

PROGRESSIVE DIRECTIONS, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
YEARS ENDED JUNE 30, 2022 AND 2021

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PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF BOARD OF DIRECTORS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2022

BOARD OF DIRECTORS

Mr. Bob Palmer
Ms. Alena Sampson
Dr. Leslie Benmark
Mr. Derek Eurales
Dr. Roger Freeman
Ms. Sandra Holly
Dr. Bruce Myers
Mr. Joel Ragland
Ms. Kay Skillington
Ms. Betty Young

Chairman
Secretary/Treasurer

MANAGEMENT

Mr. Jay Albertia
Mr. James Larson

President/CEO
Executive Vice President/CFO



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RUDOLPH
& HENRY, PLC

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Progressive Directions, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Progressive Directions, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Progressive Directions, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Progressive Directions, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of the board of directors and management and the schedule of federal awards and state financial assistance are presented for purposes of additional analysis and are 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 schedule of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of the board of directors and management has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2022, 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 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 Progressive Directions, 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 Progressive Directions, Inc.'s internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
November 16, 2022

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>ASSETS</u>	
	2022	2021
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,349,693	\$ 1,959,642
Accounts receivable	1,966,914	1,713,014
Inventory	2,846	2,846
Investments	7,170	7,170
Prepaid expenses	36,141	18,042
Total current assets	<u>3,362,764</u>	<u>3,700,714</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	419,218	419,218
Building	3,706,890	3,373,889
Equipment	872,051	770,289
Vehicles	1,133,537	1,052,947
Construction in progress	9,062	8,567
Total property and equipment	<u>6,140,758</u>	<u>5,624,910</u>
Less: accumulated depreciation	<u>3,243,770</u>	<u>3,063,422</u>
Net property and equipment	<u>2,896,988</u>	<u>2,561,488</u>
<u>OTHER ASSETS</u>		
Customer deposits	<u>7,616</u>	<u>7,116</u>
Total assets	<u>\$ 6,267,368</u>	<u>\$ 6,269,318</u>
	<u>LIABILITIES AND NET ASSETS</u>	
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 282,336	\$ 224,340
Accrued payroll	895,434	791,880
Unearned revenue - federal grants	86,213	-
Other accrued liabilities	21,702	14,855
Current portion of notes payable	453,318	420,081
Total current liabilities	<u>1,739,003</u>	<u>1,451,156</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable - net of current portion	<u>682,012</u>	<u>1,075,156</u>
Total long-term liabilities	<u>682,012</u>	<u>1,075,156</u>
Total liabilities	<u>2,421,015</u>	<u>2,526,312</u>
<u>NET ASSETS</u>		
With donor restrictions	217,828	224,952
Without donor restrictions - Undesignated	3,628,525	3,518,054
Total net assets	<u>3,846,353</u>	<u>3,743,006</u>
Total liabilities and net assets	<u>\$ 6,267,368</u>	<u>\$ 6,269,318</u>

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>2022</u>	<u>2021</u>
Revenues:		
Fees and services	\$ 15,479,495	\$ 12,457,555
Local grants	4,468	18,000
Contributions	120,304	115,083
Day care	643,056	412,984
Thrift store	90,687	90,294
Rent	92,467	80,973
Interest	8,305	7,883
Net assets released from restriction	1,335,467	1,247,818
Total revenues	<u>17,774,249</u>	<u>14,430,590</u>
Expenses:		
Program services		
Adult program services	14,431,179	11,838,423
Early intervention services	848,632	739,014
Day care	785,999	742,258
Thrift store	122,181	113,955
Common Ground Café	63,972	-
Total program services	<u>16,251,963</u>	<u>13,433,650</u>
Administrative supporting services	<u>1,447,667</u>	<u>1,056,457</u>
Total expenses	<u>17,699,630</u>	<u>14,490,107</u>
Other income:		
Other income	20,759	15,658
Gain on extinguishment of debt	-	2,393,300
Gain (loss) on disposal of property and equipment	15,093	(2,375)
Total other income	<u>35,852</u>	<u>2,406,583</u>
Net change in net assets without donor restrictions	110,471	2,347,066
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
Federal and state grants	1,328,343	1,256,430
Net assets released from restrictions	<u>(1,335,467)</u>	<u>(1,247,818)</u>
Net change in net assets with donor restrictions	<u>(7,124)</u>	<u>8,612</u>
Net change in net assets	103,347	2,355,678
<u>NET ASSETS - BEGINNING</u>	<u>3,743,006</u>	<u>1,387,328</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 3,846,353</u>	<u>\$ 3,743,006</u>

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services						Administrative	
	Adult Program Services	Early Intervention Services	Kids Depot Day Care	Thrift Store	Common Ground Café	Total Program Services	Supporting Services	Total Expenses
Advertising and public relations	\$ 7,763	\$ 128	\$ 7,774	\$ 96	\$ 2,452	\$ 18,213	\$ 24,060	\$ 42,273
Communication	102,935	15,790	2,717	1,246	753	123,441	9,967	133,408
Depreciation	189,728	27,199	28,394	-	898	246,219	39,768	285,987
Dues, memberships and licenses	26,891	-	660	-	448	27,999	14,203	42,202
Food	4,661	-	68,150	-	7,917	80,728	-	80,728
Fringe benefits	1,475,340	107,453	55,869	8,211	2,178	1,649,051	221,663	1,870,714
Insurance	91,920	936	4,915	24	-	97,795	98,686	196,481
Interest	-	-	-	-	-	-	46,337	46,337
Miscellaneous	34,571	-	14,308	1,707	319	50,905	37,289	88,194
Personnel	10,503,502	637,117	497,634	65,814	28,475	11,732,542	724,542	12,457,084
Professional services	1,073,516	4,511	6,187	41	3,289	1,087,544	176,300	1,263,844
Rentals	238,263	-	-	30,010	-	268,273	16,979	285,252
Repairs and maintenance	81,742	7,331	22,560	4,608	2,186	118,427	3,785	122,212
Supplies	121,320	16,704	44,166	483	15,032	197,705	26,141	223,846
Travel and entertainment	-	1,749	-	-	-	1,749	-	1,749
Vehicle operations	404,717	24,042	1,996	-	25	430,780	6,314	437,094
Utilities	74,310	5,672	30,669	9,941	-	120,592	1,633	122,225
Total expenses	<u>\$ 14,431,179</u>	<u>\$ 848,632</u>	<u>\$ 785,999</u>	<u>\$ 122,181</u>	<u>\$ 63,972</u>	<u>\$ 16,251,963</u>	<u>\$ 1,447,667</u>	<u>\$ 17,699,630</u>

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Administrative Supporting Services	Total Expenses
	Adult Program Services	Early Intervention Services	Kids Depot Day Care	Thrift Store			
Advertising and public relations	\$ 7,026	\$ -	\$ 1,094	\$ -	\$ 8,120	\$ 14,173	\$ 22,293
Communication	100,424	18,698	2,784	1,250	123,156	8,903	132,059
Depreciation	143,016	30,838	32,944	-	206,798	35,490	242,288
Dues, memberships and licenses	14,825	-	498	-	15,323	950	16,273
Food	750	-	55,717	-	56,467	-	56,467
Fringe benefits	1,348,460	90,698	47,579	4,858	1,491,595	108,604	1,600,199
Insurance	80,930	864	5,664	24	87,482	77,691	165,173
Interest	-	-	-	-	-	55,002	55,002
Miscellaneous	21,482	-	13,440	1,728	36,650	12,031	48,681
Personnel	8,692,160	561,836	492,742	64,461	9,811,199	525,798	10,336,997
Professional services	675,147	3,668	6,282	-	685,097	173,847	858,944
Rentals	166,971	-	-	30,131	197,102	16,437	213,539
Repairs and maintenance	66,641	4,887	18,294	3,781	93,603	3,705	97,308
Supplies	137,277	22,269	34,220	18	193,784	15,430	209,214
Travel and entertainment	738	-	-	-	738	78	816
Vehicle operations	308,676	-	4,216	-	312,892	7,789	320,681
Utilities	73,900	5,256	26,784	7,704	113,644	529	114,173
Total expenses	<u>\$ 11,838,423</u>	<u>\$ 739,014</u>	<u>\$ 742,258</u>	<u>\$ 113,955</u>	<u>\$ 13,433,650</u>	<u>\$ 1,056,457</u>	<u>\$ 14,490,107</u>

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 103,347	\$ 2,355,678
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	285,987	242,288
Gain on extinguishment of debt	-	(2,393,300)
Loss (gain) on disposal of property and equipment	(15,093)	2,375
Changes in:		
Accounts receivable	(253,900)	(89,004)
Prepaid expenses	(18,099)	(3,160)
Customer deposits	(500)	-
Accounts payable	57,996	43,975
Accrued payroll	103,554	(63,466)
Deferred revenue	-	(4,000)
Unearned revenue - federal grants	86,213	-
Other accrued liabilities	6,847	(6,351)
Net cash provided by operating activities	<u>356,352</u>	<u>85,035</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of fixed assets	15,093	6,779
Purchases of fixed assets	(519,428)	(344,601)
Net cash used in investing activities	<u>(504,335)</u>	<u>(337,822)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of notes payable	(461,966)	(231,527)
Net cash used in financing activities	<u>(461,966)</u>	<u>(231,527)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(609,949)	(484,314)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>1,959,642</u>	<u>2,443,956</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 1,349,693</u>	<u>\$ 1,959,642</u>
<u>Supplemental Disclosure on Non-Cash Activity</u>		
Paycheck Protection Program loan forgiveness	\$ -	\$ 2,393,300
Vehicles obtained in exchange for long-term lease obligation	\$ 102,059	\$ -

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

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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 and intellectual disabilities, cerebral palsy, and other handicapping conditions who live in Montgomery, Maury 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 3.6 and 3.0 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2022 and 2021, respectively.

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, 2019.

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 estimates in the near term and variances could have a material effect on the 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 two net asset categories follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains and losses that are not restricted by grants or donors are included in this classification. All expenditures are reported in the net assets without donor restrictions 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.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

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

Basis of Accounting (Cont'd)

Net Assets Without Donor Restrictions (Cont'd)

Restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor- or grantor-imposed restrictions. Some restrictions expire with the passage of time or may be satisfied by use for the specific purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization's net assets with donor restrictions consisted of funds due from grantor agencies at June 30, 2022 and 2021.

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

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

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

Accrued Compensated Absences

Employees of the Organization are entitled to paid vacation based upon length of service. The estimated liability for accumulated leave was \$348,637 and \$332,090 at June 30, 2022 and 2021, respectively. Any amounts owed to employees are paid upon termination. The amounts are reported with accrued payroll as a current liability in the statements of financial position.

Revenues

Revenues are reported net of discounts.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Date of Management's Review

Subsequent events have been evaluated through November 16, 2022, 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 \$1,418,669 and \$2,039,008 at June 30, 2022 and 2021, respectively. Of these amounts, \$500,000 and \$428,590, respectively, were insured by the Federal Deposit Insurance Corporation, and \$918,669 and \$1,610,418, respectively, were uninsured at June 30, 2022 and 2021.

3. Liquidity and Availability

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to cash receipts for program services. Additionally, the Organization receives support from government agencies through annual grants which are paid on an expense reimbursement basis typically within 45 days of the request for reimbursement. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unrestricted cash	\$ 1,349,693	\$ 1,959,642
Non-grant accounts receivable	<u>1,662,873</u>	<u>1,488,062</u>
Total	<u>\$ 3,012,566</u>	<u>\$ 3,447,704</u>

The Organization also has a \$500,000 line of credit which can be used to supplement cash flows as needed.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

4. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2022</u>	<u>2021</u>
Medicaid Waiver	\$ 1,181,560	\$ 1,149,046
Grants	304,041	224,952
Other	<u>481,313</u>	<u>339,016</u>
Total	<u>\$ 1,966,914</u>	<u>\$ 1,713,014</u>

5. Capital Leases

As of June 30, 2022 and 2021, the Organization was the lessee of three vehicles under capital leases expiring in December 2023 and August 2025. The assets and liabilities under these capital leases are recorded at book value which is not materially different from the present value of the minimum lease payments or the fair value of the asset. The vehicles are depreciated over their estimated productive life.

Property held under capital leases, which is included in vehicles, is as follows:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 138,880	\$ 36,822
Less: accumulated depreciation	<u>(31,406)</u>	<u>(10,438)</u>
	<u>\$ 107,474</u>	<u>\$ 26,384</u>

The remaining future minimum lease payments under the capital leases, which are included in long-term debt, are:

Year Ending	<u>Amount</u>
<u>June 30,</u>	
2023	\$ 32,925
2024	26,630
2025	23,925
2026	6,355
Less: Amount representing interest	<u>(10,054)</u>
Present value of net minimum lease payments	<u>\$ 79,781</u>

The interest rates on the capitalized leases are 8.01% and 8.23% and are imputed on the lessor's implicit rate of return.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

6. Notes Payable

Notes payable consisted of the following:

	<u>2022</u>	<u>2021</u>
3.15% note payable to Legends Bank, secured by real estate with carrying amount of \$1,190,367 and \$1,264,106 at June 30, 2022 and 2021, respectively, payable in interest-only monthly installments for six months, and monthly installments of \$37,773 of principal and interest through November 2024.	\$ 1,055,549	\$ 1,476,758
8.23% obligation under three capital leases, secured by vehicles with carrying amount of \$107,474 and \$26,384 at June 30, 2022 and 2021, respectively, payable in monthly installments of \$2,743 of principal and interest through August 2025.	<u>79,781</u>	<u>18,479</u>
Total notes payable	1,135,330	1,495,237
Less: current portion	<u>453,318</u>	<u>420,081</u>
Total long-term portion of notes payable	<u>\$ 682,012</u>	<u>\$ 1,075,156</u>

Future payments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 453,318	\$ 32,878
2024	463,029	16,873
2025	212,675	2,864
2026	<u>6,308</u>	<u>47</u>
	<u>\$ 1,135,330</u>	<u>\$ 52,662</u>

Cash payments for interest were \$46,337 and \$55,002 for the years ended June 30, 2022 and 2021, respectively.

7. Line of Credit

The Organization maintains an operating line of credit with Legends Bank with a borrowing limit of \$500,000 and \$500,000 at June 30, 2022 and 2021, respectively, of which \$500,000 and \$500,000 was available at June 30, 2022 and 2021, respectively. The line of credit had a variable interest rate of 5.50% and 5.00% at June 30, 2022 and 2021, respectively, and requires monthly interest payments. The line of credit matures August 2024 and is secured by a deed of trust on real estate with a net book value of \$1,122,059 and \$1,195,798 at June 30, 2022 and 2021, respectively.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

8. Operating Leases

The Organization leases facilities in the conduct of its mission under noncancelable operating leases with maturities varying from one to five years.

The Organization leases twenty-one vehicles used in its day services. The vehicles are leased under operating leases varying from 36 to 60 months in length with varying maturity dates between May 2024 and January 2027.

The Organization leases copiers and postage equipment under operating leases held by various companies. The lease terms expire between November 2022 and September 2025.

Rental expense under the operating leases was \$285,252 and \$213,539 for the years ended June 30, 2022 and 2021,

Future payments on lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2023	\$ 236,631
2024	195,464
2025	109,894
2026	43,437
2027	19,933
	<u>\$ 605,359</u>

9. 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, 2022 and 2021.

During the fiscal years ended June 30, 2022 and 2021, contributions to the plan totaling \$78,184 and \$69,913, respectively, were paid and expensed by the Organization. Employee contributions to the plan were \$83,797 and \$74,707 for the years ended June 30, 2022 and 2021, respectively.

10. Contracts

The Organization enters into program administration contracts with the State Division of Intellectual Disabilities Services and the State Department of Education. These contracts are for the purpose of providing intellectual disabilities services in accordance with applicable federal and state laws, regulations, program guidelines, service definitions and stated goals. Revenues under these contracts were \$13,124,710 and \$10,708,684 and amounted to 74% of total revenues for the years ended June 30, 2022 and 2021, 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.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

11. 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.

12. Sources of Revenue

The following is total revenue disaggregated by type:

	<u>2022</u>	<u>2021</u>
Without donor restrictions:		
Fees and services:		
Supported living:		
Medical Waiver program	\$ 13,124,710	\$ 10,708,684
CHOICES program	126,063	116,127
Vocational and Employment Support:		
Vocational rehabilitation program	153,256	90,784
Employment and Community First program	1,089,194	676,591
Cleaning contracts	740,770	761,372
Other contracts	245,502	103,997
Local educational grants	4,468	18,000
Day care fees	643,056	412,984
Thrift store sales	90,687	90,294
Rental revenue	92,467	80,973
Contributions	120,304	115,083
Interest	8,305	7,883
Net assets released from restriction	<u>1,335,468</u>	<u>1,247,818</u>
Total revenues without donor restrictions	<u>17,774,250</u>	<u>14,430,590</u>
Federal and state grants:		
Early intervention	923,287	782,244
Vehicle grant	32,400	38,933
Essential Worker Grant	-	430,253
ARP Child Care and Development Block Grant	261,756	-
COVID-19 Business Relief	-	5,000
Community Development Block Grant	100,000	-
Pre-Employment Transition Services	10,901	-
Net assets released from restriction	<u>(1,335,468)</u>	<u>(1,247,818)</u>
Total revenues with donor restrictions	<u>(7,124)</u>	<u>8,612</u>
Total revenues	<u>\$ 17,767,126</u>	<u>\$ 14,439,202</u>

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2022 AND 2021

13. Subsequent Event

In July 2022, the Organization was awarded a second American Rescue Plan Child Care and Development Block Grant in the amount of \$356,969.

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2021</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2022</u>
<u>Federal Transportation Administration</u>						
Passed through State of Tennessee Department of Transportation						
Vehicle Grant	40100-298000	20.513	\$ -	\$ 32,400	\$ 32,400	-
Total Federal Transportation Administration			-	32,400	32,400	-
<u>U.S. Department of Health and Human Services</u>						
Passed through State of Tennessee Department of Human Services						
Pre-Employment Transition Services	34570-82922	84.126	-	5,830	10,900	5,070
ARP Child Care and Development Block Grant	N/A	93.575	-	347,969	261,756	(86,213)
COVID-19 Child Care and Development Fund	TCC243	93.575	19,925	19,925	-	-
Total U.S. Department of Health and Human Services			19,925	373,724	272,656	(81,143)
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
AEPS Services	33195-00419	84.181A	898	898	-	-
TEIS Vendor Services	33195-00419	84.181A	-	7,269	8,140	871
Early Intervention Services 2020-2021	33195-00117	84.181A	54,852	54,852	-	-
Early Intervention Services 2021-2022	69640	84.181A	-	190,957	244,189	53,232
Total U.S. Department of Education			55,750	253,976	252,329	54,103

(Continued)

See accompanying notes to schedule of federal awards and state financial assistance.

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CON'TD)
YEAR ENDED JUNE 30, 2022

<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable (Payable) July 1, 2021</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable (Payable) June 30, 2022</u>
<u>U.S. Department of Housing and Urban Development</u>						
Passed through City of Clarksville						
Community Development Block Grant Coronavirus	CommonGroundCafe	14.218	-	-	100,000	100,000
Total U.S. Dept. of Housing and Urban Development			-	-	100,000	100,000
Total federal awards			75,675	660,100	657,385	72,960
<u>State of Tennessee Department of Education</u>						
AEPS Services	33195-00419	84.181A	972	972	-	-
TEIS Vendor Services	33195-00419	84.181A	-	9,799	10,743	944
Early Intervention Services 2020-2021	33195-00117	84.181A	148,305	148,305	-	-
Early Intervention Services 2021-2022	69640	84.181A	-	516,291	660,215	143,924
Total State of Tennessee Department of Education			149,277	675,367	670,958	144,868
Total state assistance			149,277	675,367	670,958	144,868
Total federal awards and state financial assistance			\$ 224,952	\$ 1,335,467	\$ 1,328,343	\$ 217,828

PROGRESSIVE DIRECTIONS, INC.
NOTES TO SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2022 AND 2021

Note A – Basis of Presentation

The accompanying schedule of federal awards 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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 16, 2022

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

No findings were reported in the prior year.