

PROGRESSIVE DIRECTIONS, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
YEARS ENDED JUNE 30, 2015 AND 2014

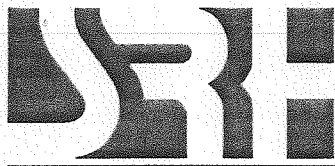
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Progressive Directions, Inc.  
Clarksville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Progressive Directions, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 on the previous page present fairly, in all material respects, the financial position of Progressive Directions, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state financial assistance, listed as other information in the table of contents, 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 November 23, 2015, on our consideration of Progressive Directions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Progressive Directions, Inc.'s internal control over financial reporting and compliance.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee  
November 23, 2015

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

	<u>ASSETS</u>	
	2015	2014
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 399,711	\$ 190,798
Accounts receivable	720,320	970,668
Inventory	1,705	755
Prepaid expenses	103,516	95,424
Total current assets	<u>1,225,252</u>	<u>1,257,645</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	399,218	399,218
Building	2,264,554	2,331,282
Equipment	500,348	492,887
Vehicles	659,603	640,158
Construction in progress	15,000	15,000
Total property and equipment	<u>3,838,723</u>	<u>3,878,545</u>
Less: accumulated depreciation	<u>1,987,125</u>	<u>1,954,347</u>
Net property and equipment	<u>1,851,598</u>	<u>1,924,198</u>
<u>OTHER ASSETS</u>		
Customer deposits	2,125	1,350
Loan costs, net of accumulated amortization of \$4,700 and \$3,324	9,058	10,434
Total other assets	<u>11,183</u>	<u>11,784</u>
Total assets	<u>\$ 3,088,033</u>	<u>\$ 3,193,627</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 142,452	\$ 201,260
Accrued payroll	476,512	491,345
Other accrued liabilities	48,929	25,421
Line of credit	-	70,000
Current portion of notes payable	225,527	230,209
Total current liabilities	<u>893,420</u>	<u>1,018,235</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable - net of current portion	<u>1,440,957</u>	<u>1,577,688</u>
Total liabilities	<u>2,334,377</u>	<u>2,595,923</u>
<u>NET ASSETS</u>		
Unrestricted	<u>753,656</u>	<u>597,704</u>
Total liabilities and net assets	<u>\$ 3,088,033</u>	<u>\$ 3,193,627</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2015 AND 2014

<u>CHANGES IN UNRESTRICTED NET ASSETS</u>	<u>2015</u>	<u>2014</u>
Revenues:		
Fees and services	\$ 7,958,241	\$ 7,584,969
Grants	513,644	724,201
Contributions	183,458	160,573
Thrift store	76,128	63,705
Interest	1,015	1,341
Total revenues	<u>8,732,486</u>	<u>8,534,789</u>
Expenses:		
Program services		
Adult program services	7,047,666	6,818,128
Early intervention services	545,355	681,504
Total program services	<u>7,593,021</u>	<u>7,499,632</u>
Thrift store	87,342	80,680
Administrative supporting services	<u>832,475</u>	<u>741,399</u>
Total expenses	<u>8,512,838</u>	<u>8,321,711</u>
Other income:		
Gain (loss) on disposal of property and equipment	<u>(63,696)</u>	<u>7,212</u>
Total other income	<u>(63,696)</u>	<u>7,212</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>	155,952	220,290
<u>NET ASSETS - BEGINNING</u>	<u>597,704</u>	<u>377,414</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 753,656</u>	<u>\$ 597,704</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2015

	Program Services			Total Program Services	Thrift Store	Administrative Supporting Services	Total Expenses
	Adult Program Services	Intervention Services	Early Services				
Advertising and public relations	\$ 27,143	\$	500	\$ 27,643	\$ 3,114	\$ 18,877	\$ 49,634
Communication	36,289		10,802	47,091	663	20,268	68,022
Depreciation	108,564		21,107	129,671	-	16,359	146,030
Dues, memberships and licenses	8,333		54	8,387	-	8,746	17,133
Food	40,299		-	40,299	-	-	40,299
Fringe benefits	762,788		60,870	823,658	4,500	116,306	944,464
Grants and subsidies	38,057		-	38,057	-	-	38,057
Insurance	84,382		3,262	87,644	157	23,623	111,424
Interest	56,985		10,589	67,574	-	27,200	94,774
Personnel	5,347,800		369,584	5,717,384	39,182	370,036	6,126,602
Professional services	28,725		3,156	31,881	-	151,169	183,050
Rentals	297		5,000	5,297	30,000	-	35,297
Repairs and maintenance	76,351		4,070	80,421	3,420	34,459	118,300
Supplies	71,804		615	72,419	96	16,670	89,185
Travel and entertainment	26,040		48,522	74,562	-	5,689	80,251
Vehicle operations	289,082		-	289,082	-	7,437	296,519
Utilities	44,727		7,224	51,951	6,210	15,636	73,797
Total expenses	\$ 7,047,666	\$ 545,355		\$ 7,593,021	\$ 87,342	\$ 832,475	\$ 8,512,838

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2014

	Program Services				Total Program Services	Thrift Store	Administrative		Total Expenses			
	Adult Program Services	Intervention Services	Early Services	Supporting Services								
	\$	27,823	\$	-	\$	27,823	\$	932	\$	10,537	\$	39,292
Advertising and public relations		28,865		57,563		86,428		651		16,675		103,754
Communication		108,152		22,487		130,639		-		15,361		146,000
Depreciation		6,606		810		7,416		-		8,844		16,260
Dues, memberships and licenses		53,740		-		53,740		-		697		54,437
Food		759,827		69,703		829,530		4,658		111,232		945,420
Fringe benefits		27,899		-		27,899		-		-		27,899
Grants and subsidies		79,825		2,904		82,729		148		20,993		103,870
Insurance		59,984		12,812		72,796		-		32,345		105,141
Interest		5,129,657		404,587		5,534,244		33,518		355,239		5,923,001
Personnel		39,547		24,528		64,075		-		92,430		156,505
Professional services		-		9,030		9,030		30,140		-		39,170
Rentals		48,908		6,351		55,259		3,387		29,290		87,936
Repairs and maintenance		87,024		15,647		102,671		287		21,954		124,912
Supplies		27,115		48,247		75,362		-		2,680		78,042
Travel and entertainment		288,156		-		288,156		-		7,519		295,675
Vehicle operations		45,000		6,835		51,835		6,959		15,603		74,397
Utilities												
Total expenses	\$	6,818,128	\$	681,504	\$	7,499,632	\$	80,680	\$	741,399	\$	8,321,711

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



PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 155,952	\$ 220,290
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,030	146,000
Loss (gain) on disposal	63,696	(7,212)
Donated property and equipment	-	(20,000)
Changes in:		
Accounts receivable	250,348	159,021
Inventory	(950)	511
Prepaid expenses	(8,092)	(20,232)
Customer deposits	(775)	250
Loan costs, net	1,376	1,376
Accounts payable	(58,808)	(61,571)
Accrued payroll	(14,833)	33,357
Other accrued liabilities	23,508	(7,550)
Net cash provided by operating activities	<u>557,452</u>	<u>444,240</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of fixed assets	-	6,039
Purchases of fixed assets	(137,126)	(73,349)
Net cash used in investing activities	<u>(137,126)</u>	<u>(67,310)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net payments on line of credit	(70,000)	(80,000)
Proceeds from notes payable	100,000	-
Repayment of notes payable	(241,413)	(213,111)
Net cash used in financing activities	<u>(211,413)</u>	<u>(293,111)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	208,913	83,819
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>190,798</u>	<u>106,979</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 399,711</u>	<u>\$ 190,798</u>

During the year ended June 30, 2014, the Organization received donated land with an appraised value of \$20,000 which increased property and equipment and contribution revenue. Also during the year ended June 30, 2014, the Organization purchased land in exchanged for a note payable of \$33,000.

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

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Progressive Directions, Inc. (the Organization) is a private, nonprofit corporation that operates programs designed to train and support persons with varying degrees of developmental disabilities, mental retardation, cerebral palsy, and other handicapping conditions who live in Montgomery and surrounding counties. The primary source of revenue is from Tennessee state grants and fees for service. Revenue is also received from contributions and contracts. Fee for service revenue is also received from Kids Depot, a licensed day care facility that serves children ages one to twelve years. Approximately 8.7 and 7.5 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2015 and 2014, respectively.

On July 1, 2011, the Organization gained control over the Montgomery County Association of Retarded Citizens (ARC) Thrift Store (Thrift Store), a 501(c)(3) organization, in a partnership to advance the Organization's opportunities to those with developmental disabilities and to advocate for those with special needs. The Organization consolidated the Thrift Store as a department of the Organization. Less than one percent of the Organization's total income was derived from the Thrift Store during the years ended June 30, 2015 and 2014.

The Organization is qualified as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. It has not been determined to be a private foundation and is considered by the Internal Revenue Service (IRS) to be a public charity. Accordingly, no provision for income taxes has been made. However, the Organization does file information returns required by the IRS. The Organization is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2012.

Use of Estimates

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Organization utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease unrestricted net assets.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Organization. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Organization to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (Cont'd)

Basis of Accounting (Cont'd)

Unrestricted

Unrestricted net assets are free of grant-imposed or donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

Temporarily Restricted

Temporarily restricted net assets are limited as to use by grant-imposed or donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Organization had no temporarily restricted net assets at June 30, 2015 and 2014.

Permanently Restricted

Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets at June 30, 2015 and 2014.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and accounts receivable. The Organization places its cash with federally-insured financial institutions. Substantially all receivables are from agencies of the State of Tennessee (the State) and no collateral is obtained.

Cash and Cash Equivalents

The Organization considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Accounts Receivable

An allowance for uncollectible accounts has not been made based on management's determination that such amount, if any, would be immaterial. Bad debts are recognized using the specific identification method. Delinquency is determined based upon contractual payment dates.

Inventory

Inventory consists of operating supplies and is valued at cost using the first-in, first-out method.

Property and Equipment

Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair value at the date of receipt. Property and equipment acquired with a unit cost of \$1,000 or greater and a useful life of more than three years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (Cont'd)

Property and Equipment (Cont'd)

maintenance and repairs are charged to expense as incurred. Capitalized assets are depreciated over their estimated useful life using the straight-line method.

Accrued Compensated Absences

Employees of the Organization are entitled to paid vacation based upon length of service. The estimated liability for accumulated leave was \$200,429 and \$215,629 at June 30, 2015 and 2014, respectively. Any amounts owed to employees are paid upon termination.

Revenues

Revenues are reported net of discounts.

Functional Expenses

Expenses are charged directly to program or administrative categories based on specific identification.

Date of Management's Review

Subsequent events have been evaluated through November 23, 2015, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by bank deposits of \$409,696 and \$197,926 at June 30, 2015 and 2014, respectively. Of these amounts, \$250,000 and \$197,926, respectively, was insured by the Federal Deposit Insurance Corporation, and \$159,696 and \$-0-, respectively, was uninsured at June 30, 2015 and 2014.

3. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2015</u>	<u>2014</u>
Medicaid Waiver	\$ 542,193	\$ 526,576
Grants	69,107	323,654
Other	109,020	120,438
Total	<u>\$ 720,320</u>	<u>\$ 970,668</u>

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

4. Notes Payable

Notes payable consisted of the following:

	<u>2015</u>	<u>2014</u>
4.0% note payable to Legends Bank, secured by collateral of the 5.25% note to Legends Bank, payable in monthly installments of \$1,846 of principal and interest through November 2019.	\$ 87,858	\$ -
Non-interest bearing promissory note payable to George M. Stanfill, secured by real estate with carrying amount of \$33,800 at June 30, 2014, payable in monthly installments of \$1,000 of principal, paid off in October 2014.	-	4,000
Non-interest bearing promissory note payable to James Ladd, secured by real estate with carrying amount of \$52,928 at June 30, 2014, paid off in April 2015.	-	30,143
5.25% note payable to Legends Bank, secured by real estate with carrying amount of \$1,151,312 and \$1,206,415 at June 30, 2015 and 2014, respectively, payable in monthly installments of \$23,739 of principal and interest through February 2022.	<u>1,578,626</u>	<u>1,773,754</u>
Total notes payable	1,666,484	1,807,897
Less: current portion	<u>225,527</u>	<u>230,209</u>
Total long-term portion of notes payable	<u>\$ 1,440,957</u>	<u>\$ 1,577,688</u>

Future payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2016	\$ 225,527	\$ 81,492
2017	237,410	69,609
2018	249,921	57,097
2019	263,095	43,924
2020	262,216	30,186
2021-2022	<u>428,315</u>	<u>19,350</u>
	<u>\$ 1,666,484</u>	<u>\$ 301,658</u>

Cash payments for interest were \$94,774 and \$105,141 for the years ended June 30, 2015 and 2014, respectively.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2015 AND 2014

5. Line of Credit

The Organization maintains a \$250,000 unsecured bank line of credit of which \$250,000 and \$180,000 remained unused at June 30, 2015 and June 30, 2014, respectively. The line of credit has a variable interest rate which was 6.00% at June 30, 2015 and June 30, 2014 and is payable monthly. The line of credit matures February 2016.

6. Retirement

The Organization provides pension benefits to all salaried employees through a 401(k) defined contribution retirement plan. Substantially all employees who have completed one year of service and reached age 21 are eligible to participate. The Organization makes matching contributions equal to 50% of the lesser of: (1) each participant's total contributions, or (2) 6% of the participant's earnings. Additionally, the Organization has the option of making a discretionary contribution to the Plan each Plan year. The Organization exercised the option to make discretionary contributions to the Plan of 3% during the years ended June 30, 2015 and 2014.

During the fiscal years ended June 30, 2015 and 2014, contributions to the plan totaling \$51,537 and \$59,675, respectively, were paid and expensed by the Organization. Employee contributions to the plan were \$52,126 and \$53,040 for the years ended June 30, 2015 and 2014, respectively.

7. Contracts

The Organization enters into program administrative contracts with the State Division of Intellectual Disabilities Services and the State Department of Education. These contracts are for the purpose of providing mental retardation services in accordance with applicable federal and state laws, regulations, program guidelines, service definitions and stated goals. Revenues under these contracts were \$6,479,466 and \$6,235,844 and amounted to 74% and 73% of total revenues for the years ended June 30, 2015 and 2014, respectively. A major reduction in funding by one or more of these State departments could have a significant effect on the future operations of the Organization.

8. Contingencies

Partial funding of the Organization's programs is provided by state and local government agencies. These funds are to be used for designated purposes only. If, based on the grantor's review, the funds are considered not to have been used for the intended purpose or in accordance with the terms of the grant, the grantor may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's programs is predicated upon the compliance of the Organization with the grant terms and the grantor's intent to continue its programs. The Organization is subject to various lawsuits from two former employees seeking alleged unpaid overtime. At June 30, 2015, the accrued liability for these lawsuits of \$25,000 represents the Organization's best estimate of the amount of the probable and reasonably estimable costs related to these lawsuits. During October 2015, an agreement was reached to settle these matters for \$23,000.

9. Subsequent event

On September 28, 2015, the Organization borrowed \$155,000 on its line of credit to purchase a residential unit until a permanent mortgage could be secured from the Organization's financial institution.

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable June 30, 2014</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2015</u>
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
Early Intervention Services	33195-03614	84.181A	\$ 105,585	\$ 105,585	\$ -	\$ -
Early Intervention Services	33195-04015	84.181A	-	138,684	138,684	-
Total federal assistance			105,585	244,269	138,684	-
<u>State of Tennessee Department of Education</u>						
Early Intervention Services	33195-03614	84.181A	212,069	212,069	-	-
Early Intervention Services	33195-04015	84.181A	-	305,853	374,960	69,107
Total State of Tennessee Department of Education			212,069	517,922	374,960	69,107
<u>State of Tennessee Department of Intellectual Disabilities</u>						
Certified Work Incentives Counseling	34401-00478	N/A	6,000	6,000	-	-
Total State of Tennessee Department of Intellectual Disabilities			6,000	6,000	-	-
Total state assistance			218,069	523,922	374,960	69,107
Total assistance			\$ 323,654	\$ 768,191	\$ 513,644	\$ 69,107

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2015 AND 2014

Note A – Basis of Presentation

The accompanying schedule of federal and state financial assistance is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Department of Audit, Audit Manual. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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 Directors  
Progressive Directions, Inc.  
Clarksville, Tennessee

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 Progressive Directions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 November 23, 2015.

### **Internal Control over Financial Reporting**

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

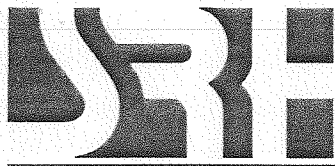
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed 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.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee  
November 23, 2015

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

There were no prior findings reported.



November 23, 2015

To the Board of Directors  
Progressive Directions, Inc.  
Clarksville, Tennessee

We have audited the financial statements of Progressive Directions, Inc. (the Organization) for the year ended June 30, 2015, and have issued our report thereon dated November 23, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 30, 2015. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation of property and equipment is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of collectibility of receivables is based on assumptions by management. We evaluated key factors and assumptions used to develop the collectibility of receivables in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the concentration of fee revenue in Note 7 to the financial statements is of a sensitive nature due to the importance of State fees to the Organization. State reimbursed fee revenue comprised 74% of the Organization's revenues during the fiscal year ended June 30, 2015.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 23, 2015.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion," on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

In connection with our audit of the financial statements of the Organization as of and for the year ended June 30, 2015, we issued our report dated November 23, 2015, titled "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*." Please refer to that report for the results of our testing.

#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Organization and the State of Tennessee and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Stone Rudolph & Henry, PLC