

PROGRESSIVE DIRECTIONS, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
YEARS ENDED JUNE 30, 2017 AND 2016

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PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND MANAGEMENT (UNAUDITED)  
JUNE 30, 2017

BOARD OF DIRECTORS

Dr. Barry Woods  
Dr. Steve Routledge  
Ms. Irene Johnson  
Ms. Joanna Bailey  
Mr. Billy Boyd  
Ms. Mary Davila  
Dr. Bruce Myers  
Mr. Bob Palmer  
Ms. Alena Sampson

Chairman  
Vice-Chairman  
Secretary/Treasurer

MANAGEMENT

Mr. Jay Albertia

Executive Director



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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, 2017 and 2016, 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, 2017 and 2016, 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 30, 2017, 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 30, 2017



PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 103,935	\$ 259,258
Accounts receivable	906,771	775,287
Inventory	2,846	2,279
Prepaid expenses	93,817	106,044
Total current assets	<u>1,107,369</u>	<u>1,142,868</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	429,218	429,218
Building	2,409,297	2,391,136
Equipment	552,395	513,127
Vehicles	686,309	677,930
Construction in progress	15,000	15,000
Total property and equipment	<u>4,092,219</u>	<u>4,026,411</u>
Less: accumulated depreciation	<u>2,270,489</u>	<u>2,123,326</u>
Net property and equipment	<u>1,821,730</u>	<u>1,903,085</u>
<u>OTHER ASSETS</u>		
Customer deposits	3,941	2,700
Loan costs, net of accumulated amortization of \$7,452 and \$6,076	6,306	7,682
Total other assets	<u>10,247</u>	<u>10,382</u>
Total assets	<u>\$ 2,939,346</u>	<u>\$ 3,056,335</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 218,730	\$ 160,886
Accrued payroll	520,759	483,625
Other accrued liabilities	26,617	23,719
Line of credit	150,000	-
Current portion of notes payable	256,260	243,531
Total current liabilities	<u>1,172,366</u>	<u>911,761</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable - net of current portion	1,057,548	1,312,891
Total liabilities	<u>2,229,914</u>	<u>2,224,652</u>
<u>NET ASSETS</u>		
Unrestricted	<u>709,432</u>	<u>831,683</u>
Total liabilities and net assets	<u>\$ 2,939,346</u>	<u>\$ 3,056,335</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016

<u>CHANGES IN UNRESTRICTED NET ASSETS</u>	<u>2017</u>	<u>2016</u>
Revenues:		
Fees and services	\$ 7,056,634	\$ 7,117,150
Grants	734,638	565,736
Contributions	134,974	166,988
Day care	661,233	644,031
Thrift store	76,144	79,311
Interest	772	1,490
Total revenues	<u>8,664,395</u>	<u>8,574,706</u>
Expenses:		
Program services		
Adult program services	6,321,052	6,360,787
Early intervention services	693,834	552,683
Day care	690,368	650,763
Thrift store	97,935	91,059
Total program services	<u>7,803,189</u>	<u>7,655,292</u>
Administrative supporting services	<u>985,087</u>	<u>844,186</u>
Total expenses	<u>8,788,276</u>	<u>8,499,478</u>
Other income:		
Gain on disposal of property and equipment	<u>1,630</u>	<u>2,799</u>
Total other income	<u>1,630</u>	<u>2,799</u>
<u>CHANGE IN UNRESTRICTED NET ASSETS</u>	(122,251)	78,027
<u>NET ASSETS - BEGINNING</u>	<u>831,683</u>	<u>753,656</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 709,432</u>	<u>\$ 831,683</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017

	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	\$ 10,390	\$ -	\$ 15,818	\$ 1,239	\$ 27,447	\$ 14,336	\$ 41,783	
Communication	26,460	6,813	11,101	954	45,328	22,728	68,056	
Depreciation	75,209	18,758	43,869	-	137,836	17,861	155,697	
Dues, memberships and licenses	11,267	810	625	-	12,702	13,955	26,657	
Food	1,272	-	37,786	-	39,058	-	39,058	
Fringe benefits	709,729	73,693	45,380	6,801	835,603	117,312	952,915	
Grants and subsidies	24,069	-	-	-	24,069	-	24,069	
Insurance	96,615	5,396	9,368	430	111,809	27,400	139,209	
Interest	20,399	9,061	27,041	-	56,501	26,249	82,750	
Personnel	4,872,897	480,553	421,887	42,229	5,817,566	491,777	6,309,343	
Professional services	43,132	9,128	734	-	52,994	146,709	199,703	
Rentals	-	-	-	30,000	30,000	4,664	34,664	
Repairs and maintenance	31,225	6,886	25,985	8,595	72,691	49,217	121,908	
Supplies	44,814	17,467	17,350	362	79,993	25,329	105,322	
Travel and entertainment	26,186	56,241	-	-	82,427	5,815	88,242	
Vehicle operations	305,082	-	4,087	-	309,169	7,740	316,909	
Utilities	22,306	9,028	29,337	7,325	67,996	13,995	81,991	
Total expenses	\$ 6,321,052	\$ 693,834	\$ 690,368	\$ 97,935	\$ 7,803,189	\$ 985,087	\$ 8,788,276	

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



PROGRESSIVE DIRECTIONS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2016

	Program Services						
	Adult Program Services	Early Intervention Services	Kids Depot Day Care	Thrift Store	Total Program Services	Administrative Supporting Services	Total Expenses
Advertising and public relations	\$ 9,289	\$ 20	\$ 9,715	\$ 1,092	\$ 20,116	\$ 15,661	\$ 35,777
Communication	25,695	7,976	10,451	679	44,801	23,780	68,581
Depreciation	75,351	16,952	47,246	-	139,549	19,022	158,571
Dues, memberships and licenses	11,824	810	675	-	13,309	8,678	21,987
Food	350	-	33,026	-	33,376	-	33,376
Fringe benefits	730,760	64,832	57,543	4,845	857,980	114,738	972,718
Grants and subsidies	28,813	-	-	-	28,813	-	28,813
Insurance	61,522	4,982	6,581	176	73,261	26,375	99,636
Interest	25,520	10,246	30,746	-	66,512	24,908	91,420
Personnel	4,814,520	380,995	368,459	44,197	5,608,171	391,583	5,999,754
Professional services	73,227	2,738	3,328	-	79,293	129,863	209,156
Rentals	-	-	397	30,000	30,397	2,780	33,177
Repairs and maintenance	134,025	5,129	37,904	3,681	180,739	36,458	217,197
Supplies	51,160	1,590	17,702	269	70,721	21,443	92,164
Travel and entertainment	21,129	50,221	402	-	71,752	11,854	83,606
Vehicle operations	275,842	-	5,046	1,159	282,047	4,251	286,298
Utilities	21,760	6,192	21,542	4,961	54,455	12,792	67,247
Total expenses	\$ 6,360,787	\$ 552,683	\$ 650,763	\$ 91,059	\$ 7,655,292	\$ 844,186	\$ 8,499,478

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (122,251)	\$ 78,027
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	155,697	158,571
Gain on disposal	(1,630)	(2,799)
Changes in:		
Accounts receivable	(131,484)	(54,967)
Inventory	(567)	(574)
Prepaid expenses	12,227	(2,528)
Customer deposits	(1,241)	(575)
Loan costs, net	1,376	1,376
Accounts payable	57,844	18,434
Accrued payroll	37,134	7,113
Other accrued liabilities	2,898	(25,210)
Net cash provided by operating activities	<u>10,003</u>	<u>176,868</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of fixed assets	1,630	14,325
Purchases of fixed assets	(74,342)	(221,584)
Net cash used in investing activities	<u>(72,712)</u>	<u>(207,259)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net proceeds from line of credit	150,000	-
Proceeds from notes payable	-	116,250
Repayment of notes payable	(242,614)	(226,312)
Net cash used in financing activities	<u>(92,614)</u>	<u>(110,062)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	(155,323)	(140,453)
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>259,258</u>	<u>399,711</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 103,935</u>	<u>\$ 259,258</u>

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

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016

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 8.7 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2017 and 2016, 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, 2017 and 2016.

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, 2014.

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, 2017 AND 2016

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, 2017 and 2016.

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, 2017 and 2016.

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, 2017 AND 2016

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 \$240,281 and \$209,252 at June 30, 2017 and 2016, respectively. Any amounts owed to employees are paid upon termination. The amounts are reported with accrued payroll as a current liability on the statement of financial position.

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 30, 2017, 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 \$106,623 and \$263,826 at June 30, 2017 and 2016, respectively. Of these amounts, \$106,623 and \$250,000, respectively, was insured by the Federal Deposit Insurance Corporation, and \$-0- and \$13,826 respectively, was uninsured at June 30, 2017 and 2016.

3. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2017</u>	<u>2016</u>
Medicaid Waiver	\$ 524,934	\$ 565,284
Grants	174,433	101,709
Other	207,404	108,294
Total	<u>\$ 906,771</u>	<u>\$ 775,287</u>



PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2017 AND 2016

4. Notes Payable

Notes payable consisted of the following:

	<u>2017</u>	<u>2016</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.	\$ 49,224	\$ 68,932
3.5% note payable to Legends Bank, secured by land and building with carrying amount of \$150,343 and \$154,472 at June 30, 2017 and 2016, respectively, payable in monthly installments of \$835 of principal and interest with a balloon payment of \$85,105 due February 2021.	108,393	114,450
5.25% note payable to Legends Bank, secured by real estate with carrying amount of \$1,030,433 and \$1,088,369 at June 30, 2017 and 2016, respectively, payable in monthly installments of \$23,739 of principal and interest through February 2022.	<u>1,156,191</u>	<u>1,373,040</u>
Total notes payable	1,313,808	1,556,422
Less: current portion	<u>256,260</u>	<u>243,531</u>
Total long-term portion of notes payable	<u>\$ 1,057,548</u>	<u>\$ 1,312,891</u>

Future payments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>
2018	\$ 256,260	\$ 60,781
2019	269,659	47,382
2020	268,982	33,411
2021	357,170	18,411
2022	<u>161,737</u>	<u>2,955</u>
	<u>\$ 1,313,808</u>	<u>\$ 162,940</u>

Cash payments for interest were \$83,095 and \$91,240 for the years ended June 30, 2017 and 2016, respectively.

5. Line of Credit

The Organization maintains a \$250,000 unsecured bank line of credit of which \$100,000 and \$250,000 remained unused at June 30, 2017 and 2016, respectively. The line of credit has a variable interest rate which was 6.00% at June 30, 2017 and 2016 and is payable monthly. The line of credit matures August 2017.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2017 AND 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, 2017 and 2016.

During the fiscal years ended June 30, 2017 and 2016, contributions to the plan totaling \$48,298 and \$45,864, respectively, were paid and expensed by the Organization. Employee contributions to the plan were \$53,647 and \$49,360 for the years ended June 30, 2017 and 2016, 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 \$6,010,042 and \$6,312,832 and amounted to 69% and 73% of total revenues for the years ended June 30, 2017 and 2016, 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.

9. Subsequent Events

Effective July 1, 2017, the Organization merged with Impact Centers, Inc., a nonprofit organization that services Maury, Marshall, Hickman and Giles counties in Tennessee. The merger is expected to increase revenues and expenses by approximately \$4 million for the year ending June 30, 2018.

In August 2017, the Organization increased its unsecured bank line of credit limit from \$250,000 to \$400,000. All other terms remained the same. The increased line matures August 2018.

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2017

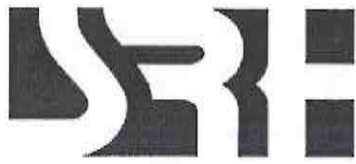
<u>Grantor/Program Title</u>	<u>Grant Number or Pass-Through Grantor's Contract Number</u>	<u>Federal CFDA Number</u>	<u>Accrued Receivable July 1, 2016</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2017</u>
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
Early Intervention Services	33195-00116	84.181A	\$ 73,198	\$ 73,198	\$ -	\$ -
Early Intervention Services	33195-00117	84.181A	-	252,092	252,092	-
Total federal assistance			73,198	325,290	252,092	-
<u>State of Tennessee Department of Education</u>						
Early Intervention Services	33195-00116	84.181A	28,511	28,511	-	-
Early Intervention Services	33195-00117	84.181A	-	308,113	482,546	174,433
Total state assistance			28,511	336,624	482,546	174,433
Total assistance			\$ 101,709	\$ 661,914	\$ 734,638	\$ 174,433

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2017 AND 2016

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, 2017, 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 30, 2017.

**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 30, 2017

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

No findings were reported in the prior year.