

PROGRESSIVE DIRECTIONS, INC.
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020

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PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF BOARD OF DIRECTORS AND MANAGEMENT (UNAUDITED)
JUNE 30, 2021.

BOARD OF DIRECTORS

Mr. Bob Palmer
Ms. Alena Sampson
Dr. Leslie Benmark
Ms. Mary Davila
Ms. Sandra Holly
Dr. Bruce Myers
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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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, 2021 and 2020, 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, 2021 and 2020, 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 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.

The schedule of federal awards and state financial assistance 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 23, 2021, 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, PLLC

Clarksville, Tennessee
November 23, 2021

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS			
		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,959,642	\$ 2,443,956
Accounts receivable		1,713,014	1,624,010
Inventory		2,846	2,846
Investments		7,170	7,170
Prepaid expenses		18,042	14,882
Total current assets		<u>3,700,714</u>	<u>4,092,864</u>
PROPERTY AND EQUIPMENT			
Land		419,218	419,218
Building		3,373,889	3,257,469
Equipment		770,289	845,328
Vehicles		1,052,947	941,746
Construction in progress		8,567	-
Total property and equipment		<u>5,624,910</u>	<u>5,463,761</u>
Less: accumulated depreciation		<u>3,063,422</u>	<u>2,995,432</u>
Net property and equipment		<u>2,561,488</u>	<u>2,468,329</u>
OTHER ASSETS			
Customer deposits		<u>7,116</u>	<u>7,116</u>
Total assets	\$	<u><u>6,269,318</u></u>	<u><u>\$ 6,568,309</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	224,340	\$ 180,365
Accrued payroll		791,880	855,346
Deferred revenue		-	4,000
Other accrued liabilities		14,855	21,206
Current portion of notes payable		<u>420,081</u>	<u>241,752</u>
Total current liabilities		<u>1,451,156</u>	<u>1,302,669</u>
LONG-TERM LIABILITIES			
Notes payable - net of current portion		<u>1,075,156</u>	<u>3,878,312</u>
Total long-term liabilities		<u>1,075,156</u>	<u>3,878,312</u>
Total liabilities		<u>2,526,312</u>	<u>5,180,981</u>
NET ASSETS			
With donor restrictions		224,952	216,340
Without donor restrictions - Undesignated		<u>3,518,054</u>	<u>1,170,988</u>
Total net assets		<u>3,743,006</u>	<u>1,387,328</u>
Total liabilities and net assets	\$	<u><u>6,269,318</u></u>	<u><u>\$ 6,568,309</u></u>

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>2021</u>	<u>2020</u>
Revenues:		
Fees and services	\$ 12,457,555	\$ 12,872,855
Local grants	18,000	78,288
Contributions	115,083	147,429
Day care	412,984	627,123
Thrift store	90,294	78,539
Rent	80,973	81,705
Interest	7,883	3,561
Net assets released from restriction	1,247,818	775,726
Total revenues	<u>14,430,590</u>	<u>14,665,226</u>
Expenses:		
Program services:		
Adult program services	11,838,423	11,948,650
Early intervention services	739,014	759,360
Day care	742,258	706,113
Thrift store	113,955	111,753
Total program services	<u>13,433,650</u>	<u>13,525,876</u>
Administrative supporting services	<u>1,056,457</u>	<u>1,146,610</u>
Total expenses	<u>14,490,107</u>	<u>14,672,486</u>
Other income:		
Other income	15,658	24,351
Gain on extinguishment of debt	2,393,300	-
Gain (loss) on disposal of property and equipment	(2,375)	3,252
Total other income	<u>2,406,583</u>	<u>27,603</u>
Net change in net assets without donor restrictions	<u>2,347,066</u>	<u>20,343</u>
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
Federal and state grants	1,256,430	858,693
Net assets released from restriction	(1,247,818)	(775,726)
Net change in net assets with donor restrictions	<u>8,612</u>	<u>82,967</u>
Net change in net assets	<u>2,355,678</u>	<u>103,310</u>
<u>NET ASSETS - BEGINNING</u>	<u>1,387,328</u>	<u>1,284,018</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 3,743,006</u>	<u>\$ 1,387,328</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							
	Adult	Early			Thrift Store	Total Program Services	Administrative Supporting Services	Total Expenses
	Program Services	Intervention Services	Kids Day Care	Depot				
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	\$ 11,838,423	\$ 739,014	\$ 742,258	\$ 113,955	\$ 13,433,650	\$ 1,056,457	\$ 14,490,107	

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services							Total	Administrative Supporting Services	Total Expenses
	Adult Program Services	Early Intervention Services	Kids Depot Day Care	Thrill Store	Total Program Services					
Advertising and public relations	\$ 22,409	\$ -	\$ 2,530	\$ -	\$ 24,939	\$ 21,011	\$ -	\$ 45,950		
Communication	92,567	11,894	2,740	1,197	108,398	8,955	-	117,353		
Depreciation	115,758	28,979	33,756	-	178,493	31,535	-	210,028		
Dues, memberships and licenses	12,333	-	449	-	12,782	1,318	-	14,100		
Food	1,784	-	49,101	-	50,885	-	-	50,885		
Fringe benefits	1,339,656	83,265	41,031	4,460	1,468,412	174,793	-	1,643,205		
Insurance	88,059	912	5,181	24	94,176	61,214	-	155,390		
Interest	6,621	-	13,242	-	19,863	58,198	-	78,061		
Miscellaneous	39,513	62	12,808	1,467	53,850	13,734	-	67,584		
Personnel	8,954,827	566,310	461,328	62,387	10,044,852	565,005	-	10,609,857		
Professional services	408,158	5,875	7,247	-	421,280	156,931	-	578,211		
Rentals	140,712	-	53	30,050	170,815	13,664	-	184,479		
Repairs and maintenance	80,120	5,572	21,437	3,786	110,915	1,909	-	112,824		
Supplies	114,076	6,728	24,899	277	145,980	23,607	-	169,587		
Travel and entertainment	383	-	-	-	383	1,254	-	1,637		
Vehicle operations	449,414	44,275	6,306	-	499,995	12,700	-	512,695		
Utilities	82,260	5,488	24,005	8,105	119,858	782	-	120,640		
Total expenses	\$ 11,948,650	\$ 759,360	\$ 706,113	\$ 111,753	\$ 13,525,876	\$ 1,146,610	\$ -	\$ 14,672,486		

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,355,678	\$ 103,310
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	242,288	210,028
Gain on extinguishment of debt	(2,393,300)	
Loss (gain) on disposal of property and equipment	2,375	(3,257)
Changes in:		
Accounts receivable	(89,004)	(134,477)
Prepaid expenses	(3,160)	(8,126)
Customer deposits	-	(1,175)
Accounts payable	43,975	(76,860)
Accrued payroll	(63,466)	16,014
Deferred revenue	(4,000)	4,000
Other accrued liabilities	(6,351)	81
Net cash provided by operating activities	<u>85,035</u>	<u>109,543</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of fixed assets	6,779	6,905
Purchases of fixed assets	(344,601)	(415,374)
Net cash used in investing activities	<u>(337,822)</u>	<u>(408,469)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net proceeds from line of credit	-	27,366
Proceeds from notes payable	-	2,703,877
Repayment of notes payable	(231,527)	(374,565)
Net cash provided by (used in) financing activities	<u>(231,527)</u>	<u>2,356,678</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(484,314)</u>	<u>2,057,752</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>2,443,956</u>	<u>386,204</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 1,959,642</u>	<u>\$ 2,443,956</u>
<u>Supplemental Disclosure on Non-Cash Activity</u>		
Paycheck Protection Program loan forgiveness	\$ 2,393,300	\$ -

During the year ended June 30, 2020, the Organization obtained a vehicle in exchange for a long-term lease obligation in the amount of \$30,587. During the year ended June 30, 2020, the Organization converted a \$500,000 line of credit to a long-term note and then obtained a \$1,700,000 loan to refinance long-term debt totaling \$1,389,423.

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

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 3.0 and 4.2 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2021 and 2020, 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, 2018.

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, 2021 AND 2020

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, 2021 and 2020.

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.

Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, to include any estimate of loss or impairment of assets that may result. Such changes may occur rapidly and be substantial.

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.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2021 AND 2020

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

Property and Equipment (Cont'd)

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.

Accrued Compensated Absences

Employees of the Organization are entitled to paid vacation based upon length of service. The estimated liability for accumulated leave was \$332,090 and \$389,314 at June 30, 2021 and 2020, 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.

Change in Presentation

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

Date of Management's Review

Subsequent events have been evaluated through November 23, 2021, 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 \$2,039,008 and \$2,506,946 at June 30, 2021 and 2020, respectively. Of these amounts, \$428,590 and \$379,675, respectively, were insured by the Federal Deposit Insurance Corporation, and \$1,610,418 and \$2,127,271 respectively, were uninsured at June 30, 2021 and 2020.

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, 2021 and 2020:

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2021 AND 2020

3. Liquidity and Availability (Cont'd)

	<u>2021</u>	<u>2020</u>
Unrestricted cash	\$ 1,959,642	\$ 2,443,956
Non-grant accounts receivable	<u>1,488,062</u>	<u>1,407,670</u>
Total	<u>\$ 3,447,704</u>	<u>\$ 3,851,626</u>

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

4. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2021</u>	<u>2020</u>
Medical Waiver	\$ 1,149,046	\$ 1,124,028
Grants	224,952	216,340
Other	<u>339,016</u>	<u>283,642</u>
Total	<u>\$ 1,713,014</u>	<u>\$ 1,624,010</u>

5. Capital Leases

As of June 30, 2021 and 2020, the Organization was the lessee of a vehicle under a capital lease expiring in December 2023. The asset and liability under this capital lease 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 vehicle is depreciated over its estimated productive life.

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

	<u>2021</u>	<u>2020</u>
Vehicle	\$ 36,822	\$ 36,822
Less: accumulated depreciation	<u>(10,438)</u>	<u>(3,070)</u>
	<u>\$ 26,384</u>	<u>\$ 33,752</u>

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

Year Ending June 30,	<u>Amount</u>
2022	\$ 9,000
2023	9,000
2024	4,500
Less: Amount representing interest	<u>(4,021)</u>
Present value of net minimum lease payments:	<u>\$ 18,479</u>

The interest rate on the capitalized lease is 8.23% and is imputed on the lessor's implicit rate of return.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2021 AND 2020

6. Notes Payable

Notes payable consisted of the following:

	<u>2021</u>	<u>2020</u>
3.15% note payable to Legends Bank, secured by real estate with carrying amount of \$1,264,106 and \$1,303,728 at June 30, 2021 and 2020, respectively, payable in interest-only monthly installments for six months, and monthly installments of \$37,773 of principal and interest through November 2024.	\$ 1,476,758	\$ 1,700,000
8.23% obligation under a capital lease, secured by vehicle with carrying amount of \$26,384 and \$33,752 at June 30, 2021 and 2020, respectively, payable in monthly installments of \$750 of principal and interest through November 2023.	18,479	26,764
1.00% unsecured note payable under the Paycheck Protection Program maturing April 2022; forgiven in 2021.	<u>-</u>	<u>2,393,300</u>
Total notes payable	1,495,237	4,120,064
Less: current portion	<u>420,081</u>	<u>241,752</u>
Total long-term portion of notes payable	<u>\$ 1,075,156</u>	<u>\$ 3,878,312</u>

Future payments on long-term debt are as follows:

Year Ending June 30,	Principal	Interest
2022	\$ 420,081	\$ 42,191
2023	434,099	28,172
2024	442,204	13,773
2025	<u>198,853</u>	<u>1,504</u>
	<u>\$ 1,495,237</u>	<u>\$ 85,640</u>

Cash payments for interest were \$55,002 and \$78,061 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, respectively, of which \$500,000 and \$500,000 was available at June 30, 2021 and 2020, respectively. The line of credit had a variable interest rate of 5.00% and 5.25% at June 30, 2021 and 2020, respectively, and requires monthly interest payments. The line of credit matures August 2022 and is secured by a deed of trust on real estate with a net book value of \$1,195,798 and \$1,235,420 at June 30, 2021 and 2020, respectively.

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2021 AND 2020

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 fourteen vehicles used in its day services. The vehicles are leased under a 60-month term with varying maturity dates between February 2025 and April 2026.

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 \$213,539 and \$184,479 for the years ended June 30, 2021 and 2020.

Future payments on lease obligations are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2022	\$ 173,434
2023	136,171
2024	103,950
2025	31,111
2026	<u>510</u>
	<u>\$ 445,176</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, 2021 and 2020.

During the fiscal years ended June 30, 2021 and 2020, contributions to the plan totaling \$69,913 and \$70,994, respectively, were paid and expensed by the Organization. Employee contributions to the plan were \$74,707 and \$74,793 for the years ended June 30, 2021 and 2020, 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 \$10,708,684 and \$11,276,610 and amounted to 74% and 76% of total revenues for the years ended June 30, 2021 and 2020, 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, 2021 AND 2020

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>2021</u>	<u>2020</u>
Without donor restrictions:		
Fees and services:		
Supported living:		
Medical Waiver program	\$ 10,708,684	\$ 11,276,610
CHOICES program	116,127	136,572
Private pay	-	13,166
Vocational and Employment Support:		
Vocational rehabilitation program	90,784	213,640
Employment and Community First program	676,591	568,619
Cleaning contracts	761,372	587,333
Other contracts	103,997	76,914
Local educational grants	18,000	78,288
Day care fees	412,984	627,123
Thrift store sales	90,294	78,539
Rental revenue	80,973	81,705
Contributions	115,083	147,429
Interest	7,883	3,561
Net assets released from restriction	<u>1,247,818</u>	<u>775,726</u>
Total revenues without donor restrictions	<u>14,430,590</u>	<u>14,665,226</u>
Federal and state grants:		
Early intervention	782,244	817,404
Vehicle grant	38,933	41,289
Essential Worker Grant	430,253	-
COVID-19 Business Relief	5,000	-
Net assets released from restriction	<u>(1,247,818)</u>	<u>(775,726)</u>
Total revenues with donor restrictions	<u>8,612</u>	<u>82,967</u>
Total revenues	<u>\$ 14,439,202</u>	<u>\$ 14,748,193</u>

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2021

Grantor/Program Title	Grant Number or Pass-Through Grantor's Contract	Federal CFDA Number	Accrued Receivable July 1, 2020	Receipts	Expenditures	Accrued Receivable June 30, 2021
<u>Federal Transportation Administration</u>						
Passed through State of Tennessee Department of Transportation						
Vehicle Grant	TN2018-042	20.513	\$ -	\$ 38,933	\$ 38,933	\$ -
Total Federal Transportation Administration			-	38,933	38,933	-
<u>U.S. Department of Health and Human Services</u>						
Passed through State of Tennessee Department of Human Services						
COVID-19 Child Care and Development Fund	TC243	93.575	-	410,328	430,253	19,925
Total U.S. Department of Health and Human Services			-	410,328	430,253	19,925
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
ATPS Services	33195-00419	84.181A	317	3,815	4,396	898
Early Intervention Services 2019-2020	33195-00117	84.181A	77,954	77,954	-	-
Early Intervention Services 2020-2021	33195-00117	84.181A	-	153,881	208,733	54,852
Total U.S. Department of Education			78,271	235,650	213,129	55,750

(Continued)

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

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONT'D)
YEAR ENDED JUNE 30, 2021

Grantor/Program Title	Grant Number or Pass-Through Grantor's Contract	Federal CFDA Number	Accrued Receivable July 1, 2020	Revolving	Expenditures	Accrued Receivable June 30, 2021
<u>U.S. Department of the Treasury</u>						
Passed through State of Tennessee Department of Revenue						
COVID-19 Tennessee Business Relief Program	1001700130-ECR	21.019	-	5,000	5,000	-
Total U.S. Department of the Treasury			-	5,000	5,000	-
Total federal awards			78,271	689,911	689,915	75,675
<u>State of Tennessee Department of Education</u>						
AEPS Services	33195-00419	84.181A	343	4,133	4,762	972
Early Intervention Services 2019-2020	33195-00117	84.181A	137,726	137,726	-	-
Early Intervention Services 2020-2021	33195-00117	84.181A	-	416,048	564,353	148,305
Total State of Tennessee Department of Education			138,069	557,907	569,115	149,277
Total state assistance			138,069	557,907	569,115	149,277
Total federal awards and state financial assistance			\$ 216,340	\$ 1,247,818	\$ 1,259,030	\$ 224,952

PROGRESSIVE DIRECTIONS, INC.
NOTES TO SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
JUNE 30, 2021 AND 2020.

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.