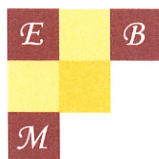


**JOURNEYS IN COMMUNITY LIVING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2013 AND 2012**

**JOURNEYS IN COMMUNITY LIVING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2013 AND 2012**

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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, 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 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, 2013 and 2012, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2013 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, Butler & Montgomery, PLLC

October 22, 2013

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current assets:		
Cash	\$ 207,846	\$ 574,255
Accounts receivable	851,744	391,831
Deposits	11,732	10,532
Prepaid expenses	7,296	6,294
Total current assets	<u>1,078,618</u>	<u>982,912</u>
Capital assets less accumulated depreciation	<u>505,953</u>	<u>506,440</u>
Total assets	<u><u>\$ 1,584,571</u></u>	<u><u>\$ 1,489,352</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 15,289	\$ 14,840
Accrued leave payable	169,519	151,543
Other accrued expenses	126,956	115,923
Client trust accounts	50,553	56,050
Total current liabilities	<u>362,317</u>	<u>338,356</u>
Net Assets:		
Unrestricted net assets	1,156,532	1,048,594
Temporarily restricted net assets	<u>65,722</u>	<u>102,402</u>
Total net assets	<u>1,222,254</u>	<u>1,150,996</u>
Total liabilities and net assets	<u><u>\$ 1,584,571</u></u>	<u><u>\$ 1,489,352</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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Unrestricted support and revenues		
Tennessee Department of Intellectual and Developmental Disabilities	\$ 4,571,528	\$ 4,092,528
Private pay services	35,364	29,467
Tennessee Department of Human Services- Division of Rehabilitation Services	6,425	10,419
County and city government	42,000	34,500
United Way	111,717	100,891
Workshop contracts	110,217	86,930
Client rent	36,824	41,981
Contributions	110,288	39,958
Gain on disposal of fixed assets	1,196	5,970
Interest income	764	1,660
Miscellaneous	171	3,010
Net assets released from restrictions	36,680	26,681
Total unrestricted support and revenues	<u>5,063,174</u>	<u>4,473,995</u>
Expenses		
Program services:		
Day services	1,211,097	1,025,565
Residential services	3,057,035	2,818,985
Total program services expense	<u>4,268,132</u>	<u>3,844,550</u>
Supporting services:		
Management and general	646,182	587,130
Development	40,922	51,542
Total supporting services expense	<u>687,104</u>	<u>638,672</u>
Total expenses	<u>4,955,236</u>	<u>4,483,222</u>
Increase (decrease) in unrestricted net assets	<u>107,938</u>	<u>(9,227)</u>
Temporarily restricted net assets		
Contributions		
Tennessee Department of Transportation	-	119,083
Other contributions	-	10,000
Net assets released from restrictions		
Restrictions satisfied by passage of time	<u>(36,680)</u>	<u>(26,681)</u>
Increase (decrease) in temporarily restricted net assets	<u>(36,680)</u>	<u>102,402</u>
Change in net assets	71,258	93,175
Net assets, beginning of year	<u>1,150,996</u>	<u>1,057,821</u>
Net assets, end of year	<u>\$ 1,222,254</u>	<u>\$ 1,150,996</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, 2013 AND 2012

	Program Services			Supporting Services			Totals	
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	2013	2012
Salaries	\$ 2,158,815	\$ 603,118	\$ 2,761,933	\$ 329,133	\$ 22,299	\$ 351,432	\$ 3,113,365	\$ 2,890,133
Fringe benefits	410,407	166,278	576,685	56,213	6,931	63,144	639,829	673,685
Total salaries and fringe benefits	2,569,222	769,396	3,338,618	385,346	29,230	414,576	3,753,194	3,563,818
Contracted services	280,577	3,481	284,058	68,425	129	68,554	352,612	224,357
Fuel	-	124,940	124,940	-	-	-	124,940	115,786
Client wages & workshop expenses	-	101,062	101,062	-	-	-	101,062	71,491
Vehicle expenses	2,726	54,490	57,216	33,816	-	33,816	91,032	55,693
Depreciation	36,237	22,152	58,389	22,229	-	22,229	80,618	72,576
Utilities	30,374	29,010	59,384	8,173	-	8,173	67,557	59,840
Professional fees	10	35,945	35,955	26,374	-	26,374	62,329	51,177
Repairs & maintenance - building	48,031	2,561	50,592	1,335	44	1,379	51,971	39,292
Office supplies	699	13,041	13,740	30,683	1,923	32,606	46,346	38,769
Insurance	22,923	13,754	36,677	9,169	-	9,169	45,846	40,648
Communications	28,196	8,540	36,736	3,592	-	3,592	40,328	37,951
Food	12,361	8,601	20,962	11,493	5,649	17,142	38,104	43,816
Rent	13,749	9,617	23,366	3,246	-	3,246	26,612	17,699
Medical supplies	-	11,562	11,562	-	-	-	11,562	7,889
Travel	6,572	2,043	8,615	2,674	-	2,674	11,289	10,645
Miscellaneous	4,704	128	4,832	6,194	104	6,298	11,130	3,641
Seminars and training	576	615	1,191	9,347	-	9,347	10,538	3,865
Background expense	-	-	-	9,804	-	9,804	9,804	5,175
Dues & subscriptions	-	-	-	5,795	200	5,995	5,995	7,346
Printing and postage	-	-	-	2,393	1,944	4,337	4,337	4,785
Advertising	24	-	24	1,822	1,148	2,970	2,994	4,297
Taxes & licenses	54	159	213	2,513	-	2,513	2,726	1,251
Bank charges	-	-	-	1,759	551	2,310	2,310	1,415
Total expenses	\$ 3,057,035	\$ 1,211,097	\$ 4,268,132	\$ 646,182	\$ 40,922	\$ 687,104	\$ 4,955,236	\$ 4,483,222

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

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2012

	Program Services			Supporting Services			Totals
	Residential Services	Day Services	Program Services	Management and General	Development	Supporting Services	
Salaries	\$ 1,988,986	\$ 539,546	\$ 2,528,532	\$ 327,140	\$ 34,461	\$ 361,601	\$ 2,890,133
Fringe benefits	440,649	158,374	599,023	66,560	8,102	74,662	673,685
Total salaries and fringe benefits	<u>2,429,635</u>	<u>697,920</u>	<u>3,127,555</u>	<u>393,700</u>	<u>42,563</u>	<u>436,263</u>	<u>3,563,818</u>
Contracted services	172,071	5,037	177,108	47,249	-	47,249	224,357
Fuel	-	115,786	115,786	-	-	-	115,786
Depreciation	30,845	19,094	49,939	22,637	-	22,637	72,576
Client wages & workshop expenses	-	71,491	71,491	-	-	-	71,491
Utilities	21,824	29,527	51,351	8,489	-	8,489	59,840
Vehicle expenses	4,889	31,324	36,213	19,480	-	19,480	55,693
Professional fees	39,100	-	39,100	12,077	-	12,077	51,177
Food	24,561	5,601	30,162	8,605	5,049	13,654	43,816
Insurance	20,069	12,357	32,426	8,222	-	8,222	40,648
Repairs & maintenance - building	35,480	1,349	36,829	2,463	-	2,463	39,292
Office supplies	2,068	9,291	11,359	26,036	1,374	27,410	38,769
Communications	26,586	7,712	34,298	3,653	-	3,653	37,951
Rent	5,697	9,033	14,730	2,969	-	2,969	17,699
Travel	5,395	2,401	7,796	2,849	-	2,849	10,645
Medical supplies	(26)	7,390	7,364	525	-	525	7,889
Dues & subscriptions	-	-	-	7,346	-	7,346	7,346
Background expense	-	-	-	5,175	-	5,175	5,175
Printing and postage	-	-	-	2,927	1,858	4,785	4,785
Advertising	-	-	-	4,097	200	4,297	4,297
Seminars and training	-	-	-	3,865	-	3,865	3,865
Miscellaneous	788	188	976	2,665	-	2,665	3,641
Bank charges	-	-	-	917	498	1,415	1,415
Taxes & licenses	3	64	67	1,184	-	1,184	1,251
Total expenses	<u>\$ 2,818,985</u>	<u>\$ 1,025,565</u>	<u>\$ 3,844,550</u>	<u>\$ 587,130</u>	<u>\$ 51,542</u>	<u>\$ 638,672</u>	<u>\$ 4,483,222</u>

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

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets	\$ 71,258	\$ 93,175
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	80,618	72,576
Gain on disposal of equipment	(1,196)	(5,970)
In kind contributions and grants	(48,792)	(137,063)
Changes in current assets and liabilities:		
Increase in accounts receivable	(459,913)	(54,980)
Increase in deposits	(1,200)	-
Increase in prepaid expenses	(1,002)	(154)
Increase in accounts payable	449	3,309
Increase in accrued leave payable	17,976	14,996
Increase in other accrued expenses	11,033	14,219
Decrease in advance - State of TN	-	(122,533)
Increase (decrease) in payables to clients	(5,497)	941
Net cash used in operating activities	<u>(336,266)</u>	<u>(121,484)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	22,125	5,970
Fixed assets purchased	<u>(52,268)</u>	<u>(28,073)</u>
Net cash used in investing activities	<u>(30,143)</u>	<u>(22,103)</u>
Net decrease in cash	(366,409)	(143,587)
Cash at beginning of year	<u>574,255</u>	<u>717,842</u>
Cash at end of year	<u><u>\$ 207,846</u></u>	<u><u>\$ 574,255</u></u>
Supplemental disclosure of cash flow information:		
Equipment acquisitions through contributions and grants	<u><u>\$ 48,792</u></u>	<u><u>\$ 137,063</u></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, 2013 AND 2012

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 this year, 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, 2013 AND 2012**

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.

Events Occurring After Reporting Date

Journeys in Community Living, Inc. has evaluated events and transactions that occurred between June 30, 2013 and October 22, 2013, 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:

	2013	2012
State of Tennessee	\$ 812,257	\$ 367,455
Workshop Activities and other	39,487	24,376
Total	<u>\$ 851,744</u>	<u>\$ 391,831</u>

JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2013 AND 2012

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	2013	2012
Buildings	25	\$ 285,196	\$ 285,196
Building improvements	25	21,166	21,166
Leasehold improvements	15 - 25	550,133	550,133
Furniture and fixtures	5 - 7	161,716	89,526
Transportation equipment	5	448,179	459,256
		<u>\$ 1,466,390</u>	<u>\$ 1,405,277</u>
Less accumulated depreciation		980,232	918,632
		<u>486,158</u>	<u>486,645</u>
Land		19,795	19,795
		<u>\$ 505,953</u>	<u>\$ 506,440</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, 2013. Interest is payable monthly at prime. The line matures on October 1, 2014.

NOTE 6 - OPERATING LEASES

The Organization leases 4 automobiles used in its day services. All automobiles are leased under 36 month terms with maturity dates ranging from January 2013 through June 2014. Minimum lease payments under these leases for years ending June 30, 2013, and 2014 are expected to be \$21,573 and \$6,205, respectively. For June 30, 2013 and 2012, lease expenses of \$28,297 and \$31,287 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, 2013 and 2012, 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, 2013 AND 2012**

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

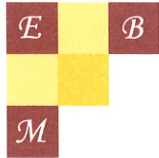
The Organization maintains deposits at a local financial institution. The deposits in this institution, at times, exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Organization believes that there is no significant risk with respect to these deposits.

NOTE 9 - NET ASSETS

Temporarily restricted net assets as of June 30, 2013 were restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Tennessee Department of Transportation -		
Restricted grant	\$ 65,722	\$ 92,402
Vehicle purchase	<u>-</u>	<u>10,000</u>
	<u>\$ 65,722</u>	<u>\$102,402</u>

During 2012, 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.



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, 2013 and 2012, 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 October 22, 2013.

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.

Ermondson, Betyler & Montgomery, PLLC

October 22, 2013