

PROGRESSIVE DIRECTIONS, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
YEARS ENDED JUNE 30, 2014 AND 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 21, 2014, 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 21, 2014

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 190,798	\$ 106,979
Accounts receivable	970,668	1,129,689
Inventory	755	1,266
Prepaid expenses	95,424	75,192
Total current assets	<u>1,257,645</u>	<u>1,313,126</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	399,218	368,771
Building	2,331,282	2,285,754
Equipment	492,887	457,631
Vehicles	640,158	662,764
Construction in progress	15,000	15,000
Total property and equipment	<u>3,878,545</u>	<u>3,789,920</u>
Less: accumulated depreciation	<u>1,954,347</u>	<u>1,847,244</u>
Net property and equipment	<u>1,924,198</u>	<u>1,942,676</u>
<u>OTHER ASSETS</u>		
Customer deposits	1,350	1,600
Loan costs, net of accumulated amortization of \$3,324 and \$1,948	10,434	11,810
Total other assets	<u>11,784</u>	<u>13,410</u>
Total assets	<u>\$ 3,193,627</u>	<u>\$ 3,269,212</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 201,260	\$ 262,831
Accrued payroll	491,345	457,988
Other accrued liabilities	25,421	32,971
Line of credit	70,000	150,000
Current portion of notes payable	230,209	211,233
Total current liabilities	<u>1,018,235</u>	<u>1,115,023</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable - net of current portion	<u>1,577,688</u>	<u>1,776,775</u>
Total liabilities	<u>2,595,923</u>	<u>2,891,798</u>
<u>NET ASSETS</u>		
Unrestricted	<u>597,704</u>	<u>377,414</u>
Total liabilities and net assets	<u>\$ 3,193,627</u>	<u>\$ 3,269,212</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2014 AND 2013

<u>CHANGES IN UNRESTRICTED NET ASSETS</u>	<u>2014</u>	<u>2013</u>
Revenues:		
Fees and services	\$ 7,584,969	\$ 6,783,172
Grants	724,201	656,544
Contributions	160,573	111,742
Thrift store	63,705	29,467
Interest	1,341	2,339
Total revenues	<u>8,534,789</u>	<u>7,583,264</u>
Expenses:		
Program services		
Adult program services	6,818,128	6,329,375
Early intervention services	681,504	650,413
Total program services	<u>7,499,632</u>	<u>6,979,788</u>
Thrift store	80,680	48,378
Administrative supporting services	<u>741,399</u>	<u>750,142</u>
Total expenses	<u>8,321,711</u>	<u>7,778,308</u>
Other income:		
Gain on disposal of property and equipment	7,212	1,282
Total other income	<u>7,212</u>	<u>1,282</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>	220,290	(193,762)
<u>NET ASSETS - BEGINNING</u>	<u>377,414</u>	<u>571,176</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 597,704</u>	<u>\$ 377,414</u>

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				Thrift Store	Administrative		Total Expenses
	Adult Program Services	Early Intervention Services	Total Program Services	Supporting Services				
Advertising and public relations	\$ 27,823	\$ -	\$ 27,823	\$ 932	\$ 10,537	\$ 39,292		
Communication	28,865	57,563	86,428	651	16,675	103,754		
Depreciation	108,152	22,487	130,639	-	15,361	146,000		
Dues, memberships and licenses	6,606	810	7,416	-	8,844	16,260		
Food	53,740	-	53,740	-	697	54,437		
Fringe benefits	759,827	69,703	829,530	4,658	111,232	945,420		
Grants and subsidies	27,899	-	27,899	-	-	27,899		
Insurance	79,825	2,904	82,729	148	20,993	103,870		
Interest expense	59,984	12,812	72,796	-	32,345	105,141		
Personnel	5,129,657	404,587	5,534,244	33,518	355,239	5,923,001		
Professional services	39,547	24,528	64,075	-	92,430	156,505		
Rentals	-	9,030	9,030	30,140	-	39,170		
Repairs and maintenance	48,908	6,351	55,259	3,387	29,290	87,936		
Supplies	87,024	15,647	102,671	287	21,954	124,912		
Travel and entertainment	27,115	48,247	75,362	-	2,680	78,042		
Vehicle operations	288,156	-	288,156	-	7,519	295,675		
Utilities	45,000	6,835	51,835	6,959	15,603	74,397		
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.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	Program Services				Thrift Store	Administrative		Total Expenses		
	Adult Program Services	Early Intervention Services	Total Program Services	Supporting Services						
	\$	14,487	\$	-	\$	2,347	\$	8,134	\$	24,968
Advertising and public relations		37,065		6,451		317		17,390		61,223
Communication		103,759		32,874		-		17,559		154,192
Depreciation		6,814		930		120		8,795		16,659
Dues, memberships and licenses		45,245		-		-		-		45,245
Food		702,589		71,266		2,539		100,248		876,642
Fringe benefits		25,262		-		-		-		25,262
Grants and subsidies		97,868		2,835		-		20,351		121,054
Insurance		66,782		13,989		-		32,778		113,549
Interest expense		4,660,197		423,689		22,654		376,493		5,483,033
Personnel		98,594		3,332		-		94,343		196,269
Professional services		-		9,213		14,700		-		23,913
Rentals		51,692		7,357		3,082		35,843		97,974
Repairs and maintenance		77,927		19,044		25		10,800		107,796
Supplies		22,552		53,739		-		5,576		81,867
Travel and entertainment		277,962		-		1,538		5,302		284,802
Vehicle operations		40,580		5,694		1,056		16,530		63,860
Utilities										
Total expenses	\$	6,329,375	\$	650,413	\$	6,979,788	\$	750,142	\$	7,778,308

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



PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 220,290	\$ (193,762)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	146,000	154,192
Gain on disposal	(7,212)	(1,282)
Donated property and equipment	(20,000)	-
Changes in:		
Accounts receivable	159,021	(318,933)
Inventory	511	1,112
Prepaid expenses	(20,232)	11,626
Customer deposits	250	(200)
Loan costs, net	1,376	1,375
Accounts payable	(61,571)	71,668
Accrued payroll	33,357	38,622
Other accrued liabilities	(7,550)	(2,035)
Net cash provided by (used in) operating activities	<u>444,240</u>	<u>(237,617)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of fixed assets	6,039	1,282
Purchases of fixed assets	(73,349)	(49,884)
Net cash used in investing activities	<u>(67,310)</u>	<u>(48,602)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net proceeds from (payments on) line of credit	(80,000)	150,000
Repayment of notes payable	(213,111)	(208,786)
Net cash used in financing activities	<u>(293,111)</u>	<u>(58,786)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	83,819	(345,005)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>106,979</u>	<u>451,984</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 190,798</u>	<u>\$ 106,979</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. The Organization also 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, 2014 AND 2013

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 7.5 and 6.8 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2014 and 2013, 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. Effective January 1, 2013, 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, 2014 and 2013.

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, 2011.

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, 2014 AND 2013

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, 2014 and 2013.

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, 2014 and 2013.

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, 2014 AND 2013

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 \$215,629 and \$210,338 at June 30, 2014 and 2013, 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 21, 2014, which is the date the financial statements were available to be issued.

Changes in Presentation

Certain items from the prior year may have been reclassified to conform to current year presentation.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by bank deposits of \$197,926 and \$114,559 at June 30, 2014 and 2013, respectively. Of these amounts, \$197,926 and \$114,559 were insured by the Federal Deposit Insurance Corporation and \$-0- was uninsured at June 30, 2014 and 2013.

3. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2014</u>	<u>2013</u>
Medicaid Waiver	\$ 526,576	\$ 865,117
Grants	323,654	157,186
Other	120,438	107,386
Total	<u>\$ 970,668</u>	<u>\$ 1,129,689</u>

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2014 AND 2013

4. Notes Payable

Notes payable consisted of the following:

	<u>2014</u>	<u>2013</u>
7.4% note payable to TCF Equipment Finance, secured by vehicles with carrying amount of \$9,690 at June 30, 2013, payable in monthly installments of \$1,926 of principal and interest, paid off in February 2014.	\$ -	\$ 13,173
Non-interest bearing promissory note payable to George M. Stanfill, secured by real estate with carrying amount of \$33,800 and \$35,400 at June 30, 2014 and 2013, respectively, payable in monthly installments of \$1,000 of principal, through October 2014.	4,000	16,000
Non-interest bearing promissory note payable to James Ladd, secured by real estate with carrying value of \$52,928 at June 30, 2014, balance due in full in April 2015.	30,143	-
5.25% note payable to Legends Bank, secured by real estate with carrying amount of \$1,206,415 and \$1,271,441 at June 30, 2014 and 2013, respectively, payable in monthly installments of \$23,739 of principal and interest, through February 2022.	<u>1,773,754</u>	<u>1,958,835</u>
Total notes payable	1,807,897	1,988,008
Less: current portion	<u>230,209</u>	<u>211,233</u>
Total long-term portion of notes payable	<u>\$ 1,577,688</u>	<u>\$ 1,776,775</u>

Future payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 230,209	\$ 88,806
2016	206,611	78,261
2017	217,723	67,149
2018	229,432	55,439
2019	241,771	43,100
2020-2022	<u>682,151</u>	<u>49,447</u>
	<u>\$ 1,807,897</u>	<u>\$ 382,202</u>

Cash payments for interest were \$105,141 and \$113,549 for the years ended June 30, 2014 and 2013, respectively.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2014 AND 2013

5. Line of Credit

The Organization maintains a \$250,000 unsecured bank line of credit of which \$180,000 and \$100,000 remained unused at June 30, 2014 and June 30, 2013, respectively. The line of credit has a variable interest rate which was 6.00% at June 30, 2014 and June 30, 2013 and is payable monthly. The line of credit matures February 2015.

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, 2014 and 2013.

The Organization provided pension benefits to all hourly employees through a 401(k) defined contribution retirement. Substantially all employees who had completed one year of service and reached age 21 were eligible to participate. The Organization made matching contributions equal to 50% of the lesser of: (1) each participant's total contributions, or (2) 4% of the participant's earnings. Additionally, the Organization had the option of making a discretionary contribution to the Plan each Plan year. The Organization elected not to make a discretionary contribution to the plan for the year ended June 30, 2013. The hourly 401(k) defined contribution retirement plan was terminated on June 29, 2013.

During the fiscal years ended June 30, 2014 and 2013, contributions to both the hourly and salary plans totaling \$59,675 and \$57,243, respectively, were paid and expensed by the Organization. Employee contributions to the hourly and salary plans were \$53,040 and \$66,416 for the years ended June 30, 2014 and 2013, 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 \$6,235,844 and \$5,643,537 and amounted to 73% and 74% of total revenues for the years ended June 30, 2014 and 2013, 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 their programs.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2014 AND 2013

9. Subsequent Event

Effective January 1, 2015, the Organization will offer health insurance to all employees. The Organization does not expect to incur any penalties associated with the federal Patient Protection and Affordable Care Act (ACA), which is effective January 1, 2015 for large employers. The Organization expects to incur approximately \$120,000 of additional annual health insurance expense.

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014

<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, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2014</u>
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
Early Intervention Services	DG13-C0000009	84.181A	\$ 58,964	\$ 58,964	\$ -	\$ -
Early Intervention Services	33195-03614	84.181A	-	65,093	170,678	105,585
Total federal assistance			58,964	124,057	170,678	105,585
<u>State of Tennessee Department of Education</u>						
Early Intervention Services	DG13-C0000009	84.181A	98,222	98,222	-	-
Early Intervention Services	DG13-C0000009	84.181A	-	335,452	547,521	212,069
Total State of Tennessee Department of Education			98,222	433,674	547,521	212,069
<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			98,222	433,674	553,521	218,069
Total assistance			\$ 157,186	\$ 557,731	\$ 724,199	\$ 323,654



PROGRESSIVE DIRECTIONS, INC.  
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2014 AND 2013

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.



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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, 2014, 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 21, 2014.

**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 21, 2014