SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2012 and 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southeast Alaska Independent Living, Inc.

We have audited the accompanying balance sheets of Southeast Alaska Independent Living, Inc. (SAIL) (a nonprofit organization) 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 entity's management. 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 *Governmental Auditing 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 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 the 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 SAIL 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012, on our consideration of SAIL's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 control over financial reporting or 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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.

ERM

September 21, 2012

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

BALANCE SHEETS

June 30, 2012 and 2011

	2012	2011
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents:		
Operating	$ 393,201	$ 345,746
Project Playground	35,192	10,192
Receivables:		
Accounts receivable	31,519	36,749
Grants receivable	195,312	186,946
Employee receivables	3,717	650
Prepaids and deposits	23,668	51,802
Total current assets	682,609	632,085
EQUIPMENT AND LEASEHOLD IMPROVEMENT, net	242,397	49,742
Total assets	$ 925,006	$ 681,827
LIABILITIES AND NET ASSETS:		
CURRENT LIABILITIES:		
Accounts payable	$ 31,199	$ 18,028
Accrued payroll expenses	36,525	38,724
Payable to Project Playground	35,192	10,192
Accrued compensation payable	42,956	35,756
Total current liabilities	145,872	102,700
NET ASSETS:		
Unrestricted net assets:		
Undesignated	528,078	520,574
Invested in equipment and leasehold improvement	242,397	49,742
Total unrestricted net assets	770,475	570,316
Temporarily restricted net assets	8,659	8,811
Total net assets	779,134	579,127
Total liabilities and net assets	$ 925,006	$ 681,827

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2012 and 2011

	2012	2011
Changes in unrestricted net assets from operating activities:		
SUPPORT:		
Contributions	$ 138,941	$ 95,635
REVENUES:		
Government grants and contracts	1,012,071	1,067,282
Service fees	124,621	119,544
NET ASSETS RELEASED FROM RESTRICTIONS:		
Satisfaction of program restrictions	279,967	76,979
Total support, revenues, and net assets released from restrictions	1,555,600	1,359,440
EXPENSES:		
Program services:		
Independent living	1,162,190	1,134,317
Supporting services:		
Management and general	167,530	146,281
Fundraising	43,503	50,570
Total expenses	1,373,223	1,331,168
Increase in unrestricted net assets from operating activities	182,377	28,272
Changes in unrestricted net assets from non-operating activities:		
Interest and beneficial interest income	1,301	2,093
Gain on sale of equipment	5,500	-
Rent income	10,981	8,628
Increase in unrestricted net assets	200,159	38,993
Changes in temporarily restricted net assets:		
Support	279,815	82,490
Net assets released from restrictions	(279,967)	(76,979)
Increase (decrease) in temporarily restricted net assets	(152)	5,511
Increase in net assets	200,007	44,504
NET ASSETS, beginning of year	579,127	534,623
NET ASSETS, end of year	$ 779,134	$ 579,127

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Direct expenses:				
Personal services	$ 706,432	$ 106,135	$ 13,413	$ 825,980
Contracts	136,967	981	700	138,648
Other expenses	106,159	3,886	26,745	136,790
Facility	120,080	12,638	2,457	135,175
Travel	41,374	-	46	41,420
Equipment	35,015	4,326	-	39,341
Depreciation	-	38,652	-	38,652
Supplies	16,163	912	142	17,217
Total expenses	$ 1,162,190	$ 167,530	$ 43,503	$ 1,373,223

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2011

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Direct expenses:				
Personal services	$ 716,200	$ 107,603	$ 18,118	$ 841,921
Facility	115,813	12,189	3,795	131,797
Other expenses	97,542	3,571	23,791	124,904
Contracts	87,723	595	4,118	92,436
Equipment	66,435	713	-	67,148
Travel	43,756	-	337	44,093
Depreciation	-	20,659	-	20,659
Supplies	15,934	951	411	17,296
Total direct expenses	1,143,403	146,281	50,570	1,340,254
Less capitalized assets	(9,086)	-	-	(9,086)
Total expenses	$ 1,134,317	$ 146,281	$ 50,570	$ 1,331,168

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and government contracts	$ 1,028,705	$ 1,089,985
Cash received from contributions	138,941	95,635
Cash received from service fees	129,851	95,749
Cash received from interest	1,301	2,093
Cash received from other sources	287,729	93,240
Cash paid to employees and suppliers	(1,288,265)	(1,337,480)
Net cash provided by operating activities	298,262	39,222
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from closing-out beneficial interest	-	81,062
Cash received from sale of equipment	5,500	-
Cash paid for equipment	(231,307)	-
Net cash provided by (used for) investing activities	(225,807)	81,062
Net increase in cash and cash equivalents	72,455	120,284
Cash and cash equivalents at beginning of year	355,938	235,654
Cash and cash equivalents at end of year	$ 428,393	$ 355,938

RECONCILIATION OF INCREASE IN
NET ASSETS TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

	2012	2011
Increase in net assets	$ 200,007	$ 44,504
Reconciliation of increase in net assets to net cash provided by operating activities:		
Depreciation	38,652	20,659
Gain on sale of equipment	(5,500)	-
(Increase) decrease in:		
Accounts receivable	5,230	(23,795)
Grants receivable	(8,366)	22,703
Employee receivables	(3,067)	2,122
Prepaids and deposits	28,134	(1,933)
Increase (decrease) in:		
Accounts payable	13,171	(22,210)
Accrued payroll expenses	(2,199)	725
Payable to Project Playground	25,000	-
Accrued compensation payable	7,200	(3,553)
Net cash provided by operating activities	$ 298,262	$ 39,222

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Southeast Alaska Independent Living, Inc. (SAIL) is an advocacy-oriented organization that was incorporated in November 1992. SAIL is an Aging and Disability Resource Center whose mission is to "Inspire Personal Independence" by providing and promoting options for Southeast Alaskans to live as active, productive, and involved citizens in their community of choice. SAIL provides consumer directed independent living services to seniors and people with significant disabilities throughout Southeast Alaska, enabling increased options for active, involved, productive and integrated community living. SAIL is almost entirely funded by federal and State of Alaska grants to promote independent living.

SAIL is controlled by a Board of Directors who has hired an Executive Director to carry on the day-to-day activities of the Organization.

Basis of Accounting

The financial statements of SAIL have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, SAIL 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. Unrestricted net assets are net assets that are not subject to donor-imposed stipulations or restrictions. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. There were no permanently restricted net assets at June 30, 2012 or 2011. Temporarily restricted net assets are described in Note 6.

Revenue Recognition

Revenue consists of grants, contracts, contributions, and service fees. Contributions and grants that are unrestricted are recorded as revenue in the statements of activities when received.

SAIL follows the guidance of FASB ASC 958-605, *Revenue Recognition*, to determine whether its federal, state or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements.

Exchange transactions with a donor, grantor, or other outside party for particular purposes are deemed to be earned and reported as revenue when SAIL has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables
Accounts and grants receivable consist of reimbursements, and amounts due for grant expenditures, which were not received by SAIL at year-end. Employee receivables consist of amounts advanced to employees and not yet received by SAIL. Management considers all receivables to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

Management's Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment and Leasehold Improvement
Equipment and leasehold improvements are recorded at cost or, in the case of donated property, at their estimated fair value at date of receipt. Depreciation is calculated by the straight-line method over the useful lives of the assets, estimated to be three to ten years. Expenditures for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. The threshold for capitalization of purchased or donated items is $5,000.

In-kind Support
Contributions of donated supplies and services are recorded when received. Donated supplies are recognized at the estimated fair value at the time of receipt. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Many individuals volunteer their time and perform a variety of tasks, including assisting with SAIL's Outdoor Recreation and Community Access and other program activities, as well as fundraising events. In fiscal years 2012 and 2011 volunteers donated approximately 1,584 and 1,256 hours to SAIL, respectively. In-kind support is not reflected in the 2012 and 2011 financial statements as the criteria for recognition of such items has not been satisfied.

Cash and Cash Equivalents
For the purpose of the statements of cash flows, SAIL considers all cash on-hand and in certificates of deposit, checking, savings, and money market accounts, excluding those classified as investments, to be cash and cash equivalents. Cash associated with gaming activities is maintained in a separate bank account, as required.

Income Taxes
SAIL is organized under Section 501(c)(3) of the Internal Revenue Code as a nonprofit, tax-exempt organization. SAIL is not classified as a private foundation. The Organization follows the provisions of FASB ASC 740 *Income Taxes*, and management believes that it has appropriate support for any tax positions taken. The Organization's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Personal Leave

SAIL recognizes employee compensation for future absences as a liability when earned. Accrued leave is based upon an established monthly accrual at the employee's hourly rate of pay. The accrual is adjusted when an employee uses leave or requests a payment of cash in lieu of actual personal leave taken.

Subsequent Events

SAIL’s management has evaluated subsequent events through September 21, 2012, the date which the financial statements were available to be issued.

NOTE 2 – EQUIPMENT AND LEASEHOLD IMPROVEMENT

SAIL’s equipment and leasehold improvement consist of the following at June 30:

	2012	2011
Equipment	$ 406,327	$ 175,020
Leasehold improvement	11,805	11,805
Less: Accumulated depreciation and amortization	(175,735)	(137,083)
Equipment and leasehold improvement, net	$ 242,397	$ 49,742

Depreciation and amortization expense was $38,652 and $20,659 for fiscal years 2012 and 2011, respectively.

The federal government retains a reversionary interest in the equipment funded by federal monies (for individual items greater than $5,000). Sale, trade-in or other disposition of such equipment generally requires notification of the appropriate federal authorities.

NOTE 3 – JUNEAU COMMUNITY FOUNDATION FUND

During fiscal year 2007, SAIL entered into an Agency Fund Agreement (Agreement) with the Juneau Community Foundation (JCF), an unrelated community foundation. Under the Agreement, SAIL transferred $75,000 to JCF, which established the “SAIL/ORCA Empowerment Fund” (Fund). Under the Agreement JCF held, managed and invested the Fund for the charitable purpose of SAIL, for which SAIL recognized a beneficial interest in the JCF Fund. As allowed by the Agreement, SAIL’s Board of Directors decided to withdraw its JCF account in fiscal year 2011 and requested that principal of the Fund be returned to SAIL, closing this account.

NOTE 4 – OPERATING LEASES

SAIL leases office space in four Southeast Alaska communities in order to provide consumer services. These leases are non-cancellable operating leases. Rental expense on office operating leases for the years ended June 30, 2012 and 2011 was $104,294 and $99,203, respectively. Minimum rentals on an annual basis, based on current leases, are $102,675 for fiscal year 2013.

NOTE 4 – OPERATING LEASES (Continued)

SAIL subleases part of its Juneau office to two nonprofits. These subleases are non-cancellable. Rental income from office subleases for the years ended June 30, 2012 and 2011 was $10,981 and $8,628, respectively. The minimum rent received on an annual basis, based on current subleases, is $12,000 for fiscal year 2013.

NOTE 5 – ADVERTISING

SAIL expenses the costs of advertising the first time the advertising takes place. At June 30, 2012 and 2011 SAIL had $19,024 and $8,608 in advertising expenses, respectively.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

The following support was temporarily restricted at June 30:

	2012	2011
Sitka Charitable Trust	$ 2,888	$ 2,622
Alaska USA FCU	311	689
White Elephant	2,000	-
United Way	1,000	-
Juneau Community Foundation	2,460	-
DART	-	3,000
SILC outreach	-	1,000
Lion's Club award	-	1,500
Total temporarily restricted net assets	$ 8,659	$ 8,811

NOTE 7 – CONCENTRATIONS AND CONTINGENCIES

SAIL receives a substantial amount of support from U.S. Department of Education grants. If a significant reduction in the level of this support were to occur, it would have a significant adverse effect on SAIL's programs and activities. The current grant with the U.S. Department of Education is in effect until September 2014.

Expenditures made pursuant to grants may be subject to additional audits by government agencies or their representatives. Although subjected to federal single audit requirements, certain amounts reflected in the financial statements have not been audited by the grantor agencies. Accordingly, adjustments of amounts received or receivable from grants could result if the grants are audited by such agencies.

NOTE 8 – RETIREMENT PLAN

In January 2005 SAIL established a 5305 SIMPLE IRA retirement plan. Effective January 1, 2011 SAIL ended its 5305 SIMPLE IRA and established a 403(b) Thrift Plan to replace it, and provide retirement benefits for employees. SAIL's retirement plan covers employees who received at least $5,000 in compensation during the preceding calendar year. The retirement plan allows for employee contributions up to the maximum amount allowed by the Internal Revenue Code. SAIL annually makes a matching contribution to each eligible employee's account, equal to the employee's salary reduction contributions, up to a limit of 3% of the employee's compensation for the calendar year. Employer contributions for the years ended June 30, 2012 and 2011 are $13,504 and $13,545, respectively.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

Grantor	CFDA Number	Grant Number	Award	Expenditures
U.S. Department of Education:				
Direct:				
Centers for Independent Living FFY11	84.132A	n/a	$ 366,906	$ 108,199
Centers for Independent Living FFY12	84.132A	n/a	352,577	282,718
Total CFDA 84.132A			719,483	390,917
Passed Through State of Alaska, Department of Labor and Workforce Development, Division of Vocational Rehabilitation:				
Independent Living	84.169A	n/a	19,482	19,482
Older Blind	84.177B	n/a	51,210	51,210
Total U.S. Department of Education			790,175	461,609
U.S. Department of Health and Human Services:				
Passed Through State of Alaska, Department of Health and Social Services:				
Aging and Disability Resource Centers	93.779	607-12-704	56,344	56,344
Aging and Disability Resource Centers	93.048	607-12-704	46,815	46,815
Total U.S. Department of Health and Human Services			103,159	103,159
Total Federal Expenditures			$ 893,334	$ 564,768

The accompanying notes to schedule of expenditures of federal awards are an integral part of this statement.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southeast Alaska Independent Living, Inc. (SAIL) and is presented on the accrual basis of accounting, which is described in Note 1 to SAIL's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and includes federal awards received directly from federal agencies as well as federal financial assistance passed through other government agencies.

Relationship to Financial Statements

The following is a reconciliation of federal revenues reported in the financial statements to federal expenditures reported in the schedule of expenditures of federal awards:

Total government grants and contracts as reported on the financial statements		$ 1,012,071
Less:	Contracts and local grants	(149,519)
	State grants	(297,784)
Total federal grants reported on the schedule of expenditures of federal awards		$ 564,768

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9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

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 of
Southeast Alaska Independent Living, Inc.

We have audited the basic financial statements of Southeast Alaska Independent Living, Inc. (SAIL) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated September 21, 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

In planning and performing our audit, we considered SAIL's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAIL's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SAIL's internal control over financial reporting.

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.

Our consideration of the 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 SAIL'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*.

We noted certain matters that we have reported to management of SAIL in a separate letter dated September 21, 2012.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ERM

September 21, 2012

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
Southeast Alaska Independent Living, Inc.

Compliance

We have audited the compliance of Southeast Alaska Independent Living, Inc. (SAIL) (a nonprofit organization) with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on SAIL's major federal program for the year ended June 30, 2012. SAIL's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of SAIL's management. Our responsibility is to express an opinion on SAIL's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAIL's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of SAIL's compliance with those requirements.

In our opinion, SAIL complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

Management of SAIL is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered SAIL's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SAIL's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ERM

September 21, 2012

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) over financial reporting? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ___ Yes _x_ None reported

Noncompliance material to financial statements noted? ___ Yes _x_ None reported

Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Internal control over compliance:

- Material weakness(es) over compliance? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ___ Yes _x_ None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes _x_ None reported

Major program:

CFDA #	Name
84.132A	Centers for Independent Living FFY11
84.132A	Centers for Independent Living FFY12

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as a low-risk auditee? _x_ Yes ___ No

FINDINGS – FINANCIAL STATEMENT AUDIT

No matters reported.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters reported.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings for the year ended June 30, 2011.

FINDINGS AND QUESTIONED COSTS – FEDERAL MAJOR AWARD PROGRAMS AUDIT

No findings or questioned costs for the year ended June 30, 2011.