

2017

Financial Statements

PROGRESS, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2017

(With Independent Auditor's Report Thereon)

PROGRESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2017

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PROGRESS, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2017

Eric Weber
Eric Gray

President
Secretary

Shane Caldwell
Chitquita McCarthur
David Cannady
Brandi Osborne
John Page
Hayden Cook
Toi Gorham
Tyane R. Powell
Katie Reid
Jason Replogle

Director
Director
Director
Director
Director
Director
Director
Director
Director
Director



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Progress, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Progress, Inc. (a nonprofit organization), which comprise of 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 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.

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 awards, as required by Tennessee Comptroller of the Treasury, as per the *Auditing and Accounting for Local Governmental Units and Other Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of Progress, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Progress, Inc.'s internal control over financial reporting and compliance.

Patterson Handley & Ballentine

October 18, 2017

PROGRESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

Cash	\$	71,009	
Cash - restricted		639,994	
Cash held on behalf of others		281,491	
Accounts receivable - state agencies		647,461	
Accounts receivable - other		70,724	
Contributions receivable - restricted		218,299	
Property and equipment - cost		3,106,609	
Less: accumulated depreciation		(1,868,129)	
Security deposits		<u>2,140</u>	
Total assets			<u>\$ 3,169,598</u>

LIABILITIES AND NET ASSETS

Cash held on behalf of others	\$	281,491	
Line of credit		210,000	
Accounts payable		63,164	
Accrued expenses		380,536	
Installment notes payable		<u>234,917</u>	
Total liabilities			\$ 1,170,108
Unrestricted		1,141,197	
Temporarily restricted		<u>858,293</u>	
Total net assets			<u>1,999,490</u>
Total liabilities and net assets			<u>\$ 3,169,598</u>

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
State grants and contracts	\$ 7,645,626	\$ 68,063	\$ 7,713,689
Contributions	94,784	236,470	331,254
Food stamps	45,775	-	45,775
Room and board fees	52,155	-	52,155
Investment income	238	-	238
SmART Sales	103,033	-	103,033
Miscellaneous	5,392	-	5,392
Net assets released from restrictions	70,840	(70,840)	-
Total support and revenues	8,017,843	233,693	8,251,536
Expenses:			
Program services:			
Rehabilitation and residential housing	6,948,801	-	6,948,801
Supporting services:			
General and administrative	1,023,845	-	1,023,845
Fundraising	113,038	-	113,038
Total supporting services	1,136,883	-	1,136,883
Total expenses	8,085,684	-	8,085,684
Increase (decrease) in net assets	(67,841)	233,693	165,852
Net assets - beginning of year	1,209,038	624,600	1,833,638
Net assets - end of year	\$ 1,141,197	\$ 858,293	\$ 1,999,490

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		Total
	Rehabilitation and Residential Housing	General and Administrative	Fundraising	Expenses
Salaries	\$ 5,003,769	\$ 625,435	\$ 89,099	\$ 5,718,303
Employee benefits	756,363	99,873	14,851	871,087
Total salaries and related expenses	5,760,132	725,308	103,950	6,589,390
Professional services and fees	382,682	62,051	1,192	445,925
Insurance	44,779	19,503	-	64,282
Communications	58,489	8,715	1,601	68,805
Utilities	64,032	4,293	-	68,325
Food	48,557	16	102	48,675
Rent	178,595	3,468	-	182,063
Interest	26	25,525	-	25,551
Travel	-	600	-	600
Transportation	227,025	8,678	62	235,765
Awards	9,206	11,707	433	21,346
Office supplies	17,657	6,667	461	24,785
Repairs and maintenance	51,622	11,819	-	63,441
Dues and subscriptions	1,942	6,295	1,571	9,808
Licenses and permits	2,245	3,164	-	5,409
Seminars and workshops	4,230	1,265	107	5,602
Postage and printing	12,161	7,585	3,559	23,305
Technology	1,763	5,225	-	6,988
Human resources	1,358	22,245	-	23,603
Promotional and marketing	4,882	-	-	4,882
Miscellaneous	3,004	125	-	3,129
Total expenses before depreciation	6,874,387	934,254	113,038	7,921,679
Depreciation	74,414	89,591	-	164,005
Total expenses	\$ 6,948,801	\$ 1,023,845	\$ 113,038	\$ 8,085,684

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

Cash Flows From Operating Activities:

Increase in net assets	\$	165,852
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Adjustments to reconcile increase in net assets
to net cash used in operating activities:

Depreciation	\$	164,005
Changes in:		
Accounts receivable - state agencies	(48,773)	
Accounts receivable - other	25,497	
Assets whose use is limited	(233,693)	
Accounts payable	(24,150)	
Accrued expenses	(243,376)	
		(360,490)
Net cash used in operating activities		(194,638)

Cash Flows from Investing Activities:

Certificates of deposit redeemed	117,478	
Purchases of property and equipment	(81,844)	
Net cash provided by investing activities		35,634

Cash Flows from Financing Activities:

Change in line of credit	(45,891)	
Proceeds from issuance of installment notes payable	250,000	
Payments on installment notes payable	(19,015)	
Net cash provided by financing activities		185,094

Net increase in cash		26,090
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Cash - beginning of year		44,919
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Cash - end of year	\$	71,009
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SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2017, was \$25,551.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services

In these notes, the terms "Organization", "we", "us" or "our" mean Progress, Inc. We are a community organization committed to providing opportunities in supported and independent living through in-home residential settings, community-based employment, and developmental services to persons who have intellectual disabilities, and seniors. We accomplish this through securing all indicated resources and ensuring their effective use for the individuals we serve. We are further committed to serving as a vehicle for communicating the desires and needs of the persons we serve and to enhance the image of those persons in the community.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, our net assets and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of June 30, 2017.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Revenue Concentration

We receive approximately 79% of our total support and revenue from the Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare. In the event of a significant reduction in the level of this support, our programs and activities could be affected.

Liquidity and Maturity

The assets listed on the statement of financial position are presented below in order of liquidity:

- Cash
- Accounts receivable - state agencies
- Accounts receivable - other
- Property and equipment
- Security deposits
- Cash - restricted
- Cash held on behalf of others
- Contributions receivable - restricted

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

Liquidity and Maturity (continued)

The liabilities listed on the statement of financial position are presented below in order of maturity:

- Cash held on behalf of others
- Line of credit
- Installment notes payable – (See NOTE 8)
- Accounts payable
- Accrued expenses

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2017, we had no cash equivalents.

Grant Receivable

We recognize grant revenue when the grant is awarded. At June 30, 2017, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Property and Equipment

Property and equipment are stated at cost, or if contributed, at fair market value at the date of the gift. Assets with a cost in excess of \$1,000 are capitalized. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to thirty years. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2017, no assets were considered to be impaired.

Donated Services and Goods

Donated inventory items are reported as in-kind revenue and expense in accordance with the criteria of generally accepted accounting principles, at the estimated fair market value at the date of donation. During the year ended June 30, 2017, we received donated scrap materials to be sold in our Scrap Made Art (SmART) store. We assessed fair market value at the date of donation to be \$0, therefore we did not record any in-kind revenue in the year ended June 30, 2017.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended June 30, 2017, was \$4,882.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The fair values of assets, liabilities, other assets and restricted cash approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

The fair values of installment notes payable approximate to the carrying values and are estimated based on current rates offered to us and they are all Level 1 in the fair value hierarchy.

NOTE 2 - Accounts Receivable

An allowance for doubtful accounts is made for uncollectible accounts receivable based upon our analysis of past collection experience and other judgmental factors. At June 30, 2017, no allowance was considered necessary.

We classify accounts receivable into the following categories:

Accounts receivable - state agencies - Amounts represent a request for payment for services rendered under state contracts.

Accounts receivable - other - Amounts represent contracted receivables from various agencies and companies for client services.

At June 30, 2017, 90% of our accounts receivable were due from two organizations.

NOTE 3 - Property and Equipment

The following is a summary of property and equipment at June 30, 2017:

Building and building improvements	\$ 2,373,940
Furniture and fixtures	182,147
Vehicles	521,916
Land and land improvements	28,606
	<u>3,106,609</u>
Less: accumulated depreciation	<u>(1,868,129)</u>
	<u>\$ 1,238,480</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 - Accounts Payable and Accrued Expenses

The following is a summary of accounts payable at June 30, 2017:

Accounts payable	\$ 61,265
Sales tax payable	864
Benefits payable	<u>1,035</u>
	<u>\$ 63,164</u>

At June 30, 2017, 25% of our accounts payable was due to two vendors.

As of June 30, 2017, accrued expenses consisted of the following:

Accrued payroll costs	\$ 260,365
Accrued vacation	<u>120,171</u>
	<u>\$ 380,536</u>

NOTE 5 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at June 30, 2017:

Capital campaign	<u>\$ 858,293</u>
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NOTE 6 - Representative Payee

We act as representative payee for many of our clients by receiving their Social Security benefits and administering payments on their behalf. We have recorded an asset and a liability account on the Statement of Financial Position as Cash Held on Behalf of Others to reflect the cash held by us for use by our clients. At June 30, 2017, cash held on behalf of others is \$281,491.

NOTE 7 - Line of Credit

We have a line of credit payable to a bank that matures on February 28, 2018. At June 30, 2017, we have drawn \$210,000 from the \$350,000 total amount available. Interest is due monthly at the bank's base rate (5.00% at June 30, 2017) but is subject to a floor rate of no less than 5.00%. The line of credit is secured by all of our assets.

NOTE 8 - Installment Note Payable

As of June 30, 2017, installment note payable is as follows:

Note payable to Pinnacle Bank with a maturity of September 7, 2026. Monthly payments of \$2,599 are required based on 60 months amortization with interest at 4.50%. The note is collateralized by a building at 1010 Maplewood Place.	\$ 234,917
Less: current maturities	<u>(21,047)</u>
	<u>\$ 213,870</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 - Installment Note Payable

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2018	\$ 21,047
2019	22,014
2020	23,025
2021	24,083
2022	25,189
Thereafter	<u>119,559</u>
	<u>\$ 234,917</u>

NOTE 9 - Leases

We have two residential homes that we own for which we receive rental income from clients. We also receive rental income from two homes that are owned by an unrelated church. For the year ended June 30, 2017, the total amount of rental income recognized under these agreements was \$52,155.

The following is a schedule of future minimum lease payments for rental income as of June 30, 2017:

<u>Year Ending June 30</u>	
2017	<u>\$ 26,400</u>

We entered into a lease for real property with the State of Tennessee during the year ended June 30, 1997, which will expire in the year 2056. This is a lease agreement and not considered a donor relationship. There are no minimum fixed lease payments under the lease, but all improvements to the property will be surrendered to the lessor at the expiration of the lease, at the lessor's option.

The surrender of leasehold improvements does not constitute restrictions of our assets. Being that there was no donation of assets to purchase the leasehold improvements nor subsequent restriction of them, the leasehold improvements do not meet the definition of temporarily restricted net assets. We will amortize these improvements over the life of the lease and the net book value at the end of the lease will be \$0, when they are disposed. We have not recorded any in-kind revenue or expense for the fair market value of the leased land due to the amount being undeterminable.

We lease office space, residential homes, and office equipment under lease arrangements classified as operating leases. Under our residential home lease agreements, we co-sign with our clients. If the home has two occupants, we pay one-third of the lease. If the home has three occupants we do not pay any of the lease. Rent expense under the operating leases amounted to \$205,368, of which \$182,063 is shown in rent expense and \$23,305 is shown in postage and printing expense, for the year ended June 30, 2017.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2017:

<u>Year Ending June 30,</u>	
2018	\$ 215,970
2019	5,237
2020	<u>2,429</u>
	<u>\$ 223,636</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 10 - SmART

During the year ended June 30, 2015, we started Scrap Made Art (SmART), a store in which donated scrap items are sold to artists to use in art pieces. During the year ended June 30, 2017, our sales from SmART were \$103,033.

NOTE 11 - Employee Benefit Plan

We have a 401(k) retirement plan that covers all employees who are 21 years of age and have completed three months of eligibility services. We contribute an amount equal to each participating employee's contribution up to 3% of the employee's compensation for the year. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. During the year ended June 30, 2017, contributions to the retirement plan totaled \$61,987.

NOTE 12 - Concentrations of Credit Risk

We maintain cash balances at several banks located in Nashville, Tennessee. Amounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At June 30, 2017, we had cash balances of \$390,357 in uninsured accounts. Cash balances maintained for clients, in a fiduciary capacity, were \$281,491, for the year ended June 30, 2017, of which \$0 are in uninsured deposits.

NOTE 13 - New Pronouncements

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2019, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Update provides guidance about the presentation of financial statements for non-profit organizations. The amendments in this Update are effective for annual periods beginning after December 15, 2017, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2017. As of October 18, 2017, the date that the financial statements were available to be issued, no other events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended June 30, 2017.

PROGRESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor or Pass-Through Grantor	Program/Cluster Name	CFDA Number	Contract Number	Passed Through to Subrecipient	Expenditures
<u>Federal Awards</u>					
Pass-through Funding:					
U.S. Dept. of Transportation Federal Transit Administration Passed through Nashville Metropolitan Transit Authority	Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	2016664	\$ 68,063	\$ 68,063
Total Program 20.513				68,063	68,063
TOTAL FEDERAL AWARDS				\$ 68,063	\$ 68,063
<p>Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards summarized the expenditures of Progress, Inc. under programs of the federal and state government for the year ended June 30, 2017. This schedule is presented using the accrual basis of accounting.</p> <p>Note 2 - Indirect Cost Rate: Progress, Inc. allocates indirect costs using a method other than the de minimus indirect 10% cost method.</p>					



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**INDEPENDENT AUDITOR'S 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 Trustees of
Progress, Inc.

We have audited, in accordance with the 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 Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Progress, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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.

Patterson Handley & Bellentine

October 18, 2017

PROGRESS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Financial Statement Findings:

None noted.