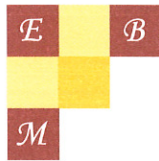


**JOURNEYS IN COMMUNITY LIVING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2012 AND 2011**

**JOURNEYS IN COMMUNITY LIVING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2012 AND 2011**

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of the Journeys in Community Living, Inc. as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of the Journeys in Community Living, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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 of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Journeys in Community Living, Inc. as of June 30, 2012 and 2011, 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.

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 11 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 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.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2012, on our consideration of Journeys in Community Living's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Edmondson, Betzler & Montgomery, PLLC

October 5, 2012

JOURNEYS IN COMMUNITY LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current assets:		
Cash	\$ 574,255	\$ 717,842
Accounts receivable	391,831	336,851
Deposits	10,532	10,532
Prepaid expenses	6,294	6,140
Total current assets	<u>982,912</u>	<u>1,071,365</u>
Capital assets less accumulated depreciation	<u>506,440</u>	<u>413,880</u>
Total assets	<u><u>\$ 1,489,352</u></u>	<u><u>\$ 1,485,245</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 14,840	\$ 11,531
Accrued leave payable	151,543	136,547
Other accrued expenses	115,923	101,704
Advance - State of TN	-	122,533
Client trust accounts	56,050	55,109
Total current liabilities	<u>338,356</u>	<u>427,424</u>
Net Assets:		
Unrestricted net assets	1,048,594	1,057,821
Temporarily restricted net assets	<u>102,402</u>	<u>-</u>
Total net assets	<u>1,150,996</u>	<u>1,057,821</u>
Total liabilities and net assets	<u><u>\$ 1,489,352</u></u>	<u><u>\$ 1,485,245</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Unrestricted support and revenues		
Tennessee Department of Intellectual and Developmental Disabilities	\$ 4,121,995	\$ 3,933,253
Tennessee Department of Human Services- Division of Rehabilitation Services	10,419	11,664
Rutherford County	32,000	32,000
United Way	100,891	101,000
Workshop contracts	86,930	72,345
Client rent	41,981	48,375
Contributions	42,458	18,999
Gain on disposal of fixed assets	5,970	1,300
Interest income	1,660	3,412
Miscellaneous	3,010	946
Net assets released from restrictions	26,681	-
Total unrestricted support and revenues	<u>4,473,995</u>	<u>4,223,294</u>
Expenses		
Program services:		
Day services	1,025,565	1,022,120
Residential services	2,818,985	2,633,720
Total program services expense	<u>3,844,550</u>	<u>3,655,840</u>
Supporting services:		
Management and general	587,130	544,615
Development	51,542	-
Total supporting services expense	<u>638,672</u>	<u>544,615</u>
Total expenses	<u>4,483,222</u>	<u>4,200,455</u>
Increase (decrease) in unrestricted net assets	<u>(9,227)</u>	<u>22,839</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>(26,681)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>102,402</u>	<u>-</u>
Change in net assets	93,175	22,839
Net assets, beginning of year	<u>1,057,821</u>	<u>1,034,982</u>
Net assets, end of year	<u>\$ 1,150,996</u>	<u>\$ 1,057,821</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, 2012 AND 2011**

	Program Services			Supporting Services			Totals	
	Residential Services	Day Services	Total Program Services	Management and General	Development	Total Supporting Services	2012	2011
Salaries	\$ 1,988,986	\$ 539,546	\$ 2,528,532	\$ 327,140	\$ 34,461	\$ 361,601	\$ 2,890,133	\$ 2,819,476
Fringe benefits	440,649	158,374	599,023	66,560	8,102	74,662	673,685	638,312
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>	<u>3,457,788</u>
Contracted services	172,071	5,037	177,108	47,249	-	47,249	224,357	65,884
Fuel	-	115,786	115,786	-	-	-	115,786	92,504
Depreciation	30,845	19,094	49,939	22,637	-	22,637	72,576	57,069
Client wages & workshop expenses	-	71,491	71,491	-	-	-	71,491	54,715
Utilities	21,824	29,527	51,351	8,489	-	8,489	59,840	62,594
Vehicle expenses	4,889	31,324	36,213	19,480	-	19,480	55,693	99,869
Professional fees	39,100	-	39,100	12,077	-	12,077	51,177	63,855
Food	24,561	5,601	30,162	8,605	5,049	13,654	43,816	43,782
Insurance	20,069	12,357	32,426	8,222	-	8,222	40,648	33,681
Repairs & maintenance - building	35,480	1,349	36,829	2,463	-	2,463	39,292	31,513
Office supplies	2,068	9,291	11,359	26,036	1,374	27,410	38,769	30,218
Communications	26,586	7,712	34,298	3,653	-	3,653	37,951	45,474
Rent	5,697	9,033	14,730	2,969	-	2,969	17,699	16,510
Travel	5,395	2,401	7,796	2,849	-	2,849	10,645	8,242
Medical supplies	(26)	7,390	7,364	525	-	525	7,889	6,256
Dues & subscriptions	-	-	-	7,346	-	7,346	7,346	8,155
Background expense	-	-	-	5,175	-	5,175	5,175	3,989
Printing and postage	-	-	-	2,927	1,858	4,785	4,785	1,477
Advertising	-	-	-	4,097	200	4,297	4,297	500
Seminars and training	-	-	-	3,865	-	3,865	3,865	2,701
Miscellaneous	788	188	976	2,665	-	2,665	3,641	4,739
Bank charges	-	-	-	917	498	1,415	1,415	171
Taxes & licenses	3	64	67	1,184	-	1,184	1,251	3,691
Client supplements	-	-	-	-	-	-	-	5,078
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>	<u>\$ 4,200,455</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, 2011

	Program Services		Supporting Services		Totals
	Residential Services	Day Services	Program Services	Total Supporting Services	
Salaries	\$ 2,001,444	\$ 541,906	\$ 2,543,350	\$ -	\$ 2,819,476
Fringe benefits	429,670	151,381	581,051	-	638,312
Total salaries and fringe benefits	<u>2,431,114</u>	<u>693,287</u>	<u>3,124,401</u>	<u>-</u>	<u>3,457,788</u>
Contracted services	830	1,052	1,882	-	65,884
Fuel	-	82,537	82,537	-	92,504
Depreciation	24,292	16,223	40,515	-	57,069
Client wages & workshop expenses	-	54,715	54,715	-	54,715
Utilities	28,644	26,933	55,577	-	62,594
Vehicle expenses	-	94,306	94,306	-	99,869
Professional fees	37,117	-	37,117	-	63,855
Food	30,505	3,517	34,022	-	43,782
Insurance	14,925	10,288	25,213	-	33,681
Repairs & maintenance - building	25,861	1,478	27,339	-	31,513
Office supplies	373	8,462	8,835	-	30,218
Communications	25,541	14,022	39,563	-	45,474
Rent	5,636	7,937	13,573	-	16,510
Travel	3,532	2,418	5,950	-	8,242
Medical supplies	83	4,906	4,989	-	6,256
Dues & subscriptions	-	-	-	-	8,155
Background expense	-	-	-	-	3,989
Printing and postage	-	-	-	-	1,477
Advertising	-	-	-	-	500
Seminars and training	20	-	20	-	2,701
Miscellaneous	(61)	-	(61)	-	4,739
Bank charges	-	-	-	-	171
Taxes & licenses	280	39	319	-	3,691
Client supplements	5,028	-	5,028	-	5,078
Total expenses	<u>\$ 2,633,720</u>	<u>\$ 1,022,120</u>	<u>\$ 3,655,840</u>	<u>\$ -</u>	<u>\$ 4,200,455</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 93,175	\$ 22,839
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,576	57,069
Gain on disposal of equipment	(5,970)	(1,300)
In kind contributions and grants	(137,063)	-
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	(54,980)	83,650
Decrease in deposits	-	321
(Increase) decrease in prepaid expenses	(154)	13,608
Increase (decrease) in accounts payable	3,309	(2,605)
Increase in accrued leave payable	14,996	-
Increase in other accrued expenses	14,219	11,875
Decrease in advance - State of TN	(122,533)	(169,310)
Increase (decrease) in payables to clients	941	(16,620)
Net cash used in operating activities	<u>(121,484)</u>	<u>(473)</u>
Cash flows from investing activities		
Proceeds from sale of fixed assets	5,970	1,300
Fixed assets purchased	<u>(28,073)</u>	<u>(25,554)</u>
Net cash used in investing activities	<u>(22,103)</u>	<u>(24,254)</u>
Net decrease in cash	(143,587)	(24,727)
Cash at beginning of year	<u>717,842</u>	<u>742,569</u>
Cash at end of year	<u><u>\$ 574,255</u></u>	<u><u>\$ 717,842</u></u>
Supplemental disclosure of cash flow information:		
Equipment acquisitions through contributions and grants	<u><u>\$ 137,063</u></u>	<u><u>\$ -</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, 2012 AND 2011**

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 95 adults are served by the program. The Organization operates one group home and seventeen companion homes 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.

**JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011**

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, 2012 and October 5, 2012, 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:

	2012	2011
State of Tennessee	\$ 367,455	\$ 329,969
Workshop activities and other	24,376	6,882
Total	<u>\$ 391,831</u>	<u>\$ 336,851</u>

JOURNEYS IN COMMUNITY LIVING, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2012 AND 2011

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:

	<u>Life in years</u>		
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	89,526	89,526
Transportation equipment	5	459,256	374,100
		<u>\$ 1,405,277</u>	<u>\$ 1,320,121</u>
Less accumulated depreciation		918,632	926,036
		486,645	394,085
Land		19,795	19,795
		<u>\$ 506,440</u>	<u>\$ 413,880</u>

NOTE 5 - LINE OF CREDIT

The Organization has a \$200,000 line of credit with FirstBank. There were no amounts drawn on the line of credit at June 30 of 2012 and 2011. Interest is payable monthly at prime. The line matures on October 1, 2013.

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, 2012 and 2011, lease expenses of \$31,287 and \$35,717 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, 2012 and 2011, 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, 2012 AND 2011

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, 2012 were restricted for the following purposes:

Tennessee Department of Transportation -	
Restricted grant	\$ 92,402
Vehicle purchase	<u>10,000</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.

JOURNEYS IN COMMUNITY LIVING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2012

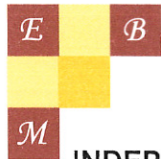
<u>Program</u>	<u>CFDA No.</u>	<u>State Grant Number</u>	<u>Balance June 30, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2012</u>
<u>Federal Award</u>						
Department of Transportation, Division of Multimodal Transportation	20.513	TDOT 995310-S3-115	\$ -	\$ 105,851	\$ 105,851	\$ -
Total Federal Award			-	105,851	105,851	-
<u>State Financial Assistance</u>						
Department of Transportation, Division of Multimodal Transportation	20.513	TDOT 995310-S3-115	-	13,232	13,232	-
Total State Award			-	13,232	13,232	-
Totals			<u>\$ -</u>	<u>\$ 119,083</u>	<u>\$ 119,083</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, 2012. 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 \$13,231.



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 the financial statements of Journeys in Community Living, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 2012. 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.

Internal Control over Financial Reporting

Management of Journeys in Community Living, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Journeys in Community Living, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal controls 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**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)**

We noted certain matters that we reported to management of Journeys in Community Living, Inc. in a separate letter dated October 5, 2012.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and the State of Tennessee Division of Municipal Audit, and is not intended to be and should not be used by anyone other than these specified parties.

Edmondson, Betye & Montgomery, PLLC

October 5, 2012