

2019

Financial Statements

PROGRESS, INC.

FINANCIAL STATEMENTS

WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2019

(With Independent Auditor's Report Thereon)

PROGRESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019

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PROGRESS, INC.
ROSTER OF BOARD OF DIRECTORS
JUNE 30, 2019

Eric Gray	President
Eric Weber	Director
Kurt Brinkman	Director
Brent Herron	Director
Ken Page	Director
Kelsey Freeland	Director
Tracy Purcell	Director
Tamar Rand	Director
Hayden Cook	Director
Toi Gorham	Director
Katie Reid	Director



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Progress, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 above present fairly, in all material respects, the financial position of Progress, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019, on our consideration of Progress, 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 Progress, 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 Progress, Inc.'s internal control over financial reporting and compliance.

Patterson Handley & Ballentine

November 1, 2019

PROGRESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Cash	\$ 52,327	
Cash - restricted	664,264	
Cash held on behalf of others	232,017	
Accounts receivable - state agencies	704,320	
Accounts receivable - other	371,886	
Contributions receivable - restricted	7,637	
Security deposits	6,005	
Property and equipment, net	<u>1,408,260</u>	
Total assets		<u>\$ 3,446,716</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Cash held on behalf of others	\$ 232,017	
Accounts payable	193,972	
Accrued expenses	423,545	
Installment notes payable	<u>193,609</u>	
Total liabilities		1,043,143
Net Assets:		
Without donor restrictions	1,731,672	
With donor restrictions	<u>671,901</u>	
Total net assets		<u>2,403,573</u>
Total liabilities and net assets		<u>\$ 3,446,716</u>

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
State grants and contracts	\$ 8,975,859	\$ -	\$ 8,975,859
Contributions	78,901	139,820	218,721
Food stamps	37,468	-	37,468
Room and board fees	50,417	-	50,417
Investment income	360	-	360
SmART Sales	111,792	-	111,792
Miscellaneous	9,222	-	9,222
Net assets released from restrictions	358,751	(358,751)	-
Total support and revenues	9,622,770	(218,931)	9,403,839
Expenses:			
Program services:			
Rehabilitation and residential housing	7,962,820	-	7,962,820
Supporting services:			
General and administrative	1,142,908	-	1,142,908
Fundraising	143,884	-	143,884
Total supporting services	1,286,792	-	1,286,792
Total expenses	9,249,612	-	9,249,612
Increase in net assets	373,158	(218,931)	154,227
Net assets - beginning of year	1,358,514	890,832	2,249,346
Net assets - end of year	\$ 1,731,672	\$ 671,901	\$ 2,403,573

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		Total
	Rehabilitation and Residential Housing	General and Administrative	Fundraising	Expenses
Salaries	\$ 5,582,731	\$ 724,918	\$ 102,764	\$ 6,410,413
Employee benefits	809,529	116,077	15,224	940,830
Total salaries and related expenses	6,392,260	840,995	117,988	7,351,243
Professional services and fees	468,123	88,307	6,989	563,419
Bad debt	275,219	-	-	275,219
Insurance	41,566	23,394	-	64,960
Communications	61,870	11,320	1,610	74,800
Utilities	60,137	12,335	-	72,472
Food	37,760	1,565	264	39,589
Rent	166,902	30,053	-	196,955
Interest	-	17,362	-	17,362
Travel	-	961	-	961
Transportation	224,542	6,233	-	230,775
Awards	12,989	21,504	623	35,116
Office supplies	12,163	12,260	1,882	26,305
Repairs and maintenance	47,671	10,917	-	58,588
Dues and subscriptions	829	26,313	2,114	29,256
Licenses and permits	1,875	3,154	-	5,029
Seminars and workshops	5,698	1,815	170	7,683
Postage and printing	7,577	8,198	12,004	27,779
Technology	-	10,433	-	10,433
Human resources	36	15,425	-	15,461
Promotional and marketing	3,135	348	240	3,723
Miscellaneous	4,333	16	-	4,349
Total expenses before depreciation	7,824,685	1,142,908	143,884	9,111,477
Depreciation	138,135	-	-	138,135
Total expenses	\$ 7,962,820	\$ 1,142,908	\$ 143,884	\$ 9,249,612

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flows From Operating Activities:

Increase in net assets \$ 154,227

Adjustments to reconcile increase in net assets
to net cash provided by operating activities:

Depreciation	\$ 138,135	
Changes in:		
Accounts receivable - state agencies	(45,228)	
Accounts receivable - other	(169,630)	
Other assets	(1,365)	
Assets whose use is limited	218,931	
Accounts payable	103,596	
Accrued expenses	27,763	
		272,202

Net cash provided by operating activities 426,429

Cash Flows from Investing Activities:

Purchases of property and equipment	(368,253)	
Net cash used in investing activities		(368,253)

Cash Flows from Financing Activities:

Payments on installment notes payable	(20,507)	
Net cash used in financing activities		(20,507)

Net increase in cash 37,669

Cash - beginning of year 14,658

Cash - end of year \$ 52,327

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2019, was \$17,362.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

Description of Business and Program Services

In these notes, the terms "Organization", "we", "us" or "our" mean Progress, Inc. We are a community organization committed to providing opportunities in supported and independent living through in-home residential settings, community-based employment, and developmental services to persons who have intellectual disabilities, and seniors. We accomplish this through securing all indicated resources and ensuring their effective use for the individuals we serve. We are further committed to serving as a vehicle for communicating the desires and needs of the persons we serve 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 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, our net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors. Restrictions fulfilled in the same accounting period in which the contributions are received are reported in the Statement of Activities as unrestricted.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenue

We report contributions as unrestricted support if they are received with no donor or grantor restrictions that limit the use of the contributions. 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. Contributions are considered to be available for unrestricted use and are recorded as such, unless specifically restricted by the donor. Revenues from government agency contracts and fees are recognized in the period in which we provide the service.

Revenue Concentration

We receive approximately 83% of our total support and revenue from the Tennessee Department of Finance and Administration – Division of Intellectual Disabilities Services and Bureau of TennCare. In the event of a significant reduction in the level of this support, our programs and activities could be affected.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, we consider all unrestricted cash and investment instruments purchased with a maturity of three months or less to be cash equivalents. At June 30, 2019, we had no cash equivalents.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Accounts and Contributions Receivable

Accounts receivable are recorded in accordance with generally accepted accounting principles, and we use the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and our analysis of specific accounts. At June 30, 2019, we did not have an allowance.

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Unconditional promises to give are recorded when the promises are made. Unconditional promises to give due in the next year are reflected as current contributions receivable to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. At June 30, 2019, there were no long-term contributions receivable.

Grant Receivable

We recognize grant revenue when the grant is awarded. At June 30, 2019, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors. We do not have any reimbursement-driven grants.

Property and Equipment

Property and equipment are stated at cost, or if contributed, at fair market value at the date of the gift. Assets with a cost in excess of \$1,000 are capitalized. Depreciable assets are being depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to thirty years. Maintenance and repairs are charged to expense as incurred, and betterments are capitalized.

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable. At June 30, 2019, no assets were considered to be impaired.

Donated Services and Goods

Donated inventory items are reported as in-kind revenue and expense in accordance with the criteria of generally accepted accounting principles, at the estimated fair market value at the date of donation. During the year ended June 30, 2019, we received donated scrap materials to be sold in our Scrap Made Art (SmART) store. We assessed fair market value at the date of donation to be \$0, therefore we did not record any in-kind revenue in the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited on an invoice by invoice basis. Personnel costs are allocated based on the time spent in each area the employee works. Occupancy costs, such as leases and utilities are allocated based on square footage used for each functional classification.

Promotional and Marketing

Promotional and marketing expenses are expensed as incurred. Total expense for the year ended June 30, 2019, was \$3,723.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and are classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements. We do not believe there are any uncertain tax positions. Further, we do not believe that we have any unrelated business income, which would be subject to federal taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The fair values of assets and liabilities approximate the carrying values due to the short maturities of these instruments and they are all Level 1 in the fair value hierarchy.

The fair values of installment notes payable approximate the carrying values based on current rates offered to us and they are all Level 1 in the fair value hierarchy.

New Accounting Pronouncement

On August 8, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively and has not affected the beginning balance of net assets.

NOTE 2 - Availability and Liquidity

Financial assets available for general expenditure within one year of the statement of financial position, consist of the following:

Financial assets for the year ended	
Cash	\$ 52,327
Accounts receivable – state agencies	704,320
Accounts receivable - other	371,886
	<hr/>
	\$ 1,128,533

The Organization maintains certain donor-restricted assets limited to use which are only available for restricted programs. Accordingly, these assets have been excluded from the qualitative information above and are described in Note 6.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 - Availability and Liquidity (continued)

In the next fiscal year, we plan to receive the same level of income from government contracts, and consider this income for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has minimal amounts of liabilities in order to maintain most of its financial assets to be readily available. Cash is currently held in multiple bank accounts including money market accounts to generate interest.

This cash is considered readily available. We manage our liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. If our analysis of liquid assets reveals inadequate funds for near-term operating needs, we will immediately reduce spending of program and management and general expenditures.

NOTE 3 - Accounts Receivable

We classify accounts receivable into the following categories:

Accounts receivable - state agencies - Amounts represent a request for payment for services rendered under state contracts.

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

Bad debts are recognized using the allowance method based on our evaluation of outstanding accounts. At June 30, 2019, no allowance was considered necessary.

At June 30, 2019, 86% of our accounts receivable were due from two organizations.

NOTE 4 - Property and Equipment

The following is a summary of property and equipment at June 30, 2019:

Building and building improvements	\$ 2,383,440
Furniture and fixtures	182,147
Vehicles	522,386
Land and land improvements	<u>28,606</u>
Less: accumulated depreciation	<u>(2,112,862)</u>
	1,003,717
Construction in progress	<u>404,543</u>
	<u>\$ 1,408,260</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - Accounts Payable and Accrued Expenses

The following is a summary of accounts payable at June 30, 2019:

Accounts payable	\$ 191,702
Sales tax payable	1,177
Benefits payable	<u>1,093</u>
	<u>\$ 193,972</u>

At June 30, 2019, 60% of our accounts payable was due to one vendor.

As of June 30, 2019, accrued expenses consisted of the following:

Accrued payroll costs	\$ 297,175
Accrued vacation	119,740
Senior care deposits	<u>6,630</u>
	<u>\$ 423,545</u>

NOTE 6 - Net Assets

At June 30, 2019, we had assets whose use was restricted by donors as follows:

Cash held for specific purpose:

Capital campaign – cash	\$ 664,264
Capital campaign – contributions receivable	<u>7,637</u>
	<u>671,901</u>

NOTE 7 - Representative Payee

We act as representative payee for many of our clients by receiving their Social Security benefits and administering payments on their behalf. We have recorded an asset and a liability account on the Statement of Financial Position as Cash Held on Behalf of Others to reflect the cash held by us for use by our clients. At June 30, 2019, cash held on behalf of others is \$232,017 .

NOTE 8 - Line of Credit

We have a line of credit with Pinnacle Bank with an available amount of \$350,000. This line of credit carries an interest rate of 5.50% at June 30, 2019, and expires on February 12, 2020. There were no amounts due at June 30, 2019.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 - Installment Note Payable

As of June 30, 2019, installment note payable is as follows:

Note payable to Pinnacle Bank with a maturity of September 7, 2026. Monthly payments of \$2,599 are required based on 60 months amortization with interest at 4.50%. The note is collateralized by a building at 1010 Maplewood Place.	\$ 193,609
Less: current maturities	<u>(23,025)</u>
	<u>\$ 170,584</u>

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2020	\$ 23,025
2021	24,083
2022	25,189
2023	26,346
2024	27,557
Thereafter	<u>67,409</u>
	<u>\$ 193,609</u>

NOTE 10 - Leases

We have two residential homes that we own for which we receive rental income from clients. We also receive rental income from two homes that are owned by an unrelated church. For the year ended June 30, 2019, the total amount of rental income recognized under these agreements was \$50,417 of which \$29,600 is from client rent income. The difference represents senior residential and day building functions.

The following is a schedule of future minimum lease payments for rental income as of June 30, 2019:

<u>Year Ending June 30</u>	
2020	<u>\$ 27,000</u>

We 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. This is a lease agreement and not considered a donor relationship. 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.

The surrender of leasehold improvements does not constitute restrictions of our assets. Being that there was no donation of assets to purchase the leasehold improvements nor subsequent restriction of them, the leasehold improvements do not meet the definition of temporarily restricted net assets. We will amortize these improvements over the life of the lease and the net book value at the end of the lease will be \$0, when they are disposed. We have not recorded any in-kind revenue or expense for the fair market value of the leased land due to the amount being undeterminable.

We lease office space, residential homes, and office equipment under lease arrangements classified as operating leases. Under our residential home lease agreements, we co-sign with our clients. If the home has one occupant, we pay two-thirds of the lease. If the home has two occupants, we pay one-third of the lease. If the home has three occupants we do not pay any of the lease. Rent expense under the operating leases amounted to \$196,955 for the year ended June 30, 2019.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 – Leases (continued)

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2019:

<u>Year Ending June 30,</u>	
2020	\$ 103,845
2021	4,226
2022	4,226
2023	4,226
Thereafter	<u>704</u>
	<u>\$ 117,227</u>

NOTE 11 - Employee Benefit Plan

We have a 401(k) retirement plan that covers all employees who are 21 years of age and have completed three months of eligibility services. We contribute 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. During the year ended June 30, 2019, our contributions to the retirement plan totaled \$78,204.

NOTE 12 - Concentrations of Credit Risk

We maintain cash balances at a bank located in Nashville, Tennessee. Amounts per institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation. At June 30, 2019, we had cash balances of \$698,308 in uninsured accounts. Included in our bank accounts are cash balances maintained for clients, in a fiduciary capacity, totaling \$232,017.

NOTE 13 - New Pronouncements

In June 2018, FASB issued Accounting Standards Update 2018-08, *Not-for-Profit Entities (Topic 958)*. The update will assist organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance. This update will also assist in determining whether a contribution is conditional. This update should be applied on a modified prospective basis for annual periods beginning after December 15, 2018. We are currently evaluating the impact of adopting this statement.

In May 2014, FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The Update provides guidance about recording contract revenue on an organization's statement of activities. The amendments in this Update are effective for annual periods beginning after December 15, 2018, and for annual periods and interim periods thereafter with early adoption permitted for annual periods beginning after December 15, 2016. We are currently evaluating the impact of adopting this statement.

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases (Topic 842)*. The Update provides guidance about recording lease transactions on an organization's statements of financial position and activities. The amendments in this Update are effective for annual periods beginning after December 15, 2020, and for annual periods and interim periods thereafter with early adoption permitted. We are currently evaluating the impact of adopting this statement.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13 - New Pronouncements (continued)

In August 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how certain cash receipts and cash payments are presented and classified in the Statement of Cash Flows. The amendments will be effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of adopting this statement.

In November 2016, FASB amended the Statement of Cash Flows topic of the Accounting Standards Codification to clarify how restricted cash is presented and classified in the statement of cash flows. The amendments will be effective for the Organization for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. We are currently evaluating the impact of adopting this guidance on the financial statements.

NOTE 14 - Subsequent Events

We have evaluated events subsequent to June 30, 2019. As of November 1, 2019, the date that the financial statements were available to be issued, no other events subsequent to the statement of financial position date are considered necessary to be included in the financial statements for the year ended June 30, 2019.



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

**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 Trustees of
Progress, Inc.

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 Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Progress, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Progress, Inc.'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 Progress, Inc.'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.

Patterson Harder & Ballentine

November 1, 2019

PROGRESS, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Financial Statement Findings:

None noted.

PROGRESS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Financial Statement Findings:

There were no prior findings reported.