

2015

Financial Statements With Auditor's Letters

PROGRESS, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

JUNE 30, 2015

(With Independent Auditor's Report Thereon)

PROGRESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2015

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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, 2015, 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, 2015, 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 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 expenditures of federal awards, as required by Tennessee Comptroller of the Treasury, *Auditing and Accounting for Local Governmental Units and Other Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Progress, Inc.'s internal control over financial reporting and compliance.

Patterson Handley & Ballentine

October 12, 2015

PROGRESS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash	\$ 136,984	
Cash - restricted	110,419	
Cash held on behalf of others	234,599	
Certificates of deposit	116,998	
Accounts receivable - state agencies	553,370	
Accounts receivable - other	105,432	
Contributions receivable - restricted	341,827	
Property and equipment - cost	3,026,840	
Less: accumulated depreciation	(1,548,400)	
Security deposits	<u>3,440</u>	
Total assets		<u><u>\$ 3,081,509</u></u>

LIABILITIES AND NET ASSETS

Cash held on behalf of others	\$ 234,599	
Line of credit	218,547	
Accounts payable	60,817	
Accrued expenses	364,276	
Installment notes payable	<u>117,425</u>	
Total liabilities		\$ 995,664
Unrestricted	1,633,599	
Temporarily restricted	<u>452,246</u>	
Total net assets		<u>2,085,845</u>
Total liabilities and net assets		<u><u>\$ 3,081,509</u></u>

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
State grants and contracts	\$ 7,840,538	\$ 32,301	\$ 7,872,839
Contributions	81,587	441,827	523,414
Food stamps	52,863	-	52,863
Room and board fees	42,154	-	42,154
Supported employment worksites	4,100	-	4,100
Investment income	636	-	636
SmART Sales	78,284	-	78,284
Miscellaneous	11,174	-	11,174
Net assets released from restrictions	71,131	(71,131)	-
Total support and revenues	8,182,467	402,997	8,585,464
Expenses:			
Program services:			
Rehabilitation and residential housing	7,092,853	-	7,092,853
Supporting services:			
General and administrative	1,213,431	-	1,213,431
Fundraising	136,337	-	136,337
Total supporting services	1,349,768	-	1,349,768
Total expenses	8,442,621	-	8,442,621
Increase (decrease) in net assets	(260,154)	402,997	142,843
Net assets - beginning of year	1,893,753	49,249	1,943,002
Net assets - end of year	\$ 1,633,599	\$ 452,246	\$ 2,085,845

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services		Total
	Rehabilitation & Residential Housing	General and Administrative	Fundraising	Expenses
Salaries	\$ 5,252,895	676,600	97,014	\$ 6,026,509
Employee benefits	839,548	89,679	16,888	946,115
Total salaries and related expenses	6,092,443	766,279	113,902	6,972,624
Professional services and fees	180,692	128,946	8,340	317,978
Insurance	96,420	44,475	-	140,895
Communications	55,749	11,932	1,260	68,941
Utilities	63,668	11,897	-	75,565
Food	55,393	4,234	973	60,600
Rent	154,213	24,485	783	179,481
Interest	2,138	22,486	-	24,624
Travel	60	724	4	788
Transportation	238,672	9,257	35	247,964
Awards	2,225	12,822	444	15,491
Office supplies	19,866	6,817	4,692	31,375
Repairs and maintenance	32,158	30,178	-	62,336
Dues and subscriptions	370	7,975	453	8,798
Licenses and permits	1,166	726	260	2,152
Seminars and workshops	2,043	865	48	2,956
Postage and printing	8,583	7,131	4,066	19,780
Technology	109	6,556	-	6,665
Human resources	458	13,547	-	14,005
Promotional and marketing	11,335	732	1,077	13,144
Miscellaneous	2,990	-	-	2,990
Total expenses before depreciation	7,020,751	1,112,064	136,337	8,269,152
Depreciation	72,102	101,367	-	173,469
Total expenses	\$ 7,092,853	\$ 1,213,431	\$ 136,337	\$ 8,442,621

See accompanying notes to the financial statements.

PROGRESS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

Cash Flows From Operating Activities:

Increase in net assets \$ 142,843

Adjustments to reconcile increase in net assets
to net cash used in operating activities:

Depreciation	\$ 173,469	
Gain on sale of property and equipment	(1,800)	
Changes in:		
Accounts receivable - state agencies	(10,593)	
Accounts receivable - other	(22,303)	
Other assets	4,190	
Assets whose use is limited	(429,109)	
Cash held on behalf of others	26,112	
Accounts payable	(5,639)	
Accrued expenses	13,966	
		(251,707)
Net cash used in operating activities		(108,864)

Cash Flows from Investing Activities:

Certificates of deposit redeemed	295,032	
Proceeds from sale of property and equipment	1,800	
Purchases of property and equipment	(68,216)	
Net cash provided by investing activities		228,616

Cash Flows from Financing Activities:

Change in line of credit	68,310	
Proceeds from issuance of installment notes payable	4,100	
Payments on installment notes payable	(131,036)	
Net cash used in financing activities		(58,626)

Net increase in cash 61,126

Cash - beginning of year 75,858

Cash - end of year \$ 136,984

SUPPLEMENTAL CASH FLOW INFORMATION:

Interest paid during the year ended June 30, 2015, was \$24,624.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

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:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

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 stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit us to use all or part of the income earned and any related investments for general or specific purposes. We had no permanently restricted net assets as of June 30, 2015.

Revenue

We recognize revenue as it is received or promised to us in accordance with generally accepted accounting principles for non-profit organizations.

Revenue Concentration

We receive approximately 76% 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.

Liquidity and Maturity

The assets listed on the statement of financial position are presented below in order of liquidity:

- Cash
- Certificates of deposit
- Accounts receivable - state agencies
- Accounts receivable - other
- Property and equipment
- Security deposits
- Cash - restricted
- Cash held on behalf of others
- Contributions receivable - restricted

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

Liquidity and Maturity (continued)

The liabilities listed on the statement of financial position are presented below in order of maturity:

- Cash held on behalf of others
- Installment notes payable – current portion (See NOTE 9)
- Line of credit
- Accounts payable
- Accrued expenses
- Installment notes payable – less current portion (See NOTE 9)

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, 2015, we had no cash equivalents.

Grant Receivable

We recognize grant revenue when the grant is awarded. At June 30, 2015, no allowance was considered necessary for uncollectible grant receivables based upon our analysis of past collection experience with grantors.

Investments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

- Level 1 - Quoted market prices in active markets for identical assets or liabilities
- Level 2 - Observable market based inputs or unobservable inputs corroborated by market data
- Level 3 - Unobservable inputs not corroborated by market data.

At June 30, 2015, our certificates of deposit are considered level 1 investments.

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 \$500 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, 2015, no assets were considered to be impaired.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - Summary of Significant Accounting Policies (continued)

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, 2015, 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, 2015.

Functional Allocation of Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising is expensed as incurred. Total advertising expense for the year ended June 30, 2015, was \$13,144.

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. We are not subject to examination by U.S. federal or state taxing authorities for years before 2012.

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 current assets, current liabilities, other assets and restricted cash approximate to the carrying values due to the short maturities of these instruments.

The fair values of installment notes payable approximate to the carrying values and are estimated based on current rates offered to us.

NOTE 2 - Accounts Receivable

An allowance for doubtful accounts is made for uncollectible accounts receivable based upon our analysis of past collection experience and other judgmental factors. At June 30, 2015, no allowance was considered necessary.

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 - residents - Amounts represent expenses paid by us on behalf of residents. Currently there are no amounts due from residents.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 - Accounts Receivable (continued)

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

At June 30, 2015, 75% of our accounts receivable were due from two organizations.

NOTE 3 - Certificates of Deposit

A summary of the certificates of deposit held at June 30, 2015, is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of deposit	.50%	8/26/15	\$ 16,998
Certificate of deposit	.55%	8/27/15	100,000
			<u>\$ 116,998</u>

The carrying amounts of the certificates of deposit approximate fair values at June 30, 2015.

The fair value of the above investments is based on level 1 inputs, which are values readily obtained by publicly quoted prices. Investment income is comprised of interest of \$636.

NOTE 4 - Property and Equipment

The following is a summary of property and equipment at June 30, 2015:

Building and building improvements	\$ 2,371,040
Furniture and fixtures	176,122
Vehicles	451,072
Land and land improvements	28,606
	<u>3,026,840</u>
Less: accumulated depreciation	<u>(1,548,400)</u>
	<u>\$ 1,478,440</u>

NOTE 5 - Accounts Payable and Accrued Expenses

The following is a summary of accounts payable at June 30, 2015:

Accounts payable	\$ 54,514
Sales tax payable	608
Benefits payable	5,695
	<u>\$ 60,817</u>

At June 30, 2015, 29% of our accounts payable was due to two vendors.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 - Accounts Payable and Accrued Expenses (continued)

As of June 30, 2015, accrued expenses consisted of the following:

Accrued period payroll costs	\$ 489,366
Prepaid payroll and payroll taxes	(232,150)
Accrued legal fees	15,000
Accrued vacation	92,060
	<u>\$ 364,276</u>

NOTE 6 - Temporarily Restricted Net Assets

The following is a summary of temporarily restricted net assets at June 30, 2015:

Capital campaign	\$ 440,180
TIMAS grant for software	12,066
	<u>\$ 452,246</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, 2015, cash held on behalf of others is \$234,599.

NOTE 8 - Line of Credit

We have a line of credit payable to a bank that matures on December 21, 2015. At June 30, 2015, we have drawn \$218,547 from the \$300,000 total amount available. Interest is due monthly at the bank's base rate (3.25% at June 30, 2015) but is subject to a floor rate of no less than 5.00%. The line of credit is secured by all of our assets.

NOTE 9 - Installment Notes Payable

As of June 30, 2015, installment notes payable is as follows:

Note payable to Pinnacle Bank with a maturity of September 18, 2017. Monthly payments of \$2,271 are required based on 41 months amortization with interest at 5.60%. The note is collateralized by all of our assets.	\$ 30,126
Note payable to Pinnacle Bank with a maturity of May 6, 2016. Monthly payments of \$450 are required based on 36 months amortization with interest at 4.99%. The note is collateralized by the vehicle.	4,820
Note payable to Pinnacle Bank with a maturity of March 30, 2016. Monthly payments of \$9,368 are required based on 60 months amortization with an interest rate of 5.45%. The note is collateralized by our building.	82,479
	<u>117,425</u>
Less: current maturities	<u>(113,501)</u>
	<u>\$ 3,924</u>

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - Installment Notes Payable (continued)

The following is a list of future maturities:

<u>Year Ending June 30,</u>	
2016	\$ 113,501
2017	<u>3,924</u>
	<u>\$ 117,425</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, 2015, the total amount of rental income recognized under these agreements was \$42,154.

The following is a schedule of future minimum lease payments for rental income as of June 30, 2015:

<u>Year Ending June 30</u>	
2016	\$ <u>28,800</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 improvement 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 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 \$199,261, of which \$179,481 is shown in rent expense and \$19,780 is shown in postage and printing expense, for the year ended June 30, 2015.

The following is a schedule of future minimum lease payments under the non-cancellable operating leases as of June 30, 2015:

<u>Year Ending June 30</u>	
2016	\$ 322,144
2017	26,415
2018	<u>159</u>
	<u>\$ 348,718</u>

NOTE 11 - Contingency

From time to time, we may be and have been named as a defendant in a lawsuit. At June 30, 2015, we do not believe that any claims have merit and intend to vigorously defend our position. As of June 30, 2015, we have accrued \$15,000 on the statement of financial position for expected legal fees defending our position in a lawsuit.

PROGRESS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - SmART

During the year ended June 30, 2015, we started Scrap Made Art (SmART), a store in which donated scrap items are sold to artists to use in art pieces. During the year ended June 30, 2015, our sales from SmART were \$78,284.

NOTE 13 - 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. The Plan allows the employees to contribute up to the maximum allowed by the Internal Revenue Code. 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, 2015, contributions to the retirement plan totaled \$77,509.

NOTE 14 - Concentrations of Credit Risk

We maintain 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, 2015, we had cash balances of \$136,984 in unrestricted accounts. At June 30, 2015, we had certificates of deposit totaling \$116,998. Cash balances maintained for clients, in a fiduciary capacity, were \$234,599, for the year ended June 30, 2015. At June 30, 2015, we had \$0 in uninsured deposits.

NOTE 15 - Subsequent Events

We have evaluated events subsequent to the year ending June 30, 2015. As of October 12, 2015, 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, 2015.

SUPPLEMENTARY INFORMATION

PROGRESS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
<u>Federal Financial Assistance</u>			
U.S. Department of Transportation Federal Transit Administration/ Passed through the TN Department of Transportation	20.513	Z-15-EPD027-00	\$ 28,712
TOTAL FEDERAL AWARDS			28,712
<u>State Financial Assistance</u>			
TN Department of Transportation	N/A	Z-15-EDP027-00	3,589
TOTAL STATE AWARDS			3,589
TOTAL FEDERAL & STATE AWARDS			\$ 32,301

NOTE: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Progress, Inc. under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the modified accrual basis of accounting.

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**



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 Directors 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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2015.

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 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. See 2015-001.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2015-001.

Progress, Inc.'s Response to Findings

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

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 & Bellentine

October 12, 2015

PROGRESS, INC.
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Progress, Inc.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the 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*. See 2015-001.

FINDINGS—FINANCIAL STATEMENTS AUDIT

2015-001

Criteria:	The Organization is required to maintain daily notes of all services provided and billed for all senior care service contracts.
Condition:	Daily notes could not be located for one individual receiving senior care services.
Cause:	An employee was not maintaining proper notes for the daily services provided to an individual. This deficiency was discovered by the Organization and the employee was terminated.
Effect:	Senior care services in the amount of \$257.92 were billed to the contract provider without accompanying daily notes.
Recommendations:	Daily notes should be kept in accordance with the contract provider's recommendations.
Response:	We discovered this deficiency in keeping daily notes during the year. The employee responsible for this has been terminated and we regularly monitor for missing daily notes.

PROGRESS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Financial Statement Findings:

Finding Number	Finding Title	Status
2014-001	Accrued payroll taxes	Corrected



PATTERSON, HARDEE & BALLENTINE, P.C.

Certified Public Accountants

October 12, 2015

To the Board of Directors
and Management of Progress, Inc.

We have audited the financial statements of Progress, Inc. for the year ended June 30, 2015, and have issued our report thereon dated October 12, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 26, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Progress, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure in Note 1 to the financial statements explaining the basis of allocation of functional expenses into their appropriate functional categories.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as a result of audit procedures were corrected by management: fixed assets, accumulated depreciation, accounts payable and cash.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. We noted certain matters that we reported to management and the Board of Directors of Progress, Inc. in separate letters dated October 12, 2015.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and Management of Progress, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Patterson Harder & Bellentine

PROGRESS, INC.
SCHEDULE OF UNCORRECTED MISSTATEMENTS
June 30, 2015

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	W/P Reference	Financial Statement Effect—Amount of Over (Under) Statement of:						
				Total Assets	Total Liabilities	Net Assets	Revenues	Expenses	Change in Net Assets	Working Capital
Value of in-kind receivable and revenue for donated rent for land not recorded	F	Estimate unknown	I-2	\$XXXX		\$XXXX	\$XXXX	\$XXXX	\$XXXX	\$XXXX
Total				\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less Audit Adjustments Subsequently Booked									\$0	
Unadjusted AD—Current Year (Iron Curtain Method)				\$0	\$0	\$0	\$0	\$0	\$0	\$0
Effect of Unadjusted AD—Prior Years									\$0	
Combined Current and Prior Year AD (Rollover Method)				\$0	\$0	\$0	\$0	\$0	\$0	\$0
Financial Statement Caption Totals				\$3,081,509	\$995,664	\$2,085,845	\$8,585,464	\$8,442,621	\$142,843	-\$78,956
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Estimate for in-kind revenue and receivable amount could not be estimated for the land lease Progress is located on.

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate, ☐ do ☒ do not cause the financial statements taken as a whole to be materially misstated.