

PROGRESS, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2020

(With Independent Auditor's Report Thereon)

DRAFT

PROGRESS, INC.
TABLE OF CONTENTS
JUNE 30, 2020

	<u>PAGE</u>
Roster of Board of Directors	i
Independent Auditor's Report	1 – 2
Audited Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 – 13
Supplementary Information:	
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 <u>Government Auditing Standards</u>	14 – 15
Schedule of Prior Year Findings	16

PROGRESS, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2020

Eric Gray	President
Kurt Brinkman	Director
Hayden Cook	Director
Kelsey Freeland	Director
Toi Gorham	Director
Brents Herron	Director
Tracy Purcell	Director
Tamar Rand	Director

DRAFT

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 the statement of financial position as of June 30, 2020, 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, 2020, 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 roster of Board of Directors, schedule of current year findings and schedule of prior year findings, as required by the Tennessee Comptroller of the Treasury, as per the Auditing & 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 31, 2020, 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.

October 31, 2020

PROGRESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Cash	\$ 1,585,908	
Cash held on behalf of others	326,255	
Accounts receivable - state agencies	683,140	
Accounts receivable - other	267,918	
Contributions receivable - restricted	3,312	
Security deposits	6,005	
Property and equipment, net	<u>2,379,519</u>	
Total assets		<u>\$ 5,252,057</u>

LIABILITIES AND NET ASSETS

Liabilities:

Cash held on behalf of others	\$ 326,255	
Accounts payable	146,296	
Accrued expenses	350,112	
Installment notes payable	<u>2,057,417</u>	
Total liabilities		2,880,080

Net Assets:

Without donor restrictions	2,368,665	
With donor restrictions	<u>3,312</u>	
Total net assets		<u>2,371,977</u>
Total liabilities and net assets		<u>\$ 5,252,057</u>

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
State grants and contracts	\$ 8,891,149	\$ -	\$ 8,891,149
Contributions	120,622	-	120,622
Food stamps	37,932	-	37,932
Room and board fees	57,932	-	57,932
Investment income	38	-	38
SmART Sales	79,023	-	79,023
Miscellaneous	9,553	-	9,553
Net assets released from restrictions	668,589	(668,589)	-
Total support and revenues	9,864,838	(668,589)	9,196,249
Expenses:			
Program services:			
Rehabilitation and residential housing	7,856,760	-	7,856,760
Supporting services:			
General and administrative	1,234,206	-	1,234,206
Fundraising	136,879	-	136,879
Total supporting services	1,371,085	-	1,371,085
Total expenses	9,227,845	-	9,227,845
Decrease in net assets	636,993	(668,589)	(31,596)
Net assets - beginning of year	1,731,672	671,901	2,403,573
Net assets - end of year	\$ 2,368,665	\$ 3,312	\$ 2,371,977

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total
	Rehabilitation and Residential Housing	General and Administrative	Fundraising	Expenses
Salaries	\$ 5,691,979	\$ 725,924	\$ 101,279	\$ 6,519,182
Employee benefits	789,473	108,697	15,351	913,521
Total salaries and related expenses	6,481,452	834,621	116,630	7,432,703
Professional services and fees	622,859	83,447	1,249	707,555
Bad debt	44,175	-	-	44,175
Insurance	44,501	26,467	-	70,968
Communications	67,634	13,591	1,615	82,840
Utilities	61,848	13,775	-	75,623
Food	38,339	1,596	-	39,935
Rent	153,098	21,888	-	174,986
Interest	-	31,776	-	31,776
Travel	-	590	-	590
Transportation	190,624	5,740	31	196,395
Awards	10,315	16,415	881	27,611
Office supplies	20,561	13,857	2,208	36,626
Repairs and maintenance	56,390	12,840	-	69,230
Dues and subscriptions	(343)	22,737	3,444	25,838
Licenses and permits	1,775	2,598	-	4,373
Seminars and workshops	3,216	492	115	3,823
Postage and printing	6,967	7,832	10,527	25,326
Technology	-	16,142	-	16,142
Human resources	366	7,803	-	8,169
Promotional and marketing	2,351	242	179	2,772
Miscellaneous	5,482	8,295	-	13,777
Total expenses before depreciation	7,811,610	1,142,744	136,879	9,091,233
Depreciation	45,150	91,462	-	136,612
Total expenses	\$ 7,856,760	\$ 1,234,206	\$ 136,879	\$ 9,227,845

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows From Operating Activities:

Decrease in net assets	\$	(31,596)
------------------------	----	----------

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

Depreciation	\$	136,612
Changes in:		
Accounts receivable - state agencies	21,180	
Accounts receivable - other	103,968	
Assets whose use is limited	4,325	
Accounts payable	(47,676)	
Accrued expenses	(73,433)	
		144,976
Net cash provided by operating activities		113,380

Cash Flows from Investing Activities:

Purchases of property and equipment	(495,356)	
Net cash used in investing activities		(495,356)

Cash Flows from Financing Activities:

Proceeds from issuance of installment notes payable	1,294,144	
Payments on installment notes payable	(42,851)	
Net cash provided by financing activities		1,251,293

Net increase in cash		869,317
----------------------	--	---------

Cash - beginning of year		716,591
--------------------------	--	---------

Cash - end of year	\$	1,585,908
--------------------	----	-----------

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2020, was \$31,776.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are 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.

Revenue

We report contributions as unrestricted support if they are received with no donor or grantor restrictions that limit the use of the contributions. 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. Contributions are considered to be available for unrestricted use and are recorded as such, unless specifically restricted by the donor. Revenues from government agency contracts and fees are recognized in the period in which we provide the service.

Revenue Concentration

We receive approximately 83% 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.

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, 2020, we had no cash equivalents.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - Summary of Significant Accounting Policies (continued)

Accounts and Contributions Receivable

Accounts receivable are recorded in accordance with generally accepted accounting principles, and we use the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and our analysis of specific accounts. At June 30, 2020, we did not have an allowance.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. At June 30, 2020, there were no long-term contributions receivable.

Grant Receivable

We recognize grant revenue when the grant is awarded. At June 30, 2020, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors. We do not have any reimbursement-driven grants.

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, 2020, 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, 2019, 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, 2020.

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, 2020, was \$2,772.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 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.

New Accounting Pronouncement

In November 2016, the FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified on the statements of financial position and cash flows. The statements of financial position and cash flows have been presented to reflect this Accounting Standards Update at June 30, 2019, and certain reclassifications of prior year summarized amounts have been made to conform to the current year presentation.

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	\$ 1,585,908
Accounts receivable – state agencies	683,140
Accounts receivable - other	<u>267,918</u>
	<u>\$ 2,536,966</u>

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.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - Availability and Liquidity (continued)

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.

At June 30, 2020, 81% of our accounts receivable were due from two organizations.

NOTE 4 - Property and Equipment

The following is a summary of property and equipment at June 30, 2020:

Building and building improvements	\$ 3,766,786
Furniture and fixtures	271,216
Vehicles	515,886
Land and land improvements	<u>28,606</u>
Less: accumulated depreciation	(2,202,975)
	<u><u>\$ 2,379,519</u></u>

NOTE 5 - Accounts Payable and Accrued Expenses

The following is a summary of accounts payable at June 30, 2020:

Accounts payable	\$ 145,387
Benefits payable	<u>909</u>
	<u><u>\$ 146,296</u></u>

At June 30, 2020, 60% of our accounts payable was due to one vendor.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - Accounts Payable and Accrued Expenses (continued)

As of June 30, 2020, accrued expenses consisted of the following:

Accrued payroll costs	\$ 211,630
Accrued vacation	130,775
Senior care deposits	<u>7,707</u>
	<u>\$ 350,112</u>

NOTE 6 - Net Assets

At June 30, 2020, we had assets whose use was restricted by donors as follows:

Cash held for specific purpose:	
Capital campaign – contributions receivable	<u>\$ 3,312</u>

NOTE 7 - 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, 2020, cash held on behalf of others is \$326,255.

NOTE 8 - Line of Credit

We have a line of credit with Pinnacle Bank with an available amount of \$650,000. This line of credit carries an interest rate of 5.50% at June 30, 2020, and expires on September 10, 2026. There were no amounts due at June 30, 2020.

NOTE 9 - Installment Note Payable

As of June 30, 2020, 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.	170,757
	<u>\$ 2,057,417</u>
 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.	 592,515
U.S. Small Business Administration Paycheck Protection Plan under the Coronavirus Aid, Relief, and Economic Security Act Loan	1,294,145
	<u>2,057,417</u>
	2,057,417
Less: current maturities	<u>(39,613)</u>
	<u>\$ 2,017,804</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 - Installment Note Payable (continued)

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2021	\$ 39,613
2022	1,341,235
2023	49,658
2024	52,370
2025	55,234
Thereafter	<u>519,307</u>
	<u>\$ 2,057,417</u>

NOTE 10 - 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, 2020, the total amount of rental income recognized under these agreements was \$57,932 of which \$29,600 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, 2019:

<u>Year Ending June 30</u>	
2020	<u>\$ 27,000</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 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 \$174,986 for the year ended June 30, 2020.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2019:

<u>Year Ending June 30,</u>	
2020	\$ 82,982
2022	4,226
2023	4,226
2024	<u>704</u>
	<u>\$ 92,138</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, our contributions to the retirement plan totaled \$83,553.

NOTE 12 - Contingencies

During the year ended June 30, 2020, the COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of business operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact and duration cannot be reasonably estimated at this time.

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, 2020, 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, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

NOTE 14 - Subsequent Events

We have evaluated events subsequent to June 30, 2019. As of October 31, 2020, 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, 2020.

Internal Control and Compliance Section

DRAFT

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

DRAFT

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, 2020, 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 31, 2020.

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.

October 31, 2020

DRAFT

PROGRESS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Financial Statement Findings:

There were no prior findings reported.

DRAFT