state awards			\$ <u><u>597,548</u></u>

## MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)  
Year Ended June 30, 2018

### **Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal and state awards (SEFSA) includes the federal and state award activity of Macon Program for Progress, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2018. The information in this SEFSA 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 SEFSA 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 reported in the SEFSA 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, 2018

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 deficiency(ies) identified  yes  none reported

Noncompliance material to financial statements noted?  yes  no

***Federal Awards***

Internal control over compliance:

Material weakness(es) identified  yes  no

Significant deficiency(ies) identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?  yes  no

Identification of major federal program:  
CFDA# 93.600 - Head Start/Early Head Start

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.

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, 2018

No audit findings were reported for the year ended June 30, 2017.

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