PROGRESS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE, 2012 AND 2011

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Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Progress, Inc.
Nashville, Tennessee

I have audited the accompanying statements of financial position of Progress, Inc., (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audits 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 I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Progress, Inc., as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 15, 2012 on my consideration of Progress, Inc.'s internal control over financial reporting and on my 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 my 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 my audit.

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My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of grant awards and government contracts 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Joel D. Collins Jr., CPA

November 15, 2012

PROGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 23,443	$ 264,094
Investments	538,679	536,226
Accounts receivable - state agencies	808,768	611,359
Accounts receivable - other	169,609	97,872
Prepaid expenses	241,117	218,152
Total current assets	1,781,616	1,727,703
PROPERTY AND EQUIPMENT		
Property and equipment, at cost, net of accumulated depreciation	1,565,767	1,514,782
OTHER ASSETS		
Security deposits	5,130	5,130
Cash - client trust account	194,853	207,755
Total other assets	199,983	212,885
TOTAL ASSETS	$ 3,547,366	$ 3,455,370

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

PROGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Installment notes payable - current portion	$ 96,927	$ 97,514
Line of credit	10,098	-
Accounts payable - trade	317,036	273,248
Accrued expenses	683,877	650,860
Total current liabilities	1,107,938	1,021,622
NON-CURRENT LIABILITIES		
Installment notes payable - less current portion	286,785	383,668
Total non-current liabilities	286,785	383,668
TOTAL LIABILITIES	1,394,723	1,405,290
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	2,147,643	2,050,080
Temporarily restricted	5,000	-
TOTAL NET ASSETS	2,152,643	2,050,080
TOTAL LIABILITIES AND NET ASSETS	$ 3,547,366	$ 3,455,370

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

PROGRESS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
State grants and contracts	$ -	$ 7,971,805	$ 7,971,805	$ -	$ 7,338,379	$ 7,338,379
Contributions	82,919	5,000	87,919	86,237	-	86,237
Food stamps	-	95,091	95,091	-	103,047	103,047
Room and board fees	34,105	-	34,105	30,130	-	30,130
Supported employment worksites	77,304	-	77,304	55,222	-	55,222
Investment income	2,934	-	2,934	2,820	-	2,820
Gain (loss) on investment	225	-	225	388	-	388
Miscellaneous	26,871	-	26,871	38,333	-	38,333
Net assets released from restrictions:						
Satisfaction of grant/contract restrictions	8,066,896	(8,066,896)	-	7,441,426	(7,441,426)	-
Satisfaction of use restrictions	-	-	-	33,662	(33,662)	-
Total revenues and other support	8,291,254	5,000	8,296,254	7,688,218	(33,662)	7,654,556
EXPENSES						
Program services:						
Rehabilitation and residential housing	7,095,046	-	7,095,046	6,540,947	-	6,540,947
General and administrative	983,643	-	983,643	991,921	-	991,921
Fundraising	115,002	-	115,002	97,156	-	97,156
Total expenses	8,193,691	-	8,193,691	7,630,024	-	7,630,024
Change in net assets	97,563	5,000	102,563	58,194	(33,662)	24,532
Net assets - beginning of year - as restated	2,050,080	-	2,050,080	1,991,886	33,662	2,025,548
Net assets - end of year	$ 2,147,643	$ 5,000	$ 2,152,643	$ 2,050,080	$ -	$ 2,050,080

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

PROGRESS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011			
	Rehabilitation & Residential Housing	General and Administrative	Fundraising	Total	Rehabilitation & Residential Housing	General and Administrative	Fundraising	Total
Salaries	$ 5,201,212	$ 555,171	$ 85,521	$ 5,841,904	$ 4,693,325	$ 557,971	$ 72,171	$ 5,323,467
Employee benefits	781,132	96,922	13,079	891,133	711,995	88,906	12,974	813,875
Client wages	61,243	-	-	61,243	47,741	-	-	47,741
Total salaries and related expenses	6,043,587	652,093	98,600	6,794,280	5,453,061	646,877	85,145	6,185,083
Professional services and fees	179,252	91,848	9,195	280,295	215,544	43,521	4,257	263,322
Insurance	73,939	62,736		136,675	47,455	68,379	-	115,834
Communications	43,430	8,620	1,663	53,713	38,182	8,403	1,497	48,082
Utilities	61,669	5,001		66,670	72,810	7,265	-	80,075
Food	97,341	513	147	98,001	104,070	166	191	104,427
Rent	164,737	2,684		167,421	167,527	2,487	-	170,014
Interest	2,675	27,793		30,468	5,873	26,686	-	32,559
Travel	1,389	1,602	76	3,067	829	1,221	-	2,050
Transportation	284,823	10,850	405	296,078	295,548	10,319	179	306,046
Awards	13,127	5,030	98	18,255	3,670	16,311	1,756	21,737
Supplies - office	23,528	19,546	4,818	47,892	32,651	19,748	4,131	56,530
Repairs and maintenance	57,480	18,748		76,228	58,666	17,457	-	76,123
Total expenses before depreciation and amortization	7,046,977	907,064	115,002	8,069,043	6,495,886	868,840	97,156	7,461,882
Amortization expense	-	-	-	-	-	45,900	-	45,900
Depreciation expense	48,069	76,579	-	124,648	45,061	77,181	-	122,242
Total expenses	$ 7,095,046	$ 983,643	$ 115,002	$ 8,193,691	$ 6,540,947	$ 991,921	$ 97,156	$ 7,630,024

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

PROGRESS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 102,563	$ 24,532
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	124,648	122,242
Amortization of bond costs	-	45,900
Loss (gain) on investments	(225)	(388)
(Increase) decrease in operating assets		
Accounts receivable	(269,146)	126,751
Prepaid expenses	(22,965)	16,917
Debt service reserve	-	97,477
Increase (decrease) in operating liabilities:		
Accounts payable	56,690	(14,707)
Accrued expenses	33,017	(8,984)
Net cash provided (used) by operating activities	24,582	409,740
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(668,876)	(436,259)
Securities redeemed	666,648	218,000
Purchases of property and equipment	(175,633)	(101,097)
Net cash provided (used) by investing activities	(177,861)	(319,356)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing:		
Short-term	1,340,098	255,000
Long-term	-	499,000
Payments on notes:		
Short-term	(1,330,000)	(255,000)
Long-term	(97,470)	(609,281)
Net cash provided (used) by financing activities	(87,372)	(110,281)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(240,651)	(19,897)
Cash and cash equivalents at the beginning of the year	264,094	283,991
Cash and cash equivalents at the end of the year	$ 23,443	$ 264,094

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

PROGRESS, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

SUPPLEMENTAL INFORMATION FOR THE STATEMENT OF CASH FLOWS

	2012	2011
CASH PAID DURING THE YEAR FOR		
Interest	$ 30,468	$ 32,559

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Progress, Inc. is a community organization committed to providing opportunities in supported and independent living through group home and residential settings, community-based employment, and developmental services to persons who have mental retardation or other disabilities. This is accomplished through securing all indicated resources and ensuring their effective use for the individuals the organization serves. The organization is further committed to serving as a vehicle for communicating the desires and needs of the persons it serves 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 U.S. 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, net assets of Progress, Inc. and the changes therein are classified and reported as follows:

> Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.
>
> 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 stipulation that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. The organization currently has no permanently restricted net assets.

Revenue:

Progress, Inc. receives substantially all of its grant/contract revenue from State agencies. Revenue is recognized over the grant/contract period based on expenses. Any of the funding sources may request the return of funds as a result of non-compliance with the terms of the grants/contracts. All other revenue and support is recognized when earned.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions:

The Organization uses the provisions of the FASB Accounting Standards Codification Revenue Recognition Topic in accounting for contributions received. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted assets at June 30, 2012 AND 2011 are time restricted and will be reclassified to unrestricted net assets upon expiration of the time restriction.

Financial statement presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report 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.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration:

The Organization receives approximately 79.3% of its total support and revenue from the Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare.

Income taxes:

Progress, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements. In addition, Progress, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Organization considers all cash and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and equipment:

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the asset for a specific time or purpose. Upon expiration of donor restrictions the assets are reclassified as unrestricted assets. Depreciation on purchased and donated assets is computed using the straight-line method based on the estimated useful lives of the respective assets. Upon retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and the related gain or loss is reflected in the statement of activities for that period. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to their percentage of interest in the proceeds from the sale of those assets. For the years ending June 30, 2012 and 2011, depreciation expense was $124,648 and $122,242 respectively.

The cost of routine repairs and maintenance is charged to expense when incurred, with significant improvements or betterments being capitalized. It is the policy of Progress, Inc. to capitalize all assets purchased with a cost of $500 or more.

Accounts receivable and allowance for doubtful accounts:

It is the policy of Progress, Inc. to record accounts receivable when the amount becomes known. Management considers all receivables as of June 30, 2012 and 2011 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Accounts receivable-state agencies - Amounts represent a request for reimbursement for expenses incurred under state contracts.

Accounts receivable-residents - Amounts represent expenses paid by Progress, Inc. on behalf of residents. Currently there are no amounts due from residents.

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

In-kind donations:

It is the policy of Progress, Inc. to record as support and expense all in-kind donations at their estimated fair value as of the date of donation. There were no in-kind donations received by the Organization during the year ended June 30, 2012. During the year ended June 30, 2011 the Organization received the in-kind donation of a van. The value of this in-kind donation was $19,187.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair value of financial instruments:

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

Cash, receivables and payables: The carrying amounts reported in the statement of financial position approximate fair value because of their short maturities.

Long-term debt: Based on current borrowing rates, the carrying amount approximates the fair value of installment notes at June 30, 2012 and 2011.

Investment securities: The fair value is based on quoted market prices (See Note 4) for those securities.

The estimated fair value of Progress, Inc.'s financial instruments, none of which are held for trading purposes, are as follows:

	June 30, 2012		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and cash equivalents	$ 23,443	$ 23,443	$ 264,094	$ 264,094
Accounts receivable - state	808,768	808,768	611,359	611,359
Accounts receivable - other	169,609	169,609	97,872	97,872
Financial liabilities:				
Accounts payable - trade	317,036	317,036	273,248	273,248
Accrued expenses	683,877	683,877	650,860	650,860
Installment notes payable	383,712	383,712	481,182	481,182

The fair value of Progress, Inc.'s financial instruments held for trading purposes are as follows:

	June 30, 2012		June 30, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Investments	$ 538,679	$ 538,679	$ 536,226	$ 536,226

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2012 and 2011:

	2012	2011
Land	$ 28,606	$ 30,446
Buildings and improvements	2,228,769	2,172,154
Vehicles	374,302	366,894
Furniture and equipment	117,247	242,887
	2,748,924	2,812,381
Less: Accumulated depreciation	(1,183,157)	(1,297,599)
	$ 1,565,767	$ 1,514,782

3. COMMITMENTS

The Organization 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. 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.

Progress, Inc. entered into two leases for the use of office equipment at its administrative office. The first lease started on November 23, 2007, expired February 23, 2012 and has a fixed monthly payment of $1,031. The other lease started on May 6, 2010, expires October 5, 2013 and has a fixed monthly payment of $124.

Progress entered into a one year lease for the office space used by its Cheatham County office. The lease began on April 1, 2012, expires March 31, 2013 and has a fixed monthly payment of $395.

Future minimum rental payments required are as follows:

Year ended June 30,	Amount
2013	$ 5,043
2014	496
2015	-
Total	$ 5,539

The Organization has a $300,000 line of credit with a Pinnacle Financial Partners. The line is unsecured and has an interest rate equivalent to 5.00% and 5.00% at June 30, 2012 and 2011 respectively. The line of credit expires November 30, 2012. Advances payable under the line are $10,098 and $-0- at June 30, 2012 and 2011 respectively.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

For the years ended June 30, 2012 and 2011, Progress, Inc. held $562,122 and $800,320, respectively, in cash deposits and investments. In addition, the Organization held cash deposits and investments, in trust, for clients of $194,853 and $207,755, respectively, for years ended June 30, 2012 and 2011.

Deposits:

Progress, Inc. maintains 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, 2012 and 2011, the Organization had cash balances of $23,443 and $264,094 respectively, in unrestricted accounts. At June 30, 2012 and 2011, the Organization had certificates of deposit of $538,679 and $536,226, respectively. Cash balances maintained for clients, in a fiduciary capacity, were $194,853 and $207,755, respectively, for the years ended June 30, 2012 and 2011. At June 30, 2012 and 2011, Progress, Inc. had $-0- and $48,136 respectively in uninsured deposits.

5. FAIR VALUE INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statement of net assets available for benefits.

	Fair Value Measurements at June 30, 2012 Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 538,679	$ -	$ 538,679	$ -
	$ 538,679	$ -	$ 538,679	$ -

	Fair Value Measurements at June 30, 2011 Using			
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	$ 536,226	$ -	$ 536,226	$ -
	$ 536,226	$ -	$ 536,226	$ -

5. FAIR VALUE INVESTMENTS - CONTINUED

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

	Corporate Stock	
	2012	**2011**
Beginning balance	$ -	$ 8,000
Total gains or losses (realized and unrealized) included in the changes of net assets available for benefits	-	-
Purchases, issuances, settlements, and transfers from unallocated to allocated (net)	-	(8,000)
Ending balance	$ -	$ -
Total gains or losses for the year included in changes in net assets available for benefits attributable to the change in unrealized gains or losses relating to investments still held at the reporting date.	$ -	$ -

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended June 30, 2012, are reported in the net appreciation in fair value of investments.

6. INSTALLMENT NOTES PAYABLE

Installment notes payable consist of the following at June 30, 2012 and 2011:

	2012	2011
Installment note payable to Pinnacle Financial Partners, payable in 48 monthly installments of $584 including principal and interest beginning April 27, 2008 with a final payment due March 27, 2012, interest rate of 5.66%, secured by the vehicle purchased.	$ -	$ 5,137
Installment note payable to Pinnacle Financial Partners, payable in 24 monthly installments of $360 including principal and interest beginning September 10, 2009 with a final payment due August 10, 2011, interest rate of 7.6%, secured by the vehicle purchased.	-	717
Installment note payable to Pinnacle Financial Partners, payable in 36 monthly installments of $280 including principal and interest beginning September 11, 2010 with a final payment due August 11, 2013, interest rate of 7.50%, secured by the vehicle purchased.	3,747	6,702
Installment note payable to Pinnacle Financial Partners, payable in 60 monthly installments of $9,368 including principal and interest beginning April 30, 2011 with a final payment due March 30, 2016, interest rate of 5.45%, secured by a deed of trust.	379,965	468,626
	383,712	481,182
Classified as current liabilities	(96,927)	(97,514)
Classified as long-term debt	$ 286,785	$ 383,668

Maturities on notes payable are as follows:

Year ended June 30,	Amount
2013	$ 96,927
2014	99,611
2015	104,683
2016	82,491
	$ 383,712

7. EMPLOYEE BENEFIT PLAN

Effective April 1, 2012 the Organization entered into a profit sharing plan under Section 401(k) of the Internal Revenue Code. The Plan covers all employees who are 21 years of age and have completed three months of eligibility service. The Plan allows the employees to contribute up to the maximum allowed by the Internal Revenue Code. The Organization contributes 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, 1995, the Organization entered into a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan was amended and restated effective January 1, 2009. The Plan covers all employees who are 18 1/2 years of age and have completed six months of service. The Organization contributed 3% of gross salaries in both 2012 and 2011 of qualified employees to the Plan. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The plan was frozen effective April 1, 2012.

Plan expenses for the years ended June 30, 2012 and 2011 were $47,578 and $45,647, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2012 and 2011:

	2012	2011
Senior Service Building Furnishings	$ 5,000	$ -
	$ 5,000	$ -

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 15, 2012 which is the date the financial statements were available to be issued.

10. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's Director of Fiscal Services has analyzed tax positions taken and has concluded that as of June 30, 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however the Organization's management believes that it is not longer subject to income tax examinations for years prior to June 30, 2009.

11. PRIOR PERIOD ADJUSTMENT

The Organization sometimes subsidizes the personal funds of the clients that it serves. The clients are required to repay these subsidies, if and when their personal funds allow. For several years money repaid by the clients accumulated in an accounts payable to clients account rather than being used to offset the client subsidies. Management has determined that this account is not a valid liability. Accordingly the June 30, 2011 accounts payable have been restated and reduced $34,492 and the beginning net assets have been restated and increased $34,492.

PROGRESS, INC.
SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2012

Agency	Program Name	CFDA Number	Period	Contract Number	Receivable 6/30/2011	Receipts	Expenditures	Receivable 6/30/2012
Federal Awards:								
U. S. Department of Transportation Pass Through								
Tennessee Department of Transportation	Federal Transit Administration Section 5310 Program	20.513	7/1/2011 - 6/30/2016	995310-53-118*	$ -	$ 51,091	$ 51,091	$ -
Total Federal Awards					$ -	$ 51,091	$ 51,091	$ -
Government Contracts:								
Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare	Provider of Services to Persons with Disabilities	N/A	1/1/2010 - 12/31/2014	10-400 M	$ 609,621	$ 6,383,084	$ 6,576,145	$ 802,682
Greater Nashville Regional Council	Provision of Home and Community Based Services	N/A	7/1/2011 - 6/30/2012	2012-52	-	13,222	19,308	6,086
Greater Nashville Regional Council	Provision of Home and Community Based Services	N/A	7/1/2010 - 6/30/2011	TN-16-X004-00	1,738	1,738	-	-
Total Government Contracts					$ 611,359	$ 6,398,044	$ 6,595,453	$ 808,768

*Federal pass-through funds.

Please see independent auditor's report.

PROGRESS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF GRANT AWARDS AND GOVERNMENT CONTRACTS
JUNE 30, 2012

NOTE A - BASIS OF PRESENTSTION

The accompanying schedule of expenditures of grant awards and government contracts summarizes the expenditures of the Organization under grants and contracts of the state government for the year ended June 30, 2012. The schedule is presented on the accrual basis of accounting. Some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Joel D. Collum, Jr.
Certified Public Accountant

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 Directors of
Progress, Inc.
Nashville, Tennessee

I have audited the financial statements of Progress, Inc. as of and for the year ended June 30, 2012, and have issued my report thereon dated November 15, 2012. I conducted my 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

Management of Progress, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Progress, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Progress, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Progress, Inc.'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 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.

My consideration of the 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

P.O. Box 291561 • Nashville, Tennessee 37229 • 615.974.2918 • joelcollumcpa@yahoo.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Progress, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Joel D. Collum, Jr., CPA

November 15, 2012

PROGRESS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ No
Noncompliance material to financial statements noted?	____ Yes __x__ No

PROGRESS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2012

Prior year finding 11-01 was corrected and is no longer a finding.

Prior year finding 11-02 was corrected and is no longer a finding.