PROGRESSIVE DIRECTIONS, INC.

AUDITED FINANCIAL STATEMENTS

AND OTHER INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

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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, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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.

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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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal and state financial assistance, listed as other information in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013, on our consideration of Progressive Directions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Progressive Directions, Inc.'s internal control over financial reporting and compliance.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
November 13, 2013

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

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 106,979	$ 451,984
Accounts receivable	1,129,689	810,756
Inventory	1,266	2,378
Prepaid expenses	75,192	86,818
Total current assets	1,313,126	1,351,936
PROPERTY AND EQUIPMENT		
Land	368,771	368,771
Building	2,285,754	2,283,529
Equipment	457,631	437,347
Vehicles	662,764	672,107
Construction in progress	15,000	2,407
Total property and equipment	3,789,920	3,764,161
Less: accumulated depreciation	1,847,244	1,717,177
Net property and equipment	1,942,676	2,046,984
OTHER ASSETS		
Customer deposits	1,600	1,400
Loan costs, net of accumulated amortization of $1,948 and $573	11,810	13,185
Total other assets	13,410	14,585
Total assets	$ 3,269,212	$ 3,413,505

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 262,831	$ 191,163
Accrued payroll	457,988	419,366
Other accrued liabilities	32,971	35,006
Line of credit	150,000	-
Current portion of notes payable	211,233	225,705
Total current liabilities	1,115,023	871,240
LONG-TERM LIABILITIES		
Notes payable - net of current portion	1,776,775	1,971,089
Total liabilities	2,891,798	2,842,329
NET ASSETS		
Unrestricted	377,414	571,176
Total liabilities and net assets	$ 3,269,212	$ 3,413,505

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2013 AND 2012

CHANGES IN UNRESTRICTED NET ASSETS	2013	2012
Revenues:		
Fees and services	$ 6,783,172	$ 6,830,241
Grants	656,544	600,420
Contributions	111,742	157,544
Interest	2,339	1,865
Total revenues	7,553,797	7,590,070
Expenses:		
Program services		
Adult program services	6,329,375	6,218,163
Early intervention services	650,413	613,719
Total program services	6,979,788	6,831,882
Administrative supporting services	750,142	768,033
Total expenses	7,729,930	7,599,915
Other income (expense):		
Other income	29,467	-
Other expense	(48,378)	-
Gain (loss) on disposal of property and equipment	1,282	(2,076)
Total other income (expense)	(17,629)	(2,076)
DECREASE IN UNRESTRICTED NET ASSETS	(193,762)	(11,921)
NET ASSETS - BEGINNING	571,176	583,097
NET ASSETS - ENDING	$ 377,414	$ 571,176

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services				
	Adult Program Services	Early Intervention Services	Total Program Services	Administrative Supporting Services	Total Expenses
Advertising and public relations	$ 14,487	$ -	$ 14,487	$ 8,134	$ 22,621
Communication	37,065	6,451	43,516	17,390	60,906
Depreciation	103,759	32,874	136,633	17,559	154,192
Dues, memberships and licenses	6,814	930	7,744	8,795	16,539
Food	45,245	-	45,245	-	45,245
Fringe benefits	702,589	71,266	773,855	100,248	874,103
Grants and subsidies	25,262	-	25,262	-	25,262
Insurance	97,868	2,835	100,703	20,351	121,054
Interest expense	66,782	13,989	80,771	32,778	113,549
Personnel	4,660,197	423,689	5,083,886	376,493	5,460,379
Professional services	98,594	3,332	101,926	94,343	196,269
Rentals	-	9,213	9,213	-	9,213
Repairs and maintenance	51,692	7,357	59,049	35,843	94,892
Supplies	77,927	19,044	96,971	10,800	107,771
Travel and entertainment	22,552	53,739	76,291	5,576	81,867
Vehicle operations	277,962	-	277,962	5,302	283,264
Utilities	40,580	5,694	46,274	16,530	62,804
Total expenses	$ 6,329,375	$ 650,413	$ 6,979,788	$ 750,142	$ 7,729,930

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services				
	Adult Program Services	Early Intervention Services	Total Program Services	Administrative Supporting Services	Total Expenses
Advertising and public relations	$ 13,825	$ -	$ 13,825	$ 18,612	$ 32,437
Communication	39,381	7,003	46,384	16,745	63,129
Depreciation	104,864	30,776	135,640	19,735	155,375
Dues, memberships and licenses	7,375	-	7,375	7,105	14,480
Food	52,583	-	52,583	-	52,583
Fringe benefits	614,412	62,755	677,167	96,943	774,110
Grants and subsidies	22,602	-	22,602	-	22,602
Insurance	90,855	3,176	94,031	19,294	113,325
Interest expense	57,072	10,612	67,684	36,494	104,178
Personnel	4,681,056	403,005	5,084,061	367,136	5,451,197
Professional services	91,544	2,746	94,290	96,219	190,509
Rentals	-	8,748	8,748	-	8,748
Repairs and maintenance	52,941	9,355	62,296	54,895	117,191
Supplies	73,243	13,919	87,162	11,484	98,646
Travel and entertainment	15,973	56,011	71,984	1,257	73,241
Vehicle operations	255,206	-	255,206	5,327	260,533
Utilities	45,231	5,613	50,844	16,787	67,631
Total expenses	$ 6,218,163	$ 613,719	$ 6,831,882	$ 768,033	$ 7,599,915

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

PROGRESSIVE DIRECTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (193,762)	$ (11,921)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	154,192	155,375
Loss (gain) on disposal	(1,282)	2,076
Changes in:		
Accounts receivable	(318,933)	(69,512)
Inventory	1,112	(572)
Prepaid expenses	11,626	(33,675)
Customer deposits	(200)	(400)
Loan costs, net	1,375	(13,185)
Accounts payable	71,668	(14,196)
Accrued payroll	38,622	12,996
Other accrued liabilities	(2,035)	8,522
Net cash provided by (used in) operating activities	(237,617)	35,508
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	1,282	4,051
Purchases of fixed assets	(49,884)	(156,314)
Net cash used in investing activities	(48,602)	(152,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments on) line of credit	150,000	(138,223)
Repayment of notes payable	(208,786)	(1,501,902)
Issuance of notes payable	-	2,200,000
Net cash provided by (used in) financing activities	(58,786)	559,875
NET CHANGE IN CASH AND CASH EQUIVALENTS	(345,005)	443,120
CASH AND CASH EQUIVALENTS - BEGINNING	451,984	8,864
CASH AND CASH EQUIVALENTS - ENDING	$ 106,979	$ 451,984

Noncash investing and financing activities during the year ended June 30, 2012, included the purchase of land and a building in exchange for a note payable of $37,000.

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

PROGRESSIVE DIRECTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Progressive Directions, Inc. (the Organization) is a private, nonprofit corporation that operates programs designed to train and support persons with varying degrees of developmental disabilities, mental retardation, cerebral palsy, and other handicapping conditions who live in Montgomery and surrounding counties. The primary source of revenue is from 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 five years with differing levels of abilities. Approximately 6.8 percent of the Organization's revenues is derived from Kids Depot.

On July 1, 2011, the Organization gained control over the Montgomery County Association of Retarded Citizens (ARC) Thrift Store (Thrift Store), a 501(c)(3) organization, in a partnership to advance the Organization's opportunities to those with developmental disabilities and to advocate for those with special needs. Effective January 1, 2013, the Organization consolidated the Thrift Store as a department of the Organization. The associated revenues and expenses are reported under other income and expenses in the statements of activities. Less than one percent of the Organization's total income is derived from the Thrift Store.

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, 2010.

Use of Estimates

The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates in the near term and these variances could have a material effect on these financial statements.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The Organization utilizes the accrual basis of accounting which recognizes revenues when earned and expenses when incurred. Operating revenues and expenses include those items that increase or decrease unrestricted net assets.

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental nonprofit organizations such as the Organization. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Organization to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the three net asset categories follows:

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

Basis of Accounting (Cont'd)

Unrestricted
Unrestricted net assets are free of grant-imposed or donor-imposed restrictions. All revenues, gains and losses that are not temporarily or permanently restricted by grants or donors are included in this classification. All expenditures are reported in the unrestricted class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction.

Temporarily Restricted
Temporarily restricted net assets are limited as to use by grant-imposed or donor-imposed restrictions that expire with the passage of time or that can be satisfied by use for the specific purpose. The Organization had no temporarily restricted net assets at June 30, 2013 and 2012.

Permanently Restricted
Permanently restricted net assets are amounts required by donors to be held in perpetuity, including gifts requiring that the principal be invested and the income or specific portions thereof be used for operations. The Organization had no permanently restricted net assets at June 30, 2013 and 2012.

Concentrations of Credit Risk
Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and accounts receivable. The Organization places its cash with federally-insured financial institutions. Substantially all receivables are from agencies of the State of Tennessee (the State) and no collateral is obtained.

Cash and Cash Equivalents
The Organization considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents.

Accounts Receivable
An allowance for uncollectible accounts has not been made based on management's determination that such amount, if any, would be immaterial. Bad debts are recognized using the specific identification method. Delinquency is determined based upon contractual payment dates.

Inventory
Inventory consists of operating supplies and is valued at cost using the first-in, first-out method.

Property and Equipment
Property and equipment, including leasehold improvements, are recorded at historical cost or, if contributed, at estimated fair value at the date of receipt. Property and equipment acquired with a unit cost of $1,000 or greater and a useful life of more than three years are capitalized. Expenditures for additions, major renovations and improvements are capitalized while those for

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

Property and Equipment (Cont'd)
maintenance and repairs are charged to expense as incurred. Capitalized assets are depreciated over their estimated useful life using the straight-line method.

Accrued Compensated Absences
Employees of the Organization are entitled to paid vacation based upon length of service. The estimated liability for accumulated leave was $210,338 and $176,077 at June 30, 2013 and 2012, respectively. Any amounts owed to employees are paid upon termination.

Revenues
Revenues are reported net of discounts.

Functional Expenses
Expenses are charged directly to program or administrative categories based on specific identification.

Date of Management's Review
Subsequent events have been evaluated through November 13, 2013, which is the date the financial statements were available to be issued.

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

2. Cash and Cash Equivalents
Cash and cash equivalents were represented by bank deposits of $114,559 and $456,463 at June 30, 2013 and 2012, respectively. Of these amounts, $114,559 and $320,333 were insured by the Federal Deposit Insurance Corporation and $-0- and $136,130 were uninsured at June 30, 2013 and 2012, respectively.

3. Accounts Receivable
Accounts receivable from grants and contracts consisted of the following:

	2013	2012
Medicaid Waiver	$ 865,117	$ 492,021
Grants	157,186	117,081
Other	107,386	201,654
Total	$ 1,129,689	$ 810,756

4. Notes Payable

Notes payable consisted of the following:

	2013	2012
7.4% note payable to TCF Equipment Finance, secured by vehicles with carrying amount of $9,690 and $29,070 at June 30, 2013 and 2012, respectively, payable in monthly installments of $1,926 of principal and interest, through February 2014.	$ 13,173	$ 34,464
Non-interest bearing promissory note payable to George M. Stanfill, secured by real estate with carrying amount of $35,400 and $37,000 at June 30, 2013 and 2012, respectively, payable in monthly installments of $1,000 of principal, through October 2015.	16,000	28,000
5.25% note payable to Legends Bank, secured by real estate with carrying amount of $1,271,441 and $1,407,185 at June 30, 2013 and 2012, respectively, payable in monthly installments of $23,739 of principal and interest, through February 2022.	1,958,835	2,134,330
Total notes payable	1,988,008	2,196,794
Less: current portion	211,233	225,705
Total long-term portion of notes payable	$ 1,776,775	$ 1,971,089

Future payments on long-term debt are as follows:

	Principal	Interest
2014	$ 211,233	$ 99,231
2015	200,066	88,806
2016	206,611	78,261
2017	217,723	67,149
2018	229,432	55,439
2019-2022	922,943	92,547
	$ 1,988,008	$ 481,433

Cash payments for interest were $113,549 and $104,178 for the years ended June 30, 2013 and 2012, respectively.

5. Line of Credit

The Organization maintains a $250,000 unsecured bank line of credit of which $150,000 and $250,000 remained unused at June 30, 2013 and June 30, 2012, respectively. The line of credit has a variable interest rate which was 6.00% at June 30, 2013 and June 30, 2012 and is payable monthly. The line of credit matured August 2013 and was renewed until February 2014.

6. Retirement

The Organization provides pension benefits to all salaried employees through a 401(k) defined contribution retirement plan. Substantially all employees who have completed one year of service and reached age 21 are eligible to participate. The Organization makes matching contributions equal to 50% of the lesser of: (1) each participant's total contributions, or (2) 6% of the participant's earnings. Additionally, the Organization has the option of making a discretionary contribution to the Plan each Plan year. The Organization exercised the option to make discretionary contributions to the Plan of 3% during the years ended June 30, 2013 and 2012.

The Organization provided pension benefits to all hourly employees through a 401(k) defined contribution retirement. Substantially all employees who had completed one year of service and reached age 21 were eligible to participate. The Organization made matching contributions equal to 50% of the lesser of: (1) each participant's total contributions, or (2) 4% of the participant's earnings. Additionally, the Organization had the option of making a discretionary contribution to the Plan each Plan year. The Organization elected not to make a discretionary contribution to the plan for the year ended June 30, 2013. A discretionary contribution of 2% was made for the year ended June 30, 2012. The hourly 401(k) defined contribution retirement plan was terminated on June 29, 2013.

During the fiscal years ended June 30, 2013 and 2012, contributions to both the hourly and salary plans totaling $57,243 and $70,315, respectively, were paid and expensed by the Organization. Employee contributions to the hourly and salary plans were $66,416 and $64,579 for the years ended June 30, 2013 and 2012, respectively.

7. Contracts

The Organization enters into program administrative contracts with the State Division of Intellectual Disabilities Services and the Department of Education. These contracts are for the purpose of providing mental retardation services in accordance with applicable federal and state laws, regulations, program guidelines, service definitions and stated goals. Revenues under these contracts were $5,643,537 and $5,787,378 and amounted to 74% and 76% of total revenues for the years ended June 30, 2013 and 2012, respectively. A major reduction in funding by one or more of these State departments could have a significant effect on the future operations of the Organization.

8. Operating Leases

The Organization is the lessee under one operating lease agreement involving office equipment and one month-to-month lease for real property. The following is a schedule of future lease payments by year:

Year Ending June 30,	Amount
2014	$ 715

For 2013 and 2012, rental expense amounted to $23,913 and $8,748, respectively.

9. 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 their programs.

10. Subsequent Event

Effective January 1, 2014, the federal Patient Protection and Affordable Care Act (ACA) requires large employers, as defined, to offer health insurance benefits to full-time employees. Large employers that fail to comply with the ACA will be subject to substantial penalties. The Organization meets the definition of a large employer but does not currently offer health insurance benefits to all full-time employees. Management anticipates that the ACA will have a material impact in excess of $400,000 on the Organization's financial statements for the year ending June 30, 2014 as well as future years. Consequently, management is evaluating the Organization's fiscal response to the requirements of the ACA.

PROGRESSIVE DIRECTIONS, INC.
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2013

Grantor/Program Title	Grant Number or Pass-Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable June 30, 2012	Receipts	Expenditures	Accrued Receivable June 30, 2013
U.S. Department of Education						
Passed through State of Tennessee Department of Education						
Early Intervention Services	DG12-C000010	84.393A	$ 7,282	$ 7,282	$ -	$ -
Early Intervention Services	DG13-C0000009	84.181A	-	50,151	109,115	58,964
Total federal assistance			7,282	57,433	109,115	58,964
State of Tennessee Department of Education						
Early Intervention Services	DG12-C000010	84.393A	109,799	109,799	-	-
Early Intervention Services	DG13-C0000009	84.181A	-	449,207	547,429	98,222
Total state assistance			109,799	559,006	547,429	98,222
Total assistance			$ 117,081	$ 616,439	$ 656,544	$ 157,186

NOTE - Basis of Presentation

The accompanying schedule of state grant activity is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Department of Audit, Audit Manual. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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*

Board of Directors
Progressive Directions, Inc.
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Progressive Directions, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Organization resolved prior-year finding number 2012-1 by performing the specific tasks outlined in our report dated November 28, 2012.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stone Rudolph & Henry, PLC

Clarksville, Tennessee
November 13, 2013