

PROGRESSIVE DIRECTIONS, INC.  
AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION  
YEARS ENDED JUNE 30, 2023 AND 2022

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PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF BOARD OF DIRECTORS AND MANAGEMENT (UNAUDITED)  
JUNE 30, 2023

BOARD OF DIRECTORS

Mr. Bob Palmer  
Ms. Alena Sampson  
Dr. Leslie Benmark  
Mr. Derek Eurales  
Dr. Roger Freeman  
Ms. Teresa Grimmett  
Ms. Sandra Holly  
Dr. Bruce Myers  
Mr. Joel Ragland  
Ms. Kay Skillington

Chairman  
Secretary/Treasurer

MANAGEMENT

Mr. Jay Albertia  
Mr. James Larson

President/CEO  
Executive Vice President/CFO



STONE,  
RUDOLPH  
& HENRY, PLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Progressive Directions, Inc.  
Clarksville, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Progressive Directions, Inc. as of June 30, 2023 and 2022, 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.

#### ***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Progressive Directions, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Progressive Directions, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Progressive Directions, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Progressive Directions, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards and state financial assistance 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 schedule of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

### ***Other Information***

Management is responsible for the other information as listed in the introductory section of the table of contents. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2023, on our consideration of Progressive Directions, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Progressive Directions, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Progressive Directions, Inc.'s internal control over financial reporting and compliance.

*Stone Rudolph & Henry, PLLC*

Clarksville, Tennessee

November 20, 2023

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>Restated 2022</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,307,260	\$ 1,349,693
Accounts receivable	1,882,429	1,966,914
Inventory	2,846	2,846
Investments	7,170	7,170
Prepaid expenses	15,002	36,141
Total current assets	<u>3,214,707</u>	<u>3,362,764</u>
<u>PROPERTY AND EQUIPMENT</u>		
Land	419,218	419,218
Building	3,754,762	3,706,890
Equipment	918,665	872,051
Vehicles	1,169,753	1,133,537
Construction in progress	85,650	9,062
Total property and equipment	<u>6,348,048</u>	<u>6,140,758</u>
Less: accumulated depreciation	<u>3,557,120</u>	<u>3,243,770</u>
Net property and equipment	<u>2,790,928</u>	<u>2,896,988</u>
<u>OTHER ASSETS</u>		
Client deposits	7,816	7,616
Operating lease right-of-use assets	<u>663,168</u>	<u>421,808</u>
Total other assets	<u>670,984</u>	<u>429,424</u>
 Total assets	 <u>\$ 6,676,619</u>	 <u>\$ 6,689,176</u>

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

LIABILITIES AND NET ASSETS

	2023	Restated 2022
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 241,818	\$ 282,335
Accrued payroll	1,035,432	895,434
Unearned revenue - federal grants	23,103	86,213
Other accrued liabilities	25,252	21,702
Current portion of notes payable	439,605	453,318
Current portion of finance lease liabilities	23,424	27,484
Current portion of operating lease liabilities	282,311	192,227
Total current liabilities	<u>2,070,945</u>	<u>1,958,713</u>
<u>LONG-TERM LIABILITIES</u>		
Notes payable - net of current portion	188,619	602,231
Finance lease liabilities	28,873	52,297
Operating lease liabilities	397,444	236,183
Total long-term liabilities	<u>614,936</u>	<u>890,711</u>
Total liabilities	<u>2,685,881</u>	<u>2,849,424</u>
<u>NET ASSETS</u>		
With donor restrictions	181,541	217,828
Without donor restrictions - Undesignated	3,809,197	3,621,924
Total net assets	<u>3,990,738</u>	<u>3,839,752</u>
 Total liabilities and net assets	 <u>\$ 6,676,619</u>	 <u>\$ 6,689,176</u>

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



PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	Restated 2022
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
Revenues:		
Fees and services	\$ 16,684,514	\$ 15,479,495
Local grants	9,821	4,468
Contributions	111,260	120,304
Day care	786,128	643,056
Thrift store	95,583	84,818
Common Ground Café	95,474	5,869
Rent	108,915	92,467
Interest	7,500	8,305
Net assets released from restriction	1,605,059	1,335,467
Total revenues	<u>19,504,254</u>	<u>17,774,249</u>
Expenses:		
Program services		
Adult program services	15,253,381	14,437,780
Early intervention services	1,022,467	848,632
Day care	987,034	785,999
Thrift store	156,812	122,181
Common Ground Café	211,406	63,972
Total program services	<u>17,631,100</u>	<u>16,258,564</u>
Administrative supporting services	<u>1,733,471</u>	<u>1,447,667</u>
Total expenses	<u>19,364,571</u>	<u>17,706,231</u>
Other income:		
Other income	38,657	20,759
Gain on disposal of property and equipment	8,933	15,093
Total other income	<u>47,590</u>	<u>35,852</u>
Net change in net assets without donor restrictions	187,273	103,870
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>		
Federal and state grants	1,568,772	1,328,343
Net assets released from restrictions	<u>(1,605,059)</u>	<u>(1,335,467)</u>
Net change in net assets with donor restrictions	<u>(36,287)</u>	<u>(7,124)</u>
Net change in net assets	150,986	96,746
<u>NET ASSETS - BEGINNING</u>	<u>3,839,752</u>	<u>3,743,006</u>
<u>NET ASSETS - ENDING</u>	<u>\$ 3,990,738</u>	<u>\$ 3,839,752</u>

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2023

	Program Services							
	Adult Program Services	Early Intervention Services	Kids Depot Day Care	Thrift Store	Common Ground Café	Total Program Services	Administrative Supporting Services	Total Expenses
Advertising and public relations	\$ 22,814	\$ -	\$ 1,155	\$ -	\$ 2,747	\$ 26,716	\$ 17,869	\$ 44,585
Communication	108,674	13,827	2,552	1,281	3,174	129,508	8,627	138,135
Depreciation	216,613	25,528	28,564	-	10,776	281,481	40,369	321,850
Dues, memberships and licenses	20,499	-	-	-	207	20,706	180	20,886
Food	-	-	103,095	-	70,340	173,435	-	173,435
Fringe benefits	1,658,562	106,850	62,437	7,821	8,378	1,844,048	311,446	2,155,494
Insurance	103,020	1,020	4,507	24	780	109,351	140,823	250,174
Interest	-	-	-	-	-	-	33,850	33,850
Miscellaneous	35,002	8,055	17,747	2,179	9,015	71,998	43,323	115,321
Personnel	11,439,758	758,325	650,462	102,615	90,173	13,041,333	841,958	13,883,291
Professional services	539,966	1,287	3,867	-	53	545,173	217,042	762,215
Rentals	290,519	-	618	30,000	-	321,137	18,244	339,381
Repairs and maintenance	115,641	14,489	28,659	5,035	966	164,790	7,353	172,143
Supplies	122,070	20,294	54,480	514	14,749	212,107	26,790	238,897
Travel and entertainment	817	-	-	-	-	817	5,342	6,159
Vehicle operations	500,605	66,655	2,788	-	48	570,096	18,650	588,746
Utilities	78,821	6,137	26,103	7,343	-	118,404	1,605	120,009
Total expenses	\$ 15,253,381	\$ 1,022,467	\$ 987,034	\$ 156,812	\$ 211,406	\$ 17,631,100	\$ 1,733,471	\$ 19,364,571

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

PROGRESSIVE DIRECTIONS, INC.  
RESTATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2022

	Program Services								Total Program Services	Administrative Supporting Services	Total Expenses
	Adult Program Services	Early Intervention Services		Kids Depot Day Care	Thrift Store	Common Ground Café					
Advertising and public relations	\$ 7,763	\$ 128	\$ 7,774	\$ 96	\$ 2,452	\$ 18,213	\$ 24,060	\$ 42,273			
Communication	102,935	15,790	2,717	1,246	753	123,441	9,967	133,408			
Depreciation	189,728	27,199	28,394	-	898	246,219	39,768	285,987			
Dues, memberships and licenses	26,891	-	660	-	448	27,999	14,203	42,202			
Food	4,661	-	68,150	-	7,917	80,728	-	80,728			
Fringe benefits	1,475,340	107,453	55,869	8,211	2,178	1,649,051	221,663	1,870,714			
Insurance	91,920	936	4,915	24	-	97,795	98,686	196,481			
Interest	-	-	-	-	-	-	46,337	46,337			
Miscellaneous	34,571	-	14,308	1,707	319	50,905	37,289	88,194			
Personnel	10,503,502	637,117	497,634	65,814	28,475	11,732,542	724,542	12,457,084			
Professional services	1,073,516	4,511	6,187	41	3,289	1,087,544	176,300	1,263,844			
Rentals	244,864	-	-	30,010	-	274,874	16,979	291,853			
Repairs and maintenance	81,742	7,331	22,560	4,608	2,186	118,427	3,785	122,212			
Supplies	121,320	16,704	44,166	483	15,032	197,705	26,141	223,846			
Travel and entertainment	-	1,749	-	-	-	1,749	-	1,749			
Vehicle operations	404,717	24,042	1,996	-	25	430,780	6,314	437,094			
Utilities	74,310	5,672	30,669	9,941	-	120,592	1,633	122,225			
Total expenses	\$ 14,437,780	\$ 848,632	\$ 785,999	\$ 122,181	\$ 63,972	\$ 16,258,564	\$ 1,447,667	\$ 17,706,231			

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

PROGRESSIVE DIRECTIONS, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>Restated 2022</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 150,986	\$ 96,746
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	321,850	285,987
Gain on disposal of property and equipment	(8,933)	(15,093)
Changes in:		
Accounts receivable	84,485	(253,900)
Prepaid expenses	21,139	(18,099)
Customer deposits	(200)	(500)
Operating lease right-of-use assets	(241,360)	(206,017)
Accounts payable	(40,517)	57,996
Accrued payroll	139,998	103,554
Unearned revenue - federal grants	(63,110)	86,213
Operating lease liabilities	251,345	212,618
Other accrued liabilities	3,550	6,847
Net cash provided by operating activities	<u>619,233</u>	<u>356,352</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from disposal of fixed assets	8,933	15,093
Purchases of fixed assets	(215,790)	(519,428)
Net cash used in investing activities	<u>(206,857)</u>	<u>(504,335)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Repayment of finance lease liabilities	(27,484)	(40,757)
Repayment of notes payable	(427,325)	(421,209)
Net cash used in financing activities	<u>(454,809)</u>	<u>(461,966)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(42,433)</u>	<u>(609,949)</u>
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>1,349,693</u>	<u>1,959,642</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 1,307,260</u>	<u>\$ 1,349,693</u>
<u>Supplemental Disclosure on Non-Cash Activity</u>		
Vehicles obtained in exchange for long-term lease obligation	\$ -	\$ 102,059

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

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023 AND 2022

1. Summary of Significant Accounting Policies

Organization and Nature of Activities

Progressive Directions, Inc. (the Organization) is a private, nonprofit corporation that operates programs designed to train and support persons with varying degrees of developmental and intellectual disabilities, cerebral palsy, and other handicapping conditions who live in Montgomery, Maury and surrounding counties. The primary source of revenue is from Tennessee state grants and fees for service. Revenue is also received from contributions and contracts. Fee for service revenue is also received from Kids Depot, a licensed day care facility that serves children ages one to twelve years. Approximately 4.0 and 3.6 percent of the Organization's revenues were derived from Kids Depot during the years ended June 30, 2023 and 2022, respectively.

The Organization is qualified as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code. It has not been determined to be a private foundation and is considered by the Internal Revenue Service (IRS) to be a public charity. Accordingly, no provision for income taxes has been made. However, the Organization does file information returns required by the IRS. The Organization is no longer subject to federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2020.

Use of Estimates

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

Basis of Accounting

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

The Financial Accounting Standards Board (FASB) has established standards concerning contributions and financial statement presentation applicable to non-governmental not-for-profit organizations such as the Organization. These standards require that unconditional promises to give (pledges) be recorded as receivables and revenues and require the Organization to distinguish among contributions received for each net asset category in accordance with donor-imposed restrictions. A description of the two net asset categories follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains and losses that are not restricted by grants or donors are included in this classification. All expenditures are reported in the net assets without donor restrictions class of net assets since the use of restricted contributions in accordance with the grantors' or donors' stipulations results in the release of the restriction. Restricted contributions whose restrictions are met in the same reporting period are recorded as net assets without donor restrictions.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

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

Basis of Accounting (Cont'd)

Net Assets With Donor Restrictions

Net assets with donor restrictions are limited as to use by donor- or grantor-imposed restrictions. Some restrictions expire with the passage of time or may be satisfied by use for the specific purpose. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization's net assets with donor restrictions consisted of funds due from grantor agencies at June 30, 2023 and 2022.

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 original 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 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 \$394,612 and \$348,637 at June 30, 2023 and 2022, respectively. Any amounts owed to employees are paid upon termination. The amounts are reported with accrued payroll as a current liability in the statements of financial position.

Revenues

Revenues are reported net of discounts.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

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

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Change in Accounting Principles

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The statement addresses the treatment of leases with terms longer than twelve months by adding a right-of-use asset and related lease liability. The Organization retrospectively implemented FASB 2016-02 (Topic 842) as of June 30, 2021. The effect of implementation included recognizing new operating lease right-of-use assets and lease liabilities as of June 30, 2022 related to an office space and vehicle leases. Leases previously reported as capital leases are now reported as finance leases. Implementation also created additional disclosures included in Note 5.

Date of Management's Review

Subsequent events have been evaluated through November 20, 2023, which is the date the financial statements were available to be issued.

2. Cash and Cash Equivalents

Cash and cash equivalents were represented by bank deposits of \$1,349,248 and \$1,418,669 at June 30, 2023 and 2022, respectively. Of these amounts \$500,000 was insured by the Federal Deposit Insurance Corporation, and \$849,248 and \$918,669, respectively, were uninsured at June 30, 2023 and 2022.

3. Liquidity and Availability

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have seasonal variations during the fiscal year attributable to cash receipts for program services. Additionally, the Organization receives support from government agencies through annual grants which are paid on an expense reimbursement basis typically within 45 days of the request for reimbursement. Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the balance sheet date is comprised of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unrestricted cash	\$ 1,307,260	\$ 1,349,693
Non-grant accounts receivable	1,692,888	1,662,873
Total	<u>\$ 3,000,148</u>	<u>\$ 3,012,566</u>

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

4. Accounts Receivable

Accounts receivable from grants and contracts consisted of the following:

	<u>2023</u>	<u>2022</u>
Medicaid Waiver	\$ 1,176,247	\$ 1,181,560
Grants	189,541	304,041
Other	516,641	481,313
Total	<u>\$ 1,882,429</u>	<u>\$ 1,966,914</u>

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

5. Leasing Activities

The Organization was the lessee under twenty-three lease agreements involving office space, office equipment, and vehicles, with expiration dates varying from December 2023 to June 2028.

The following summarizes the line items in the balance sheets which include amounts for the operating leases as of June 30:

	2023	2022
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 663,168	\$ 421,808
Current portion of operating lease liabilities	\$ 282,311	\$ 192,227
Operating lease liabilities	397,444	236,183
Total operating lease liabilities	\$ 679,755	\$ 428,410
<b>Finance Leases</b>		
Property and equipment	\$ 138,880	\$ 138,880
Accumulated depreciation	(59,174)	(31,406)
Property and equipment, net	\$ 79,706	\$ 107,474
Current portion of finance lease liabilities	\$ 23,424	\$ 27,484
Finance lease liabilities	28,873	52,297
Total finance lease liabilities	\$ 52,297	\$ 79,781

The following summarizes the weighted average remaining lease term and discount rate of the operating lease as of June 30:

	2023	2022
<b>Weighted Average Remaining Lease Term</b>		
Operating leases	4	3
Finance leases	3	4
<b>Weighted Average Discount Rate</b>		
Operating leases	6.91%	6.91%
Finance leases	8.02%	8.02%

The maturities of the operating lease liability as of June 30, 2023 were as follows:

Year Ending June 30,	Amount
2024	\$ 295,033
2025	180,611
2026	134,754
2027	107,656
2028	71,307
Total lease payments	789,361
Less: interest	(109,606)
Present value of lease liabilities	\$ 679,755



PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

5. Leasing Activities (Cont'd)

The following summarizes the line items in the income statements which include the components of lease expense for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Operating lease expense included in rentals expense	\$ <u>243,138</u>	\$ <u>158,786</u>
Finance lease costs:		
Amortization of lease assets included in depreciation expense	\$ 41,368	\$ 20,968
Interest on lease liabilities included in interest expense	<u>6,091</u>	<u>5,243</u>
Total finance lease costs	\$ <u>47,459</u>	\$ <u>26,211</u>

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 37,200	\$ 37,200
Operating cash flows from finance leases	6,091	5,243
Financing cash flows from finance leases	<u>27,484</u>	<u>40,757</u>
Lease assets obtained in exchange for lease obligations:		
Operating leases	443,572	340,027
Finance leases	-	102,059

6. Notes Payable

Notes payable consisted of the following:

	<u>2023</u>	<u>2022</u>
3.15% note payable to Legends Bank, secured by real estate with carrying amount of \$1,117,677 and \$1,190,367 at June 30, 2023 and 2022, respectively, payable in monthly installments of \$37,773 of principal and interest through November 2024.	\$ <u>628,224</u>	\$ <u>1,055,549</u>
Total notes payable	628,224	1,055,549
Less: current portion	<u>439,605</u>	<u>453,318</u>
Total long-term portion of notes payable	\$ <u>188,619</u>	\$ <u>602,231</u>

Future payments on long-term debt are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 439,605	\$ 13,667
2025	<u>188,619</u>	<u>1,504</u>
	\$ <u>628,224</u>	\$ <u>15,171</u>

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

6. Notes Payable (Cont'd)

Cash payments for interest were \$33,850 and \$46,337 for the years ended June 30, 2023 and 2022, respectively.

7. Line of Credit

The Organization maintains an operating line of credit with Legends Bank with a borrowing limit of \$500,000 and \$500,000 at June 30, 2023 and 2022, respectively, of which \$500,000 and \$500,000 was available at June 30, 2023 and 2022, respectively. The line of credit had a variable interest rate of 5.50% at June 30, 2023 and 2022 and requires monthly interest payments. The line of credit matures August 2024 and is secured by a deed of trust on real estate with a net book value of \$1,049,370 and \$1,122,059 at June 30, 2023 and 2022, respectively.

8. 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, 2023 and 2022.

During the fiscal years ended June 30, 2023 and 2022, contributions to the plan totaling \$75,908 and \$78,184, respectively, were paid and expensed by the Organization. Employee contributions to the plan were \$85,085 and \$83,797 for the years ended June 30, 2023 and 2022, respectively.

9. Contracts

The Organization enters into program administration contracts with the State Division of Intellectual Disabilities Services and the State Department of Education. These contracts are for the purpose of providing intellectual disabilities services in accordance with applicable federal and state laws, regulations, program guidelines, service definitions and stated goals. Revenues under these contracts were \$14,197,395 and \$13,124,710 and amounted to 73% and 74% of total revenues for the years ended June 30, 2023 and 2022, 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.

10. Contingencies

Partial funding of the Organization's programs is provided by state and local government agencies. These funds are to be used for designated purposes only. If, based on the grantor's review, the funds are considered not to have been used for the intended purpose or in accordance with the terms of the grant, the grantor may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's programs is predicated upon the compliance of the Organization with the grant terms and the grantor's intent to continue its programs.

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2023 AND 2022

11. Sources of Revenue

The following is total revenue disaggregated by type:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Fees and services:		
Supported living:		
Medical Waiver program	\$ 14,197,395	\$ 13,124,710
CHOICES program	146,730	126,063
Vocational and Employment Support:		
Vocational rehabilitation program	121,762	153,256
Employment and Community First program	1,406,028	1,089,194
Cleaning contracts	437,726	740,770
Other contracts	374,873	245,502
Local educational grants	9,821	4,468
Day care fees	786,128	643,056
Thrift store sales	95,583	84,818
Café sales	95,474	5,869
Rental revenue	108,915	92,467
Contributions	111,260	120,304
Interest	7,500	8,305
Net assets released from restriction	<u>1,605,059</u>	<u>1,335,467</u>
Total revenues without donor restrictions	<u>19,504,254</u>	<u>17,774,249</u>
Federal and state grants:		
Early intervention	1,114,502	923,287
Vehicle grant	-	32,400
ARP Child Care and Development Block Grant	435,182	261,756
Adult Changing Table Grant	4,163	-
Community Development Block Grant	-	100,000
Pre-Employment Transition Services	14,925	10,900
Net assets released from restriction	<u>(1,605,059)</u>	<u>(1,335,467)</u>
Total revenues with donor restrictions	<u>(36,287)</u>	<u>(7,124)</u>
Total revenues	<u>\$ 19,467,967</u>	<u>\$ 17,767,125</u>

12. Subsequent Event

In July 2023, the Organization was awarded a third American Rescue Plan Child Care and Development Block Grant in the amount of \$250,646.

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2023

Grantor/Program Title	Grant Number or Pass-Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2022	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2023
<u>U.S. Department of Health and Human Services</u>						
Passed through State of Tennessee Department of Human Services						
Pre-Employment Transition Services 10/1/21 - 9/30/22	34570-82922	84.126	5,070	7,060	1,990	-
Pre-Employment Transition Services 10/1/22 - 9/30/23	34570-82923	84.126	-	12,610	12,935	325
COVID-19 Child Care and Development Fund	TCC243	93.575	(86,213)	356,969	435,182	(8,000)
Total U.S. Department of Health and Human Services			(81,143)	376,639	450,107	(7,675)
<u>U.S. Department of Education</u>						
Passed through State of Tennessee Department of Education						
TEIS Vendor Services	33195-00419	84.181A	871	6,416	5,545	-
Early Intervention Services 2021-2022	69640	84.181A	53,232	53,232	-	-
Early Intervention Services 2022-2023	69640	84.181A	-	147,616	193,879	46,263
Total U.S. Department of Education			54,103	207,264	199,424	46,263
<u>U.S. Department of Housing and Urban Development</u>						
Passed through City of Clarksville						
Community Development Block Grant Coronavirus	CommonGroundCafe	14.218	100,000	100,000	-	-
Total U.S. Dept. of Housing and Urban Development			100,000	100,000	-	-
Total federal awards			72,960	683,903	649,531	38,588

(Continued)

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

PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CON'TD)  
YEAR ENDED JUNE 30, 2023

Grantor/Program Title	Grant Number or Pass-Through Contract Number	Federal CFDA Number	Accrued Receivable (Payable) July 1, 2022	Receipts	Expenditures	Accrued Receivable (Payable) June 30, 2023
State of Tennessee Department of Education						
Adult Changing Table Grant	34401-99327	84.181A	-	-	4,163	4,163
TEIS Vendor Services	33195-00419	84.181A	944	4,694	3,750	-
Early Intervention Services 2020-2021	69640	84.181A	143,924	143,924	-	-
Early Intervention Services 2021-2022	69640	84.181A	-	772,538	911,328	138,790
Total State of Tennessee Department of Education			144,868	921,156	919,241	142,953
Total state assistance			144,868	921,156	919,241	142,953
Total federal awards and state financial assistance			\$ 217,828	\$ 1,605,059	\$ 1,568,772	\$ 181,541

PROGRESSIVE DIRECTIONS, INC.  
NOTES TO SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
JUNE 30, 2023 AND 2022

Note A – Basis of Presentation

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



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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  
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, 2023, 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 November 20, 2023.

**Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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 20, 2023



PROGRESSIVE DIRECTIONS, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023

No findings were reported in the prior year.