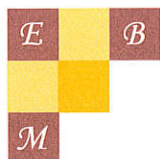


**JOURNEYS IN COMMUNITY LIVING, INC.  
FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

**JOURNEYS IN COMMUNITY LIVING, INC.  
FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2014 AND 2013**

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*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Journeys in Community Living, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Journeys in Community Living, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 of 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Journeys in Community Living, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Information

#### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance on page 12 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 21, 2014 on our consideration of the Organization'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 the Corporation's internal control over financial reporting and compliance.

*Edmondson, Betz & Montgomery, PLLC*

October 21, 2014

**JOURNEYS IN COMMUNITY LIVING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash	\$ 344,048	\$ 157,293
Accounts receivable	449,075	851,744
Deposits	12,732	11,732
Prepaid expenses	26,262	7,296
Total current assets	<u>832,117</u>	<u>1,028,065</u>
Restricted cash - representative payee accounts	52,857	50,553
Capital assets less accumulated depreciation	<u>523,424</u>	<u>505,953</u>
Total assets	<u><u>\$ 1,408,398</u></u>	<u><u>\$ 1,584,571</u></u>

**LIABILITIES AND NET ASSETS**

Current liabilities:		
Accounts payable	\$ 13,343	\$ 15,289
Accrued leave payable	151,602	169,519
Other accrued expenses	121,263	126,956
Client trust accounts	52,857	50,553
Total current liabilities	<u>339,065</u>	<u>362,317</u>
Net Assets:		
Unrestricted net assets	932,427	1,156,532
Temporarily restricted net assets	<u>136,906</u>	<u>65,722</u>
Total net assets	<u>1,069,333</u>	<u>1,222,254</u>
Total liabilities and net assets	<u><u>\$ 1,408,398</u></u>	<u><u>\$ 1,584,571</u></u>

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



**JOURNEYS IN COMMUNITY LIVING, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Unrestricted support and revenues		
Tennessee Department of Intellectual and Developmental Disabilities	\$ 4,818,342	\$ 4,571,528
Private pay services	21,104	35,364
Tennessee Department of Human Services- Division of Rehabilitation Services	8,662	6,425
County and city government	42,000	42,000
United Way	103,908	111,717
Workshop contracts	149,307	110,217
Client rent	39,512	36,824
Contributions	36,642	110,288
Gain (loss) on disposal of fixed assets	(13,591)	1,196
Interest income	-	764
Miscellaneous	2,994	171
Net assets released from restrictions	54,892	36,680
Total unrestricted support and revenues	<u>5,263,772</u>	<u>5,063,174</u>
Expenses		
Program services:		
Residential services	3,365,400	3,057,035
Day services	1,244,504	1,211,097
Total program services expense	<u>4,609,904</u>	<u>4,268,132</u>
Supporting services:		
Management and general	825,154	646,182
Development	52,819	40,922
Total supporting services expense	<u>877,973</u>	<u>687,104</u>
Total expenses	<u>5,487,877</u>	<u>4,955,236</u>
Increase (decrease) in unrestricted net assets	<u>(224,105)</u>	<u>107,938</u>
Temporarily restricted net assets		
Contributions		
Tennessee Department of Transportation	126,076	-
Net assets released from restrictions		
Restrictions satisfied by passage of time	<u>(54,892)</u>	<u>(36,680)</u>
Increase (decrease) in temporarily restricted net assets	<u>71,184</u>	<u>(36,680)</u>
Change in net assets	(152,921)	71,258
Net assets, beginning of year	<u>1,222,254</u>	<u>1,150,996</u>
Net assets, end of year	<u>\$ 1,069,333</u>	<u>\$ 1,222,254</u>

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

**JOURNEYS IN COMMUNITY LIVING, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2014 AND 2013**

	Program Services			Supporting Services		Totals	
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 2,414,554	\$ 582,271	\$ 2,996,825	\$ 402,263	\$ 32,488	\$ 434,751	\$ 3,431,576
Fringe benefits	419,428	169,540	588,968	75,679	6,916	82,595	671,563
Total salaries and fringe benefits	2,833,982	751,811	3,585,793	477,942	39,404	517,346	4,103,139
Contracted services	230,967	4,666	235,633	132,249	654	132,903	368,536
Fuel	-	140,578	140,578	-	-	-	140,578
Client wages & workshop expenses	-	127,505	127,505	-	-	-	127,505
Vehicle expenses	3,284	100,565	103,849	22,121	-	22,121	125,970
Depreciation	65,124	20,306	85,430	26,809	-	26,809	112,239
Insurance	55,512	13,412	68,924	9,679	748	10,427	79,351
Utilities	41,181	21,837	63,018	14,715	-	14,715	77,733
Repairs & maintenance - building	48,733	1,673	50,406	4,468	-	4,468	54,874
Food	25,204	57	25,261	13,709	7,819	21,528	46,789
Professional fees	100	29,023	29,123	15,337	-	15,337	44,460
Communications	30,411	7,094	37,505	6,174	-	6,174	43,679
Office supplies	786	5,999	6,785	35,141	952	36,093	42,878
Rent	15,504	8,528	24,032	4,033	-	4,033	28,065
Bad debt expense	-	-	-	24,111	-	24,111	24,111
Background expense	-	-	-	13,120	-	13,120	13,120
Travel	7,566	1,047	8,613	2,826	220	3,046	11,659
Miscellaneous	5,122	73	5,195	4,140	248	4,388	9,583
Dues & subscriptions	-	-	-	8,268	147	8,415	8,415
Client transportation and supplements	524	6,203	6,727	-	-	-	6,727
Seminars and training	1,400	700	2,100	3,812	250	4,062	6,162
Printing and postage	-	-	-	1,522	2,184	3,706	3,706
Medical supplies	-	3,213	3,213	-	-	-	3,213
Taxes & licenses	-	214	214	2,273	-	2,273	2,487
Bank charges	-	-	-	2,036	193	2,229	2,229
Advertising	-	-	-	669	-	669	669
Total expenses	\$ 3,365,400	\$ 1,244,504	\$ 4,609,904	\$ 825,154	\$ 52,819	\$ 877,973	\$ 5,487,877
							\$ 4,955,236

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

**JOURNEYS IN COMMUNITY LIVING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2013**

	Program Services			Supporting Services			Totals
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 2,158,815	\$ 603,118	\$ 2,761,933	\$ 329,133	\$ 22,299	\$ 351,432	\$ 3,113,365
Fringe benefits	410,407	166,278	576,685	56,213	6,931	63,144	639,829
Total salaries and fringe benefits	2,569,222	769,396	3,338,618	385,346	29,230	414,576	3,753,194
Contracted services	280,577	3,481	284,058	68,425	129	68,554	352,612
Fuel	-	124,940	124,940	-	-	-	124,940
Client wages & workshop expenses	-	101,062	101,062	-	-	-	101,062
Vehicle expenses	2,726	54,490	57,216	33,816	-	33,816	91,032
Depreciation	36,237	22,152	58,389	22,229	-	22,229	80,618
Utilities	30,374	29,010	59,384	8,173	-	8,173	67,557
Professional fees	10	35,945	35,955	26,374	-	26,374	62,329
Repairs & maintenance - building	48,031	2,561	50,592	1,335	44	1,379	51,971
Office supplies	699	13,041	13,740	30,683	1,923	32,606	46,346
Insurance	22,923	13,754	36,677	9,169	-	9,169	45,846
Communications	28,196	8,540	36,736	3,592	-	3,592	40,328
Food	12,361	8,601	20,962	11,493	5,649	17,142	38,104
Rent	13,749	9,617	23,366	3,246	-	3,246	26,612
Medical supplies	-	11,562	11,562	-	-	-	11,562
Travel	6,572	2,043	8,615	2,674	-	2,674	11,289
Miscellaneous	4,704	128	4,832	6,194	104	6,298	11,130
Seminars and training	576	615	1,191	9,347	-	9,347	10,538
Background expense	-	-	-	9,804	-	9,804	9,804
Dues & subscriptions	-	-	-	5,795	200	5,995	5,995
Printing and postage	-	-	-	2,393	1,944	4,337	4,337
Advertising	24	-	24	1,822	1,148	2,970	2,994
Taxes & licenses	54	159	213	2,513	-	2,513	2,726
Bank charges	-	-	-	1,759	551	2,310	2,310
Total expenses	\$ 3,057,035	\$ 1,211,097	\$ 4,268,132	\$ 646,182	\$ 40,922	\$ 687,104	\$ 4,955,236

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



**JOURNEYS IN COMMUNITY LIVING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets	\$ (152,921)	\$ 71,258
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	112,239	80,618
(Gain) loss on disposal of equipment	13,591	(1,196)
In kind contributions and grants	(126,076)	(48,792)
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	402,669	(459,913)
Increase in deposits	(1,000)	(1,200)
Increase in prepaid expenses	(18,966)	(1,002)
Increase (decrease) in accounts payable	(1,946)	449
Increase (decrease) in accrued leave payable	(17,917)	17,976
Increase (decrease) in other accrued expenses	(5,693)	11,033
Net cash provided by (used in) operating activities	<u>203,980</u>	<u>(330,769)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	17,668	22,125
Fixed assets purchased	(34,893)	(52,268)
Net cash used in investing activities	<u>(17,225)</u>	<u>(30,143)</u>
Net increase (decrease) in cash	186,755	(360,912)
Cash at beginning of year	<u>157,293</u>	<u>518,205</u>
Cash at end of year	<u>\$ 344,048</u>	<u>\$ 157,293</u>
Supplemental disclosure of cash flow information:		
Equipment acquisitions through contributions and grants	<u>\$ 126,076</u>	<u>\$ 48,792</u>

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

**JOURNEYS IN COMMUNITY LIVING, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Journeys in Community Living, Inc. is a private, nonprofit agency established in 1974 to provide independent living and vocational training services to adults with mental retardation who live in Rutherford County. Prior to 2013, the Organization operated under their former name, Rutherford County Adult Activity Center, Inc. Currently, approximately 100 adults are served by the program. The Organization operates one group home and sixteen companion homes, including a medical residence, in addition to its sheltered workshop.

A major portion of funding is provided by the Department of Intellectual and Developmental Disabilities under a five year contract expiring December 31, 2014. A major reduction in these funds, should this occur, could have a significant effect upon future operations.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when earned. Expenses are recorded when incurred.

Revenues

Grants and other contributions of cash are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for Uncollectible Amounts

The allowance for uncollectible amounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts receivable in light of historical experience, adverse situations that may affect the donor's ability to repay, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

**JOURNEYS IN COMMUNITY LIVING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax-Exempt Status

Journeys in Community Living, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements. It is chartered as a not-for-profit corporation by the State of Tennessee.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements in order to conform to the 2014 presentation.

Events Occurring After Reporting Date

Journeys in Community Living, Inc. has evaluated events and transactions that occurred between June 30, 2014 and October 21, 2014, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 2 - CASH AND CASH EQUIVALENTS**

For the statement of cash flows, the management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following at each June 30:

	2014	2013
State of Tennessee	\$ 406,216	\$ 812,257
Workshop activities and other	42,859	39,487
Total	<u>\$ 449,075</u>	<u>\$ 851,744</u>

**JOURNEYS IN COMMUNITY LIVING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 4 - FIXED ASSETS AND DEPRECIATION**

Property and equipment acquisitions with a per-unit cost in excess of \$500 are capitalized at cost. Depreciation is taken on the straight-line method using estimated useful lives as follows:

	Life in years	2014	2013
Buildings	25	\$ 285,196	\$ 285,196
Building improvements	25	21,166	21,166
Leasehold improvements	15 - 25	542,570	550,133
Furniture and fixtures	5 - 7	174,595	161,716
Transportation equipment	5	508,502	448,179
		\$ 1,532,029	\$ 1,466,390
Less accumulated depreciation		1,028,400	980,232
		503,629	486,158
Land		19,795	19,795
		<u>\$ 523,424</u>	<u>\$ 505,953</u>

**NOTE 5 - LINE OF CREDIT**

The Organization has a \$200,000 line of credit with FirstBank. The line was drawn upon during the year, however no balance was outstanding at June 30, 2014. Interest is payable monthly at prime. The line matures on December 31, 2014.

**NOTE 6 - OPERATING LEASES**

The Organization leases 6 automobiles used in its day services. All automobiles are leased under 36 month terms with maturity dates ranging from January 2016 through May 2017. Minimum lease payments under these leases are expected to be \$27,082; \$22,808 and \$9,092 for the fiscal years ending June 30, 2015, 2016 and 2017, respectively. For June 30, 2014 and 2013, lease expenses of \$27,758 and \$28,297 have been included in the statements of functional expenses as vehicle expenses.

The Organization leases its office under a month to month lease with Rutherford County. For both June 30, 2014 and 2013, lease expense of \$9,600 has been included in the statements of functional expenses as rent expense

**JOURNEYS IN COMMUNITY LIVING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2014 AND 2013**

**NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the organization's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE 8 - CONCENTRATIONS OF CREDIT RISK**

The Organization maintains deposits a local financial institution. The deposits in this institution, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization believes that there is no significant risk with respect to these deposits.

**NOTE 9 - NET ASSETS**

Temporarily restricted net assets as of June 30, 2014 were restricted for the following purposes:

	<u>2014</u>	<u>2013</u>
Tennessee Department of Transportation - Restricted grant	<u>\$ 130,906</u>	<u>\$ 65,722</u>
	<u>\$ 130,906</u>	<u>\$ 65,722</u>

During 2014, the Tennessee Department of Transportation awarded the Organization a grant for the purchase of 2 buses and 2 vans for the transportation of service recipients. The grant gives legal title of the vehicles to the Organization subject to the State's equitable interest, to the extent of its pro rata share, based on the State's contribution to the purchase price, which is 90% of the total cost. The Organization paid 10% of the cost of the vehicles. Buses and vans used under this grant are to be used for five years or 125,000 miles and 4 years or 100,000 miles, respectively.

**JOURNEYS IN COMMUNITY LIVING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED JUNE 30, 2014**

<u>Program</u>	<u>CFDA No.</u>	<u>State Grant Number</u>	<u>Balance June 30, 2013</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2014</u>
<u>Federal Award</u>						
Department of Transportation, Division of Multimodal Transportation	20.513	TDOT 995310-S3-115	\$ -	\$ 112,068	\$ 112,068	\$ -
Total Federal Award			-	112,068	112,068	-
<u>State Financial Assistance</u>						
Department of Transportation, Division of Multimodal Transportation	20.513	TDOT 995310-S3-115	-	14,008	14,008	-
Total State Award			-	14,008	14,008	-
Totals			<u>\$ -</u>	<u>\$ 126,076</u>	<u>\$ 126,076</u>	<u>\$ -</u>

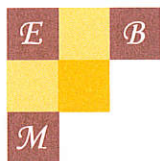
**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Journeys in Community Living, Inc. under programs of the federal and state government for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting, therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 - GRANTEE SHARE**

Under terms of the grant agreement listed above, Journeys in Community Living, Inc. was required to and has provided matching funds in the amount of \$14,008.





*Edmondson, Betzler & Montgomery, PLLC*  
(Certified Public Accountants)

**INDEPENDENT AUDITORS' 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  
Journeys in Community Living, 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 Journeys in Community Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Journeys in Community Living, 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 Journeys in Community Living, Inc.'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.

**INDEPENDENT AUDITORS' 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 (CONTINUED)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Journeys in Community Living, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 Journeys in Community Living, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Journeys in Community Living, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Edmondson, Betfer & Montgomery, PLLC*

October 21, 2014