

2022

Financial Statements

With Supplementary
Information

PROGRESS, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
JUNE 30, 2022
(With Independent Auditor's Report Thereon)

PROGRESS, INC.
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PROGRESS, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2022

Kurt Brinkman	President
Donna Blair	Director
Kristian Dambrino	Director
Danielle DiLuzio	Director
Kelsey Freeland	Director
Caylan Hays	Director
Brents Herron	Director
Jocelyn Imani	Director
Ken Page	Director
Tracy Purcell	Director
Tamar Rand	Director
Liz Tondreau	Director



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Progress Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Progress Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Progress Inc. as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Progress Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in NOTE 11 to the financial statements, a prior period adjustment was recorded to properly state the beginning balances of net assets and accrued payroll. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Progress Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Progress Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Progress Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Progress Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Progress Inc.'s internal control over financial reporting and compliance.

Patterson Handley & Bellentine

November 21, 2022

PROGRESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

Current Assets:

Cash	\$ 2,161,370
Cash held on behalf of others	375,419
Accounts receivable - state agencies	789,612
Accounts receivable - other	612,771
Security deposits	<u>6,005</u>

Total current assets \$ 3,945,177

Property and equipment, net 2,170,914

Total assets \$ 6,116,091

LIABILITIES AND NET ASSETS

Current Liabilities:

Cash held on behalf of others	\$ 375,419
Accounts payable	186,530
Accrued expenses	566,182
Installment notes payable - current portion	<u>103,704</u>

Total current liabilities \$ 1,231,835

Installment notes payable - long-term portion 462,993

Total liabilities 1,694,828

Net Assets:

Without donor restrictions	4,421,263
With donor restrictions	<u>-</u>

Total net assets 4,421,263

Total liabilities and net assets \$ 6,116,091

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
State contracts and private grants	\$ 10,812,975	\$ -	\$ 10,812,975
Contributions	200,964	-	200,964
Food stamps	57,181	-	57,181
Room and board fees	56,100	-	56,100
Investment income	242	-	242
SmART Sales	241,872	-	241,872
Miscellaneous	20,440	-	20,440
Net assets released from restrictions	350	(350)	-
Total support and revenues	11,390,124	(350)	11,389,774
Expenses:			
Program services:			
Rehabilitation and residential housing	9,088,529	-	9,088,529
Supporting services:			
General and administrative	1,345,395	-	1,345,395
Fundraising	165,471	-	165,471
Total supporting services	1,510,866	-	1,510,866
Total expenses	10,599,395	-	10,599,395
Increase in net assets	790,729	(350)	790,379
Net assets - beginning of year, as previously reported	3,722,216	350	3,722,566
Prior period adjustment	(91,682)	-	(91,682)
Net assets - beginning of year, restated	3,630,534	350	3,630,884
Net assets - end of year	\$ 4,421,263	\$ -	\$ 4,421,263

See accompanying notes to the financial statements.

PROC 3S, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services		Total
	Rehabilitation and Residential Housing	General and Administrative	Fundraising	Expenses
Salaries	\$ 5,919,707	\$ 779,916	\$ 120,500	\$ 6,820,123
Employee benefits	777,071	141,599	16,175	934,845
Total salaries and related expenses	6,696,778	921,515	136,675	7,754,968
Awards	29,893	25,368	(16)	55,245
Bad debt	52,950	-	-	52,950
Communications	61,489	9,008	1,615	72,112
Dues and subscriptions	14,420	32,977	1,410	48,807
Food	57,375	-	112	57,487
Human resources	-	7,630	-	7,630
Insurance	66,998	20,187	-	87,185
Interest	10,424	47,140	1,277	58,841
Licenses and permits	2,517	3,082	-	5,599
Miscellaneous	-	1,811	-	1,811
Office supplies	40,010	8,035	396	48,441
Postage and printing	14,623	5,287	17,049	36,959
Professional services and fees	1,476,376	61,644	5,720	1,543,740
Promotional and marketing	3,162	-	-	3,162
Rent	182,172	4,486	-	186,658
Repairs and maintenance	74,647	15,184	161	89,992
Seminars and workshops	1,145	-	1,025	2,170
Technology	76	26,104	-	26,180
Transportation	169,438	6,686	-	176,124
Travel	1,242	577	47	1,866
Utilities	72,445	10,097	-	82,542
Total expenses before depreciation	9,028,180	1,206,818	165,471	10,400,469
Depreciation	60,349	138,577	-	198,926
Total expenses	\$ 9,088,529	\$ 1,345,395	\$ 165,471	\$ 10,599,395

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

Cash Flows From Operating Activities:

Increase in net assets \$ 790,379

Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$ 198,926	
Changes in:		
Accounts receivable - state agencies	(137,539)	
Accounts receivable - other	(238,697)	
Contributions receivable - restricted	350	
Prepays	7,743	
Accounts payable	29,746	
Accrued expenses	62,745	
		(76,726)
Net cash provided by operating activities		713,653

Cash Flows from Investing Activities:

Purchases of property and equipment	(52,082)	
Net cash used in investing activities		(52,082)

Cash Flows from Financing Activities:

Payments on installment notes payable	(97,174)	
Net cash used in financing activities		(97,174)

Net increase in cash 564,397

Cash - beginning of year 1,596,973

Cash - end of year \$ 2,161,370

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2022, was \$58,841.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as net assets without restrictions.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors and may be temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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, 2022, we had no cash equivalents.

Revenue and Cost Recognition

Revenue is measured based on consideration specified in a contract with a customer. The Organization recognizes revenue when it satisfies a performance obligation which is determined by a series of services performed or upon delivery of a promised good or service. Contract terms are determined based on the expected completion dates of each performance obligation.

Contract modifications are routine in the performance of our contracts. Contracts are often modified to account for changes in the contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and are therefore, accounted as part of the existing contract.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue recognition standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Our service contracts satisfied at a point in time have a single performance obligation that is based on the service specifically described in the contracts.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - Summary of Significant Accounting Policies (continued)

Performance Obligations Satisfied at a Point in Time

All of our revenue is recognized at a point in time rather than over time. Upon fulfillment of the performance obligation, which is the delivery of the service and reimbursement requests to the customer, the customer is provided an invoice demonstrating transfer of control to the customer. The Company believes that point in time recognition remains appropriate for this segment and will continue to recognize revenues upon completion of the performance obligation and issuance of an invoice.

Contract Estimates

Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include estimated transaction price changes by third party payers and estimated penalties determined by the oversight agencies over some of our contracts. There were no contract estimates for the year ended June 30, 2022.

Revenue Concentration

We receive approximately 63% 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.

Contributions, Support and Revenue

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on any donor-imposed restrictions, if any, on the related contributions.

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, 2022, 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, 2022, 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, 2022.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Promotional and Marketing

Promotional and marketing expenses are expensed as incurred. Total expense for the year ended June 30, 2022, was \$3,162.

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 and liabilities 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 the carrying values based on current rates offered to us and they are all Level 1 in the fair value hierarchy.

Concentrations

At June 30, 2022, 11% of our accounts payable was due to one vendor and 96% of our accounts receivable were due from four organizations.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended

Cash	\$ 2,161,370
Accounts receivable – state agencies	789,612
Accounts receivable - other	<u>612,771</u>
	<u>\$ 3,563,753</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – Availability and Liquidity (continued)

The Organization maintains certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in Note 6.

In the next fiscal year, we plan to receive the same level of income from government contracts, and consider this income for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including money market accounts to generate interest.

This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

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.

NOTE 4 - Property and Equipment

The following is a summary of property and equipment at June 30, 2022:

Building and building improvements	\$ 3,820,135
Furniture and fixtures	284,113
Vehicles	553,669
Land and land improvements	<u>28,606</u>
	4,686,523
Less: accumulated depreciation	<u>(2,515,609)</u>
	<u>\$ 2,170,914</u>

NOTE 5 - Accrued Expenses

As of June 30, 2022, accrued expenses consisted of the following:

Accrued payroll costs	\$ 317,771
Accrued vacation	131,918
Accrued family model cost	109,974
Senior care deposits	<u>6,519</u>
	<u>\$ 566,182</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022, cash held on behalf of others is \$375,419.

NOTE 7 - Installment Note Payable

As of June 30, 2022, 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.

\$ 121,270

Note payable to Pinnacle Bank with a maturity of September 10, 2025. Monthly payments of \$4,786 are required based on 60 months amortization with interest at 6.25%. The note is collateralized by a building at 319 Ezell Pike. Balloon Payment to Pinnacle Bank of \$289,057 due on September 10, 2025.

445,427

	566,697
Less: current maturities	<u>(103,704)</u>
	<u>\$ 462,993</u>

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2023	\$ 103,704
2024	62,508
2025	66,117
2026	325,551
Thereafter	<u>8,817</u>
	<u>\$ 566,697</u>

NOTE 8 - 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, 2022, the total amount of rental income recognized under these agreements was \$56,100 of which \$24,600 is from client rent income. The difference represents senior residential and day building functions.

The following is a schedule of future minimum lease payments for rental income as of June 30, 2022:

<u>Year Ending June 30,</u>	
2023	<u>\$ 20,400</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – Leases (continued)

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 one occupant, we pay two-thirds of the lease. 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 \$186,658 for the year ended June 30, 2022.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2022:

<u>Year Ending June 30,</u>	
2023	\$ 101,967
2024	<u>6,804</u>
	<u>\$ 108,771</u>

NOTE 9 - 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, 2022, our contributions to the retirement plan totaled \$78,602.

NOTE 10 - New Pronouncements

In February 2016, the FASB amended the Leases topic of Accounting Standards Codification to require all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance leases or operating leases. This distinction will be relevant for the pattern of expense recognition in the statement of activities. The amendments will be effective for fiscal years beginning after December 15, 2021. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 11 - Prior Period Adjustment

An adjustment was made to properly restate net assets at the beginning of the year ended June 30, 2022. The adjustment corrected a \$91,682 overstatement of net assets and understatement of accrued payroll in the prior year.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 12 - Subsequent Events

We have evaluated events subsequent to June 30, 2022. As of November 21, 2022, 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, 2022.

Internal Control and Compliance Section

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



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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2022.

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) as a basis for designing 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 or significant deficiencies may exist that were not 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 Hardee & Ballentine

November 21, 2022

PROGRESS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Financial Statement Findings:

There were no prior findings reported.