

MACON PROGRAM FOR PROGRESS, INC.

Franklin, North Carolina

Financial Statements

Year Ended June 30, 2009

MACON PROGRAM FOR PROGRESS, INC.

OFFICERS

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Vivian Cobb
Rev. Steve Reeves

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Vice Chair
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MACON PROGRAM FOR PROGRESS, INC.

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The Drhumor Building
48 Patton Avenue, Suite 400
Asheville, North Carolina 28801
Phone: 828-259-9900
FAX: 828-258-2790
www.prcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Macon Program for Progress, Inc.
P O Box 700
Franklin, North Carolina 28744

We have audited the accompanying statement of financial position of Macon Program for Progress, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated December 4, 2008, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

To the Board of Directors
Macon Program for Progress, Inc.
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Macon Program for Progress, Inc. taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Painter, Russell & Associates, PLLC

Asheville, North Carolina
December 2, 2009

MACON PROGRAM FOR PROGRESS, INC.

Statement of Financial Position
June 30, 2009
(With Comparative Totals for 2008)

	<u>2009</u>	<u>2008</u>
Assets		
Current assets:		
Cash and equivalents	\$ 1,000,614	\$ 968,810
Grants receivable	474,213	271,749
Taxes receivable	15,113	29,933
Prepaid expenses	<u>247</u>	<u>73</u>
Total current assets	1,490,187	1,270,565
Property and equipment	1,968,839	1,967,172
Reserve for escrow	<u>38,082</u>	<u>34,616</u>
Total assets	<u>\$ 3,497,108</u>	<u>\$ 3,272,353</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 33,887	\$ 83,639
Accounts payable	181,630	146,305
Accrued liabilities	216,180	184,640
Escrow deposits	<u>38,082</u>	<u>34,616</u>
Total current liabilities	469,779	449,200
Long-term debt, net of current maturities	<u>98,257</u>	<u>127,856</u>
Total liabilities	<u>568,036</u>	<u>577,056</u>
Net assets:		
Unrestricted:		
Undesignated	535,514	673,874
Investment in property and equipment	<u>1,836,695</u>	<u>1,755,677</u>
Total unrestricted	2,372,209	2,429,551
Temporarily restricted	<u>556,863</u>	<u>265,746</u>
Total net assets	<u>2,929,072</u>	<u>2,695,297</u>
Total liabilities and net assets	<u>\$ 3,497,108</u>	<u>\$ 3,272,353</u>

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

MACON PROGRAM FOR PROGRESS, INC.

Statement of Activities
Year Ended June 30, 2009
(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
Public support and other revenues:				
Grants and contracts	\$ 5,150,492	\$ 556,863	\$ 5,707,355	\$ 5,584,434
Contributions	21,145		21,145	7,555
In-kind contributions	1,388		1,388	7,638
Client fees	104,957		104,957	115,347
Fund-raising	6,620		6,620	7,103
Investment income	5,221		5,221	21,195
Net assets released from restriction	<u>265,746</u>	<u>(265,746)</u>		
Total public support and other revenues	<u>5,555,569</u>	<u>291,117</u>	<u>5,846,686</u>	<u>5,743,272</u>
Expenses:				
Program services	4,694,501		4,694,501	4,493,544
Supporting services	<u>918,410</u>		<u>918,410</u>	<u>931,294</u>
Total expenses	<u>5,612,911</u>		<u>5,612,911</u>	<u>5,424,838</u>
Increase (decrease) in net assets	(57,342)	291,117	233,775	318,434
Net assets at beginning of year	<u>2,429,551</u>	<u>265,746</u>	<u>2,695,297</u>	<u>2,376,863</u>
Net assets at end of year	<u>\$ 2,372,209</u>	<u>\$ 556,863</u>	<u>\$ 2,929,072</u>	<u>\$ 2,695,297</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, 2009
(With Comparative Totals for 2008)

	Program Services					Supporting Services			2009 Total	2008 Total	
	Head Start & Early Head Start	Smart Start	Housing	Community Services	Child Food	Total	Management & General	Fund- Raising			Total
Salaries	\$ 1,965,249	\$ 203,421	\$ 58,196	\$ 296,074	\$ 26,775	\$ 2,549,715	\$ 305,936	\$	\$ 305,936	\$ 2,855,651	\$ 2,730,988
Payroll taxes	140,808	14,575	4,170	21,213	1,919	182,685	21,920		21,920	204,605	196,482
Employee benefits	<u>173,236</u>	<u>18,298</u>	<u>4,714</u>	<u>26,115</u>	<u>2,274</u>	<u>224,637</u>	<u>310,934</u>		<u>310,934</u>	<u>535,571</u>	<u>535,073</u>
Total salaries and related expenses	2,279,293	236,294	67,080	343,402	30,968	2,957,037	638,790		638,790	3,595,827	3,462,543
Contractual	18,918	600		11,738		31,256	10,523		10,523	41,779	11,294
Travel	39,647	10,796	2,119	41,331		93,893	2,683		2,683	96,576	93,275
Insurance	18,193	469		4,221		22,883	38,078		38,078	60,961	65,480
Space costs	64,564	13,063				77,627	19,552		19,552	97,179	95,222
Telephone and communications	15,840	1,286	536	1,548		19,210	28,765		28,765	47,975	31,818
Postage	3,256	312	1,750	370		5,688		174	174	5,862	5,662
Materials and supplies	179,166	34,175	2,841	29,674	10,182	256,038	29,797	1,428	31,225	287,263	349,164
Advertising	2,686	175		410		3,271	295		295	3,566	4,271
Repairs and maintenance	88,406	6,084		572		95,062	39,388		39,388	134,450	108,423
Food	8,248	31,618		322	179,357	219,545	1,234	2,257	3,491	223,036	210,128
Housing assistance payments			580,927			580,927				580,927	547,393
Schooling costs	22,346	377		46,415		69,138			69,138	69,138	46,483
Staff/board training	32,238	2,245	18	1,570	380	36,451	3,096		3,096	39,547	30,248
Professional fees	10,839	505	8	2,423		13,775	33,424		33,424	47,199	67,983
Dues and subscriptions	5,757	1,928		1,327		9,012	3,449		3,449	12,461	15,464
Other	<u>60,358</u>	<u>1,831</u>	<u>26</u>	<u>5,661</u>		<u>67,876</u>	<u>1,530</u>	<u>6,680</u>	<u>8,210</u>	<u>76,086</u>	<u>50,325</u>
Total expenses before interest and depreciation	2,849,755	341,758	655,305	490,984	220,887	4,558,689	850,604	10,539	861,143	5,419,832	5,195,176
Interest							9,633		9,633	9,633	14,263
Depreciation	<u>102,942</u>	<u>5,095</u>		<u>27,775</u>		<u>135,812</u>	<u>47,340</u>	<u>294</u>	<u>47,634</u>	<u>183,446</u>	<u>215,399</u>
Total expenses	<u>\$ 2,952,697</u>	<u>\$ 346,853</u>	<u>\$ 655,305</u>	<u>\$ 518,759</u>	<u>\$ 220,887</u>	<u>\$ 4,694,501</u>	<u>\$ 907,577</u>	<u>\$ 10,833</u>	<u>\$ 918,410</u>	<u>\$ 5,612,911</u>	<u>\$ 5,424,838</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, 2009
(With Comparative Totals for 2008)

	2009	2008
Cash flows from operating activities:		
Increase in net assets	\$ 233,775	\$ 318,434
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	183,446	215,399
Changes in working capital - sources (uses)		
Grants receivable	(202,464)	(118,864)
Taxes receivable	14,820	(15,793)
Reserve for escrow	3,466	9,059
Prepaid expenses	(174)	30,230
Accounts payable	35,325	(5,592)
Accrued liabilities	31,540	64,931
Escrow deposits	(3,466)	(9,059)
Net cash provided by operating activities	296,268	488,745
Cash flows from investing activities:		
Purchase of property and equipment	(185,113)	(145,544)
Cash flows from financing activities:		
Principal payments on long-term debt	(79,351)	(81,431)
Net increase in cash and equivalents	31,804	261,770
Cash and equivalents at beginning of year	968,810	707,040
Cash and equivalents at end of year	\$ 1,000,614	\$ 968,810
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 9,633	\$ 14,263

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

MACON PROGRAM FOR PROGRESS, INC.

Notes to Financial Statements
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

Organization

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

Tax-exempt Status

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

Financial Statement Presentation

The Organization reports in compliance with Statement of Financial Accounting Standards (SFAS) No. 117 "Financial Statements of Not-For-Profit Organizations" information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

- Unrestricted Net Assets: Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.
- Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources whose use is limited by donors for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are reclassified to unrestricted as their time and purpose requirements are met.
- Permanently Restricted Net Assets: Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income may be unrestricted or may also be restricted according to donors' wishes.

Note 1 - Summary of Significant Accounting Policies (continued)

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

The financial statements of Macon Program for Progress, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. Contributed services that create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills will be recognized as support. No amounts have been reflected in the accompanying financial statements for contributed services since the requirements for recognition were not met. Donated materials are reflected as in-kind contributions in the accompanying financial statements at their estimated fair value at date of receipt. Donated services, such as eye exams, and donated materials, such as quilts, totaled \$1,388 and \$7,638 for the years ended June 30, 2009 and 2008, respectively.

Cash and Equivalents

The Organization considers all unrestricted 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. Accounts receivable consist of amounts due from individuals for childcare fees. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization's policy is to capitalize property and equipment with a cost of \$5,000 or more. Property and equipment purchased is recorded at cost. Donations of property and equipment are recorded as support at their estimated fair market value. Such donations are reported as unrestricted support 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 support. 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. Property and equipment are depreciated using the straight-line method over the useful lives ranging from five to twenty-five years.

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2009 and 2008, costs charged to expense were \$3,566 and \$4,271, respectively.

Cost Pools

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

Functional Expenses

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

Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

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

Note 1 - Summary of Significant Accounting Policies (continued)

Comparative Financial Information

The financial statements include certain prior year 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, 2008, from which the summarized information was derived.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Date of Management Evaluation

Management has evaluated subsequent events through December 7, 2009, the date on which the financial statements were available to be issued. During the period from the end of the fiscal year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.

Note 2 – Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

<u>At June 30</u>	<u>2009</u>	<u>2008</u>
HUD	\$ 222,774	\$ 70,496
Food Program	41,779	32,179
Support our Students	1,049	1,049
Smart Start	291,261	141,055
Medicaid Billing	_____	<u>20,967</u>
<u>Total temporarily restricted net assets</u>	<u>\$ 556,863</u>	<u>\$ 265,746</u>

Note 3 - Property and Equipment

A description of property and equipment follows:

<u>At June 30</u>	<u>2009</u>	<u>2008</u>
At cost:		
Land and land improvements	\$ 259,335	\$ 259,335
Buildings	3,357,902	3,191,574
Equipment and furnishings	468,739	534,010
Vehicles	<u>388,828</u>	<u>378,748</u>
	4,474,804	4,363,667
Less, accumulated depreciation	<u>2,505,965</u>	<u>2,396,495</u>
<u>Property and equipment</u>	<u>\$ 1,968,839</u>	<u>\$ 1,967,172</u>

Depreciation expense for the year ended June 30, 2009 and 2008 was \$183,446 and \$215,399, respectively.

Note 4 – Reserve for Escrow

Included in other assets are escrow cash accounts for participants in the HUD Self-Sufficiency Program. At June 30, 2009 and 2008 the total of these accounts was \$38,082 and \$34,616, respectively.

Note 5 – Long-term Debt

Long-term debt is described as follows:

<u>At June 30</u>	<u>2009</u>	<u>2008</u>
Wachovia - 180 monthly payments of \$860, including interest at a rate of 5.53%, secured by a deed of trust, due October 2010	\$ 15,099	\$ 24,290
Wachovia - 150 monthly payments of \$2,513, including interest at a rate of 5.77%, secured by a deed of trust, due December 2014	117,045	135,579
Wachovia - 180 monthly payments of \$4,601, including interest at a rate of 5.26%, secured by a deed of trust, due February 2009	<u>132,144</u>	<u>51,626</u>
Less, current maturities	<u>33,887</u>	<u>83,639</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 98,257</u>	<u>\$ 127,856</u>

Note 5 – Long-term Debt (continued)

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

<u>Years Ending June 30</u>	
2010	\$ 33,887
2011	30,828
2012	27,034
2013	28,636
2014	<u>11,759</u>
<u>Total principal payments</u>	<u>\$ 132,144</u>

Note 6 - Retirement Plan

The Organization participates in a tax-sheltered annuity retirement plan. The employer contributes 1.5% of employee compensation for employees who meet certain minimum eligibility requirements. The employer also matches up to 3% of compensation for employees making contributions to the plan. The Organization's contributions for the years ended June 30, 2009 and 2008 were \$90,543 and \$84,485, respectively.

Note 7 – Self-Insured Health Plan

The Organization maintains a self-insured health plan. Funding for the benefits of the plan is derived from the funds of the Organization and contributions made by covered employees. Medical claims filed under the plan are paid by the Organization. The costs of claims paid under the plan for the years ended June 30, 2009 and 2008 were \$346,207 and \$346,172, respectively. The Organization also has an excess loss contract with an insurance company. Under the terms of this contract, the insurance company will pay claims, per covered person, that exceed \$15,000 up to \$985,000 in each contract period.

Note 8 – Indirect Cost

The provisional indirect cost rate of 14.7% for the Organization 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. For the years ended June 30, 2009 and 2008 the various programs of the Organization were charged \$390,344 and \$367,435 based upon that indirect cost rate.

Note 9 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employees; and natural disasters. The Organization carries commercial insurance coverage for risks of loss.

Note 10 – Commitments

The Organization is obligated under lease contracts for space and office equipment. The leases are classified as operating leases in accordance with the criteria contained in Statement of Financial Accounting Standards No. 13 “Accounting for Leases.”

The following is a schedule of future minimum lease payments under non-cancelable operating leases as of June 30, 2009.

<u>Years Ending June 30</u>	<u>Amount</u>
2010	\$ 42,259
2011	10,297
2012	4,758
2013	3,000
2014	
<u>Minimum lease commitments</u>	<u>\$ 60,314</u>

Total rent expense for the years ended June 30, 2009 and 2008, for all operating leases, was approximately \$67,651 and \$51,737, respectively.

Note 11 – Related Parties

The Organization created a for-profit corporation (Orchard View Associates, Inc.) to act as the general partner in a limited partnership that owns the Orchard View Apartment complex in Franklin, North Carolina. Orchard View Associates, Inc. owns a one percent general partnership interest in the complex and is the managing partner. The day-to-day management of operations of the complex is contracted to a professional property manager who is accountable to the Organization through Orchard View Associates, Inc. As part of the Organization's public housing programs, it determines the amount of the housing assistance payments for the tenants of this complex and disburses those rental payments to the property management. The Organization's ownership interest in this subsidiary is not combined or consolidated in these financial statements.

The Organization has the responsibility to appoint the board of directors of Macon Housing Development Corporation, a non-profit 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 amounts of the housing assistance payments for the tenants of this complex are determined by the Organization who also disburses the rental payments to the management company. The Organization's appointive interest in this complex is not substantial enough to warrant consolidation of the financial interest of the complex in these financial statements.

Note 12 – Change in Accounting Estimate

In the prior year, management reassessed the useful lives of certain property and equipment items. Mobile modular units were being depreciated by the straight-line method over 25 years. Management determined the estimated useful lives should have been 15 years. The correction resulted in an additional \$25,338 of depreciation expense for the year ended June 30, 2008.

COMPLIANCE SECTION



The Drhumor Building
48 Patton Avenue, Suite 400
Asheville, North Carolina 28801
Phone: 828-259-9900
FAX: 828-258-2790
www.prcpas.com

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.
Franklin, North Carolina

We have audited the financial statements of Macon Program for Progress, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated December 2, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Macon Program for Progress, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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*.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Painter, Russell & Associates, PLLC

Asheville, North Carolina
December 2, 2009



The Drhumor Building
48 Patton Avenue, Suite 400
Asheville, North Carolina 28801
Phone: 828-259-9900
FAX: 828-258-2790
www.prpcpas.com

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Macon Program for Progress, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Macon Program for Progress, Inc.'s management. Our responsibility is to express an opinion on Macon Program for Progress, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Macon Program for Progress, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Macon Program for Progress, Inc.'s compliance with those requirements.

In our opinion, Macon Program for Progress, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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

Internal Control Over Compliance

The management of Macon Program for Progress, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Macon Program for Progress, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Painter, Russell & Associates, PLLC

Asheville, North Carolina
December 2, 2009

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2009

<u>Federal-State Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
FEDERAL AWARDS		
US Department of Health and Human Services:		
Head Start/Early Head Start	93.600	\$ 3,304,286
Passed Through NC Department of Health and Human Services:		
Community Service Block Grant	93.569	<u>120,000</u>
Subtotal US Department of Health and Human Services		3,424,286
US Department of Housing and Urban Development:		
Section 8 Housing Choice Vouchers	14.871	662,731
US Department of Agriculture:		
Passed Through NC Department of Environment, Health and Natural Resources, Division of Maternal and Child Health:		
Child and Adult Care Food Program	10.558	236,006
US Department of Labor:		
Passed Through Southwestern NC Planning and Economic Development Commission:		
Workforce Investment Act	17.258	140,000
Workforce Investment Act – ARRA funds	17.258	<u>476</u>
Total expenditures of federal awards		<u>4,463,499</u>

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Expenditures of Federal and State Awards (continued)
Year Ended June 30, 2009

Federal-State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	State Expenditures
STATE AWARDS		
NC Department of Health and Human Services:		
Passed through Region A Partnership for Children:		
Smart Start		\$ 84,000
Parents as Teachers		45,575
Passed through Southwestern Child Development Commission:		
Zero – Three		368,414
Head Start Wraparound		<u>211,701</u>
Total NC Department of Health and Human Services		709,690
Department of Juvenile Justice and Delinquency Prevention:		
Support our Students		<u>56,894</u>
Total expenditures of state awards		<u>766,584</u>
Total expenditures of federal and state awards		<u>\$ 5,230,083</u>

MACON PROGRAM FOR PROGRESS, INC.

Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2009

Note 1 - Basis of Presentation

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

MACON PROGRAM FOR PROGRESS, INC.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2009

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, 2009

No prior year audit findings were reported.