

PROGRESS, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEARS ENDED JUNE, 2013 AND 2012

TABLE OF CONTENTS

	Page
<i>FINANCIAL STATEMENTS</i>	
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	9
<i>SUPPLEMENTAL INFORMATION</i>	
Schedule of Expenditures of Government Contracts	19
Notes to the Schedule of Expenditures of Government Contracts	20
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	21
Schedule of Findings and Responses	23
Summary Schedule of Prior Audit Findings	24



Joel D. Collum, Jr.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Progress, Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Progress, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Progress, Inc. as of June 30, 2013 and 2012, 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

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of government contracts, 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 my 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*, I have also issued my report dated December 4, 2013, on my consideration of Progress, Inc.'s internal control over financial reporting and on my 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 my 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 Progress, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Joel D. Colburn, Jr., CPA". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 4, 2013

PROGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 107,642	\$ 23,443
Investments	409,438	538,679
Accounts receivable - state agencies	777,733	808,768
Accounts receivable - other	163,508	169,609
Prepaid expenses	<u>209,513</u>	<u>241,117</u>
Total current assets	<u>1,667,834</u>	<u>1,781,616</u>
PROPERTY AND EQUIPMENT		
Property and equipment, at cost, net of accumulated depreciation	<u>1,570,812</u>	<u>1,565,767</u>
OTHER ASSETS		
Security deposits	11,685	5,130
Cash - client trust account	<u>201,067</u>	<u>194,853</u>
Total other assets	<u>212,752</u>	<u>199,983</u>
TOTAL ASSETS	<u><u>\$ 3,451,398</u></u>	<u><u>\$ 3,547,366</u></u>

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

PROGRESS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Installment notes payable - current portion	\$ 119,647	\$ 96,927
Line of credit	260,000	10,098
Accounts payable - trade	55,151	122,183
Accrued expenses	<u>657,098</u>	<u>683,877</u>
Total current liabilities	<u>1,091,896</u>	<u>913,085</u>
NON-CURRENT LIABILITIES		
Installment notes payable - less current portion	<u>199,620</u>	<u>286,785</u>
Total non-current liabilities	<u>199,620</u>	<u>286,785</u>
OTHER LIABILITIES		
Accounts payable - client trust account	<u>201,067</u>	<u>194,853</u>
Total other liabilities	<u>201,067</u>	<u>194,853</u>
TOTAL LIABILITIES	<u>1,492,583</u>	<u>1,394,723</u>
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted	1,921,757	2,147,643
Temporarily restricted	<u>37,058</u>	<u>5,000</u>
TOTAL NET ASSETS	<u>1,958,815</u>	<u>2,152,643</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,451,398</u></u>	<u><u>\$ 3,547,366</u></u>

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

PROGRESS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
State grants and contracts	\$ -	\$ 7,967,532	\$ 7,967,532	\$ -	\$ 7,971,805	\$ 7,971,805
Contributions	78,925	37,058	115,983	82,919	5,000	87,919
Food stamps	-	73,669	73,669	-	95,091	95,091
Room and board fees	33,355	-	33,355	34,105	-	34,105
Supported employment workites	92,420	-	92,420	77,304	-	77,304
Investment income	1,754	-	1,754	2,934	-	2,934
Gain (loss) on investment	(856)	-	(856)	225	-	225
Miscellaneous	51,261	-	51,261	26,871	-	26,871
Net assets released from restrictions:						
Satisfaction of grant/contract restrictions	8,041,201	(8,041,201)	-	8,066,896	(8,066,896)	-
Satisfaction of use restrictions	5,000	(5,000)	-	-	-	-
Total revenues and other support	8,303,060	32,058	8,335,118	8,291,254	5,000	8,296,254
EXPENSES						
Program services:						
Rehabilitation and residential housing	7,358,972	-	7,358,972	7,095,046	-	7,095,046
General and administrative	1,027,402	-	1,027,402	983,643	-	983,643
Fundraising	142,572	-	142,572	115,002	-	115,002
Total expenses	8,528,946	-	8,528,946	8,193,691	-	8,193,691
Change in net assets	(225,886)	32,058	(193,828)	97,563	5,000	102,563
Net assets - beginning of year - as restated	2,147,643	5,000	2,152,643	2,050,080	-	2,050,080
Net assets - end of year	\$ 1,921,757	\$ 37,058	\$ 1,958,815	\$ 2,147,643	\$ 5,000	\$ 2,152,643

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

2012

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

PROGRESS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(\$ 193,828)	\$ 102,563
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	139,380	124,648
Loss (gain) on investments	856	(225)
(Increase) decrease in operating assets		
Accounts receivable	37,136	(269,146)
Prepaid expenses	25,049	(22,965)
Increase (decrease) in operating liabilities:		
Accounts payable	(67,032)	56,690
Accrued expenses	(26,779)	33,017
Net cash provided (used) by operating activities	<u>(85,218)</u>	<u>24,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of securities	(410,101)	(668,876)
Securities redeemed	538,486	666,648
Purchases of property and equipment	<u>(144,425)</u>	<u>(175,633)</u>
Net cash provided (used) by investing activities	<u>(16,040)</u>	<u>(177,861)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowing:		
Short-term	2,432,047	1,340,098
Long-term	45,000	-
Payments on notes:		
Short-term	(2,182,145)	(1,330,000)
Long-term	<u>(109,445)</u>	<u>(97,470)</u>
Net cash provided (used) by financing activities	<u>185,457</u>	<u>(87,372)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>84,199</u>	<u>(240,651)</u>
Cash and cash equivalents at the beginning of the year	<u>23,443</u>	<u>264,094</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 107,642</u></u>	<u><u>\$ 23,443</u></u>

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

PROGRESS, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

SUPPLEMENTAL INFORMATION FOR THE STATEMENT OF CASH FLOWS

	<u>2013</u>	<u>2012</u>
CASH PAID DURING THE YEAR FOR		
Interest	<u>\$ 26,832</u>	<u>\$ 30,468</u>

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

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Progress, Inc. is a community organization committed to providing opportunities in supported and independent living through group home and residential settings, community-based employment, and developmental services to persons who have mental retardation or other disabilities. This is accomplished through securing all indicated resources and ensuring their effective use for the individuals the organization serves. The organization is further committed to serving as a vehicle for communicating the desires and needs of the persons it serves and to enhance the image of those persons in the community.

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Progress, Inc. and the changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulation that they be maintained permanently by the organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on any related investments for general or specific purposes. The organization currently has no permanently restricted net assets.

Revenue:

Progress, Inc. receives substantially all of its grant/contract revenue from State agencies. Revenue is recognized over the grant/contract period based on expenses. Any of the funding sources may request the return of funds as a result of non-compliance with the terms of the grants/contracts. All other revenue and support is recognized when earned.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions:

The Organization uses the provisions of the FASB Accounting Standards Codification Revenue Recognition Topic in accounting for contributions received. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Temporarily restricted assets at June 30, 2013 and 2012 are purpose restricted and will be reclassified to unrestricted net assets upon expiration of the purpose restriction.

Financial statement presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentration:

The Organization receives approximately 75.2% of its total support and revenue from the Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare.

Income taxes:

Progress, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the financial statements. In addition, Progress, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Cash and cash equivalents:

For the purpose of the statement of cash flows, the Organization considers all cash and other highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and equipment:

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the asset for a specific time or purpose. Upon expiration of donor restrictions the assets are reclassified as unrestricted assets. Depreciation on purchased and donated assets is computed using the straight-line method based on the estimated useful lives of the respective assets. Upon retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and the related gain or loss is reflected in the statement of activities for that period. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to their percentage of interest in the proceeds from the sale of those assets. For the years ending June 30, 2013 and 2012, depreciation expense was \$139,380 and \$124,648 respectively.

The cost of routine repairs and maintenance is charged to expense when incurred, with significant improvements or betterments being capitalized. It is the policy of Progress, Inc. to capitalize all assets purchased with a cost of \$500 or more.

Accounts receivable and allowance for doubtful accounts:

It is the policy of Progress, Inc. to record accounts receivable when the amount becomes known. Management considers all receivables as of June 30, 2013 and 2012 to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Accounts receivable-state agencies - Amounts represent a request for reimbursement for expenses incurred under state contracts.

Accounts receivable-residents - Amounts represent expenses paid by Progress, Inc. on behalf of residents. Currently there are no amounts due from residents.

Accounts receivable-other - Amounts represent contracted receivables from various agencies and companies for client services.

In-kind donations:

It is the policy of Progress, Inc. to record as support and expense all in-kind donations at their estimated fair value as of the date of donation. There were no in-kind donations received by the Organization during the years ended June 30, 2013 and 2012.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Land	\$ 28,606	\$ 28,606
Buildings and improvements	2,321,740	2,228,769
Vehicles	402,755	374,302
Furniture and equipment	140,248	117,247
	<u>2,893,349</u>	<u>2,748,924</u>
Less: Accumulated depreciation	<u>(1,322,537)</u>	<u>(1,183,157)</u>
	<u><u>\$ 1,570,812</u></u>	<u><u>\$ 1,565,767</u></u>

3. COMMITMENTS

The Organization entered into a lease for real property with the State of Tennessee during the year ended June 30, 1997, which will expire in the year 2056. There are no minimum fixed lease payments under the lease, but all improvements to the property will be surrendered to the lessor at the expiration of the lease, at the lessor's option.

Progress, Inc. entered into four leases for the use of office equipment at its administrative office. The first lease started on May 6, 2010 and expires October 5, 2013 and has a fixed monthly payment of \$124. The second lease started on May 26, 2011, expires May 26, 2015 and has a fixed monthly payment of \$1,002. The third lease started on August 4, 2012, expires August 4, 2017 and has a fixed monthly payment of \$106. The fourth lease started on March 8, 2013, expires March 8 2017 and has a fixed monthly payment of \$173.

Progress entered into a one year lease for the office space used by its Cheatham County office. The lease began on April 1, 2012, expired March 31, 2013.

Future minimum rental payments required are as follows:

Year ended <u>June 30,</u>	<u>Amount</u>
2014	\$ 15,862
2015	14,364
2016	3,342
2017	2,824
2018	211
Total	<u><u>\$ 36,603</u></u>

The total rent paid on the building lease for the years ended June 30, 2013 and 2012 amounted to \$3,555 and \$4,740 respectively.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. COMMITMENTS - CONTINUED

The total rent paid on the office equipment leases for the years ended June 30, 2013 and 2012 amounted to \$14,516 and \$12,338.

The Organization has a \$300,000 line of credit with a Pinnacle Financial Partners. The line is unsecured and has an interest rate equivalent to 5.00% and 5.00% at June 30, 2013 and 2012 respectively. The line of credit expires December 16, 2013. Advances payable under the line are \$260,000 and \$10,098 at June 30, 2013 and 2012 respectively.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

For the years ended June 30, 2013 and 2012, Progress, Inc. held \$517,080 and \$562,122, respectively, in cash deposits and investments. In addition, the Organization held cash deposits and investments, in trust, for clients of \$201,067 and \$194,853, respectively, for years ended June 30, 2013 and 2012.

Deposits:

Progress, Inc. maintains cash balances at several banks located in Nashville, Tennessee. Amounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At June 30, 2013 and 2012, the Organization had cash balances of \$107,642 and \$23,443 respectively, in unrestricted accounts. At June 30, 2013 and 2012, the Organization had certificates of deposit of \$409,438 and \$538,679, respectively. Cash balances maintained for clients, in a fiduciary capacity, were \$201,067 and \$194,853, respectively, for the years ended June 30, 2013 and 2012. At June 30, 2013 and 2012, Progress, Inc. had \$47,257 and \$0- respectively in uninsured deposits.

5. FAIR VALUE INVESTMENTS

The Organization's investments are reported at fair value in the accompanying statement of net assets available for benefits.

Fair Value Measurements at June 30, 2013 Using				
	Fair Value	Quoted Prices		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 409,438	\$ -	\$ 409,438	\$ -
	\$ 409,438	\$ -	\$ 409,438	\$ -

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

5. FAIR VALUE INVESTMENTS - CONTINUED

Fair Value Measurements at June 30, 2012 Using				
		Quoted Prices		
		In Active	Significant	
		Markets for	Other	Significant
		Identical	Observable	Unobservable
		Assets	Inputs	Inputs
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Certificates of deposit	\$ 538,679	\$ -	\$ 538,679	\$ -
	<u>\$ 538,679</u>	<u>\$ -</u>	<u>\$ 538,679</u>	<u>\$ -</u>

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 2 Fair Value Measurements - The fair value of the investments are based on inputs other than quoted prices within Level 1 that are observable for the asset, either directly, or indirectly.

Level 3 Fair Value Measurements - The fair value of the investments are based on at least one significant unobservable input.

Gains and losses (realized and unrealized) included in changes in net assets available for benefits for the year ended June 30, 2013, are reported in the net appreciation in fair value of investments.

6. INSTALLMENT NOTES PAYABLE

Installment notes payable consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Installment note payable to Pinnacle Financial Partners, payable in 24 monthly installments of \$1,321 including principal and interest beginning September 23, 2012 with a final payment due August 23, 2014, interest rate of 5.25%. This note is unsecured.	\$ 17,888	\$ -

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

6. INSTALLMENT NOTES PAYABLE - CONTINUED

Installment note payable to Pinnacle Financial Partners, payable in 36 monthly installments of \$450 including principal and interest beginning June 6, 2013 with a final payment due May 6, 2016, interest rate of 4.99%, secured by the vehicle purchased.

14,608 -

Installment note payable to Pinnacle Financial Partners, payable in 36 monthly installments of \$280 including principal and interest beginning September 11, 2010 with a final payment due August 11, 2013, interest rate of 7.50%, secured by the vehicle purchased.

557 3,747

Installment note payable to Pinnacle Financial Partners, payable in 60 monthly installments of \$9,368 including principal and interest beginning April 30, 2011 with a final payment due March 30, 2016, interest rate of 5.45%, secured by a deed of trust.

286,214	379,965
319,267	383,712

Classified as current liabilities

(119,647)	(96,927)
------------	-----------

Classified as long-term debt

\$ 199,620	\$ 286,785
------------	------------

Maturities on notes payable are as follows:

Year ended June 30,	Amount
2014	\$ 119,647
2015	112,325
2016	87,295
2017	-
	\$ 319,267

7. EMPLOYEE BENEFIT PLAN

Effective April 1, 2012 the Organization entered into a profit sharing plan under Section 401(k) of the Internal Revenue Code. The Plan covers all employees who are 21 years of age and have completed three months of eligibility service. The Plan allows the employees to contribute up to the maximum allowed by the Internal Revenue Code. The Organization contributes an amount equal to each participating employee's contribution up to 3% of the employee's compensation for the year. Employees may make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code if they wish.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

7. EMPLOYEE BENEFIT PLAN - CONTINUED

During the year ended June 30, 1995, the Organization entered into a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The Plan was amended and restated effective January 1, 2009. The plan was frozen effective April 1, 2012.

Plan expenses for the years ended June 30, 2013 and 2012 were \$93,817 and \$47,578, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes after June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Senior Service Building Furnishings	\$ -	\$ 5,000
TIMAS	33,350	-
Day Building Defibrillator	3,708	-
	<u>\$ 37,058</u>	<u>\$ 5,000</u>

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors are as follows:

	<u>2013</u>	<u>2012</u>
Senior Service Building Furnishings	\$ 5,000	\$ -
	<u>\$ 5,000</u>	<u>\$ -</u>

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 4, 2013 which is the date the financial statements were available to be issued.

10. UNCERTAINTY IN INCOME TAXES

Accounting principals generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's Director of Fiscal Services has analyzed tax positions taken and has concluded that as of June 30, 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however the Organization's management believes that it is not longer subject to income tax examinations for years prior to June 30, 2009.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

11. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

PROGRESS, INC.
SCHEDULE OF EXPENDITURES OF GOVERNMENT CONTRACTS
FOR THE YEAR ENDED JUNE 30, 2013

Agency	Program Name	CFDA Number	Period	Contract Number	Receivable 6/30/2012	Receipts	Expenditures	Receivable 6/30/2013
<u>Government Contracts:</u>								
Tennessee Department of Finance and Administration - Division of Intellectual Disabilities Services and Bureau of TennCare	Provider of Services to Persons with Disabilities	N/A	1/1/2010 - 12/31/2014	10-400 M	\$ 802,682	\$ 6,302,659	\$ 6,268,949	\$ 768,972
Greater Nashville Regional Council	Provision of Home and Community Based Services	N/A	7/1/2012 - 6/30/2013	2013-52	-	19,918	28,679	8,761
Greater Nashville Regional Council	Provision of Home and Community Based Services	N/A	7/1/2011 - 6/30/2012	2012-52	6,086	6,086	-	-
Total Government Contracts					\$ 808,768	\$ 6,328,663	\$ 6,297,628	\$ 777,733

Please see independent auditor's report.

PROGRESS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF GOVERNMENT CONTRACTS
JUNE 30, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of government contracts summarizes the expenditures of the Organization under grants and contracts of the state government for the year ended June 30, 2013. The schedule is presented on the accrual basis of accounting. Some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Joel D. Collum, Jr.
Certified Public Accountant

**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 of
Progress, Inc.

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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 my report thereon dated December 4, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Progress, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Progress, Inc.'s internal control. Accordingly, I 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.

My consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that I consider to be a significant deficiency (Item 2013-1).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Progress, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no

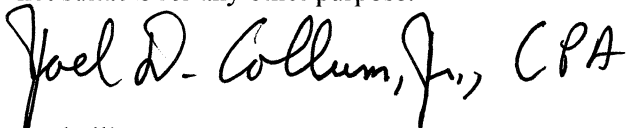
instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Progress, Inc.'s Response to Findings

Progress, Inc.'s response to the findings identified in my audit is described in the accompanying schedule of findings and responses. Progress, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Joel D. Colburn, Jr., CPA". The signature is written in a cursive, flowing style.

Nashville, Tennessee
December 4, 2013

PROGRESS, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

_____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses?

 x Yes _____ None reported

Noncompliance material to financial statements noted?

_____ Yes x No

PROGRESS, INC.
SCHEDULE OF FINDINGS AND RESPONSES -CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

PART II – FINDINGS AND QUESTIONED COST REPORTED IN ACCORDANCE WITH
GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES

Finding - 2013-1 - SUPPORTING DOCUMENTS

Progress scans and stores all documents electronically and disposes of the original paper copy. While performing a test of revenue it was noted that the supporting documentation for six months of payments received for Senior Cares Services did not get scanned.

Recommendation

Someone other than the person that scans the documents should verify that all documents have been scanned before the original documents are destroyed.

Management Response

Management concurs with the finding and will take steps to prevent it from happening again. Progress has requested and received copies of the missing documents.

PROGRESS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2013

There were no findings for the year ended June 30, 2012