

**JOURNEYS IN COMMUNITY LIVING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Journeys in Community Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In my 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, 2019 and 2018, 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*, I have also issued my report dated August 19, 2019 on my consideration of the Organization's internal control over financial reporting and on my 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 my 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 Journeys in Community Living, 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 the Organization's internal control over financial reporting and compliance.

Tim Montgomery, CPA PLLC

Murfreesboro, Tennessee
August 19, 2019

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash	\$ 567,429	\$ 426,579
Certificates of deposit	204,909	200,609
Accounts receivable	618,873	561,660
Investments, at fair market value	22,367	121,335
Prepaid expenses	6,884	8,290
Total current assets	<u>1,420,462</u>	<u>1,318,473</u>
Restricted cash - representative payee accounts	40,571	44,742
Capital assets less accumulated depreciation	353,392	295,159
Other assets:		
Deposits on rental units	17,792	16,082
Unemployment reserve deposit	26,189	26,944
	<u>43,981</u>	<u>43,026</u>
Total assets	<u><u>\$ 1,858,406</u></u>	<u><u>\$ 1,701,400</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 26,293	\$ 57,010
Current portion of note payable	518	6,500
Accrued leave payable	176,832	160,867
Other accrued expenses	100,836	72,762
Client trust accounts	40,571	44,742
Total current liabilities	<u>345,050</u>	<u>341,881</u>
Note payable, less current portion	<u>-</u>	<u>547</u>
Total liabilities	<u>345,050</u>	<u>342,428</u>
Net Assets:		
Net assets without donor restrictions	1,513,356	1,358,972
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>1,513,356</u>	<u>1,358,972</u>
Total liabilities and net assets	<u><u>\$ 1,858,406</u></u>	<u><u>\$ 1,701,400</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Unrestricted support and revenues		
Tennessee Department of Intellectual and Developmental Disabilities	\$ 5,116,473	\$ 4,590,591
Private pay services	169,106	146,669
Tennessee Department of Human Services- Division of Rehabilitation Services	27,416	35,674
County and city government	53,300	46,000
United Way	82,191	91,096
Workshop contracts	15,330	43,160
Client rent	63,870	67,107
Contributions and grants	267,860	192,386
Gain on disposal of fixed assets	8,908	5,727
Miscellaneous	8,966	10,207
Total unrestricted support and revenues	<u>5,813,420</u>	<u>5,228,617</u>
Expenses		
Program services:		
Residential services	3,218,683	2,677,374
Day services	1,338,635	1,235,209
Total program services expense	<u>4,557,318</u>	<u>3,912,583</u>
Supporting services:		
Management and general	1,074,906	1,126,245
Development	26,812	29,784
Total supporting services expense	<u>1,101,718</u>	<u>1,156,029</u>
Total expenses	<u>5,659,036</u>	<u>5,068,612</u>
Change in net assets without donor restrictions	<u>154,384</u>	<u>160,005</u>
Net assets, beginning of year	<u>1,358,972</u>	<u>1,198,967</u>
Net assets, end of year	<u><u>\$ 1,513,356</u></u>	<u><u>\$ 1,358,972</u></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, 2019 AND 2018

	Program Services			Supporting Services			Totals	
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	2019	2018
Salaries	\$ 2,353,899	\$ 906,790	\$ 3,260,689	\$ 604,612	\$ -	\$ 604,612	\$ 3,865,301	\$ 3,363,117
Fringe benefits	378,095	145,653	523,748	97,116	-	97,116	620,864	567,300
Total salaries and fringe benefits	<u>2,731,994</u>	<u>1,052,443</u>	<u>3,784,437</u>	<u>701,728</u>	-	<u>701,728</u>	<u>4,486,165</u>	<u>3,930,417</u>
Contracted services	255,613	-	255,613	152,117	-	152,117	407,730	394,178
Insurance	67,507	26,006	93,513	17,339	-	17,339	110,852	99,380
Depreciation	16,758	67,448	84,206	21,301	-	21,301	105,507	112,306
Utilities	-	-	-	79,154	-	79,154	79,154	71,929
Fuel	-	71,131	71,131	3,744	-	3,744	74,875	73,129
Vehicle expenses	-	63,991	63,991	-	-	-	63,991	70,211
Professional fees	-	32,235	32,235	10,280	14,124	24,404	56,639	52,430
Rent	36,735	7,872	44,607	1,728	-	1,728	46,335	35,673
Repairs & maintenance - building	38,019	-	38,019	-	-	-	38,019	33,990
Advertising	-	-	-	19,986	11,616	31,602	31,602	26,449
Food	20,068	-	20,068	9,345	250	9,595	29,663	36,871
Office supplies	-	-	-	28,586	-	28,586	28,586	27,943
Communications	14,083	5,425	19,508	3,617	-	3,617	23,125	20,297
Client transportation and supplements	20,821	-	20,821	-	-	-	20,821	12,961
Miscellaneous	4,904	-	4,904	12,918	-	12,918	17,822	2,509
Client wages & workshop expenses	-	9,996	9,996	-	-	-	9,996	29,674
Travel	5,776	1,064	6,840	2,099	-	2,099	8,939	10,134
Background expense	-	-	-	5,948	-	5,948	5,948	7,233
Taxes & licenses	3,341	-	3,341	793	262	1,055	4,396	4,048
Seminars and training	2,658	1,024	3,682	683	-	683	4,365	5,265
Printing and postage	-	-	-	1,958	210	2,168	2,168	2,711
Dues & subscriptions	-	-	-	716	350	1,066	1,066	7,276
Bank charges	-	-	-	866	-	866	866	666
Medical supplies	209	-	209	-	-	-	209	420
Interest	197	-	197	-	-	-	197	512
Total expenses	<u>\$ 3,218,683</u>	<u>\$ 1,338,635</u>	<u>\$ 4,557,318</u>	<u>\$ 1,074,906</u>	<u>\$ 26,812</u>	<u>\$ 1,101,718</u>	<u>\$ 5,659,036</u>	<u>\$ 5,068,612</u>

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

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			Totals
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	
Salaries	\$ 1,926,371	\$ 777,995	\$ 2,704,366	\$ 658,751	\$ -	\$ 658,751	\$ 3,363,117
Fringe benefits	324,946	131,234	456,180	111,120	-	111,120	567,300
Total salaries and fringe benefits	<u>2,251,317</u>	<u>909,229</u>	<u>3,160,546</u>	<u>769,871</u>	<u>-</u>	<u>769,871</u>	<u>3,930,417</u>
Contracted services	258,640	-	258,640	135,538	-	135,538	394,178
Depreciation	27,293	73,605	100,898	11,408	-	11,408	112,306
Insurance	56,924	22,990	79,914	19,466	-	19,466	99,380
Fuel	-	73,129	73,129	-	-	-	73,129
Utilities	-	-	-	71,929	-	71,929	71,929
Vehicle expenses	-	70,211	70,211	-	-	-	70,211
Professional fees	-	30,738	30,738	9,670	12,022	21,692	52,430
Food	29,299	-	29,299	7,572	-	7,572	36,871
Rent	16,525	7,872	24,397	11,276	-	11,276	35,673
Repairs & maintenance - building	15,027	-	15,027	18,963	-	18,963	33,990
Client wages & workshop expenses	-	29,674	29,674	-	-	-	29,674
Office supplies	-	-	-	27,943	-	27,943	27,943
Advertising	-	-	-	11,388	15,061	26,449	26,449
Communications	10,782	4,349	15,131	5,166	-	5,166	20,297
Client transportation and supplements	-	12,961	12,961	-	-	-	12,961
Travel	7,645	451	8,096	2,038	-	2,038	10,134
Dues & subscriptions	-	-	-	6,926	350	7,276	7,276
Background expense	-	-	-	7,233	-	7,233	7,233
Seminars and training	-	-	-	5,265	-	5,265	5,265
Taxes & licenses	2,990	-	2,990	1,058	-	1,058	4,048
Printing and postage	-	-	-	360	2,351	2,711	2,711
Miscellaneous	-	-	-	2,509	-	2,509	2,509
Bank charges	-	-	-	666	-	666	666
Interest	512	-	512	-	-	-	512
Medical supplies	420	-	420	-	-	-	420
Total expenses	<u>\$ 2,677,374</u>	<u>\$ 1,235,209</u>	<u>\$ 3,912,583</u>	<u>\$ 1,126,245</u>	<u>\$ 29,784</u>	<u>\$ 1,156,029</u>	<u>\$ 5,068,612</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 154,384	\$ 160,005
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,507	112,306
Gain on disposal of equipment	(8,908)	(5,727)
(Gains) losses on investments, net	4,460	(1,130)
Grants restricted for capital expenditures	(158,000)	(103,334)
Changes in current assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(57,213)	(54,381)
Other assets	(955)	(2,874)
Prepaid expenses	1,406	17,837
Increase (decrease) in:		
Accounts payable	(30,717)	33,367
Accrued leave payable	15,965	9,006
Other accrued expenses	28,074	5,496
Client trust accounts	(4,171)	(1,865)
Net cash provided by operating activities	<u>49,832</u>	<u>168,706</u>
Cash flows from investing activities		
Purchase of certificates of deposit and mutual funds	(56,607)	(302,183)
Proceeds from sale of fixed assets	8,908	5,727
Proceeds from sale of mutual funds	146,815	-
Fixed assets purchased	(163,740)	(92,796)
Net cash used in investing activities	<u>(64,624)</u>	<u>(389,252)</u>
Cash flows from financing activities		
Grants received for capital expenditures	158,000	103,334
Payments on long-term debt	(6,529)	(5,653)
Net cash provided by financing activities	<u>151,471</u>	<u>97,681</u>
Net increases (decreases) in cash	136,679	(122,865)
Cash at beginning of year	<u>471,321</u>	<u>594,186</u>
Cash at end of year	<u>\$ 608,000</u>	<u>\$ 471,321</u>
Supplemental disclosure of cash flow information:		
Equipment acquisitions through financing	<u>\$ -</u>	<u>\$ 12,700</u>
Cash at end of year consists of:		
Cash	\$ 567,429	\$ 426,579
Restricted cash - representative payee accounts	40,571	44,742
	<u>\$ 608,000</u>	<u>\$ 471,321</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, 2019 AND 2018

NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES

Journeys in Community Living, Inc. (the "Organization") is a private, nonprofit agency established in 1974 to provide community participation services; industrial training, job training and placement services; residential services and transportation services to more than 120 adults with intellectual disabilities who live in Rutherford and Cannon Counties. The Organization operates two residential habilitation homes and sixteen supported living homes, one of which is a medical residence.

A major portion of funding is provided by the Department of Intellectual and Developmental Disabilities under a three-year contract expiring December 31, 2019. A major reduction in these funds, should this occur, could have a significant effect upon future operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- Net Assets Without Donor Restriction – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restriction – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contributions were received.

Cash and Cash Equivalents

Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash

Restricted cash represents checking accounts held by the Organization on behalf of its clients. The Organization acts as a representative payee on these cash balances.

Revenues

Revenue is recognized when earned and support when contributions are made, which may be when cash is received, unconditional promises to give are made, or ownership of other assets is transferred to the Organization.

Donated goods are recorded at their estimated fair value when received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills, and would typically need to be purchased if not provided by donation.

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 payor'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.

Investments

The Organization has an investment account which consists money market and various mutual funds. These funds have readily determinable fair values and are presented at fair value in the financial statements based on quoted market prices. Income and gains have been included in the Statement of Activities as miscellaneous income.

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.

**JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 items may have been reclassified to conform with the 2019 financial statement presentation.

New Accounting Pronouncement

For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at each June 30:

	2019	2018
State of Tennessee	\$ 563,187	\$ 505,559
Clients and other	55,686	56,101
Total	<u>\$ 618,873</u>	<u>\$ 561,660</u>

NOTE 4 - INVESTMENTS

Investments consist of the following as of June 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	<u>\$ 19,312</u>	<u>\$ 22,367</u>	<u>\$ 117,562</u>	<u>\$ 121,335</u>

JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 4 - INVESTMENTS (CONTINUED)

Fair Values

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with the *Fair Value Measurements and Disclosures* topic of FASB ASC, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Organization groups its financial assets and liabilities generally measured at fair value in a three level valuation hierarchy for disclosure of fair value measurements defined as:

- Level 1 – inputs for quoted market prices for identical assets or liabilities in active markets
- Level 2 – inputs include quoted market prices for similar assets and liabilities in active markets and inputs that are observable either directly or indirectly
- Level 3 – inputs that are unobservable and significant to the fair value measurements.

The fair values of the Organization's investments at June 30 are as follows:

	<u>2019</u>	<u>2018</u>
	Level 1	Level 1
Mutual funds	<u>\$ 22,367</u>	<u>\$ 121,335</u>

NOTE 5 - 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:

	<u>Life in years</u>	<u>2019</u>	<u>2018</u>
Buildings	25	\$ 285,196	\$ 285,196
Building improvements	25	26,899	26,899
Leasehold improvements	15 - 25	542,570	542,570
Furniture and fixtures	5 - 7	178,272	174,595
Transportation equipment	5	774,374	652,640
		<u>\$ 1,807,311</u>	<u>\$ 1,681,900</u>
Less accumulated depreciation		<u>1,473,714</u>	<u>1,406,536</u>
		333,597	275,364
Land		<u>19,795</u>	<u>19,795</u>
		<u>\$ 353,392</u>	<u>\$ 295,159</u>

JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - LINE OF CREDIT

The Organization has a \$200,000 line of credit with FirstBank. The line was not drawn upon during the year. Interest is payable monthly at prime plus 1.5%. The line matures on February 15, 2020.

NOTE 7 - NOTE PAYABLE

The Organization has a note payable in the original amount of \$12,700 which is secured by a vehicle. Monthly principal and interest payments of \$560 are due each month through July 2019. The note carries an interest rate of 5.5%. Annual principal payments through June 30, 2020 total \$518. At June 30, 2019 the balance on the note payable is \$518.

NOTE 8 - OPERATING LEASES

The Organization leases its office under a month to month lease with Rutherford County. For both June 30, 2019 and 2018, lease expense of \$9,600 has been included in the statements of functional expenses as rent expense.

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, required for reserves for unemployment claims, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments (if applicable).

	2019	2018
Financial assets:		
Cash and cash equivalents	\$ 567,429	\$ 426,579
Certificates of deposit	204,909	200,609
Accounts receivable	618,873	561,660
Investments	22,367	121,335
Restricted cash - representative payee accounts	40,571	44,742
Unemployment reserve deposit	26,189	26,944
Financial assets, at year-end	<u>1,480,338</u>	<u>1,381,869</u>
Less those unavailable for general expenditure within one year, due to:		
Restricted cash - representative payee accounts	(40,571)	(44,742)
Unemployment reserve deposit	<u>(26,189)</u>	<u>(26,944)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$1,413,578</u></u>	<u><u>\$1,310,183</u></u>

JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 9 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization also has an unsecured \$200,000 line of credit, which it could draw upon in the event of an anticipated liquidity need. No funds were borrowed under the line of credit during the fiscal year ended June 30, 2019.

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support services are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by employees.
- Occupancy and depreciation are allocated based on use of the space and various assets involved in programs and supporting activities.
- Telephone and internet services, insurance, supplies and various other expenses that cannot be directly identified are allocated on the basis of employee costs for each program and supporting activity.

Every three years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

NOTE 11 - 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). At June 30, 2019, deposits at one bank exceeded FDIC coverage amounts by approximately \$555,000. The Organization believes that there is no significant risk with respect to these deposits.

**JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 12 - INCOME TAX FILINGS

The Organization files Federal Form 990 in the United States. Federal Forms 990 filed before June 30, 2016 are no longer subject to examination.

NOTE 13 - SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through August 19, 2019, the date the financial statements were available to be issued. The Organization determined that no additional disclosures were required.



**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
Journeys in Community Living, Inc.

I 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, 2019, 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 my report thereon dated August 19, 2019.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I 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 my 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, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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 (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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my 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 my 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.

Tim Montgomery, CPA PLLC

Murfreesboro, Tennessee
August 19, 2019

JOURNEYS IN COMMUNITY LIVING, INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

There were no prior year findings reported.