SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets of Southeast Alaska Independent Living, Inc. (a nonprofit organization) as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Alaska Independent Living, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance and budget to actual schedules, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and State of Alaska Department of Health and Social Services, respectively, are presented for purposes of additional analysis and are 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 schedule of state financial assistance and budget to actual schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017 on our consideration of Southeast Alaska Independent Living, Inc.'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 Southeast Alaska Independent Living, Inc.'s internal control over financial reporting and compliance.

September 13, 2017

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

BALANCE SHEETS

June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents:		
Operating	$ 542,171	$ 563,700
Project Playground	117,820	45,450
Receivables:		
Accounts receivable	96,958	75,738
Grants receivable	281,635	134,681
Employee receivables	-	240
Prepaids and deposits	30,257	30,363
Total current assets	1,068,841	850,172
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	279,230	251,191
Total assets	$ 1,348,071	$ 1,101,363
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 105,376	$ 36,190
Accrued payroll expenses	52,937	45,516
Payable to Project Playground	117,773	45,450
Deferred revenue	9,444	11,497
Accrued compensation payable	38,088	41,018
Total current liabilities	323,618	179,671
NET ASSETS		
Unrestricted net assets:		
Undesignated	738,529	662,954
Invested in equipment and leasehold improvements	279,230	251,191
Total unrestricted net assets	1,017,759	914,145
Temporarily restricted net assets	6,694	7,547
Total net assets	1,024,453	921,692
Total liabilities and net assets	$ 1,348,071	$ 1,101,363

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets from operating activities:		
SUPPORT		
Contributions	$ 151,446	$ 125,936
Less: costs of direct benefits to donors	(5,416)	(5,552)
Total support	146,030	120,384
REVENUES		
Government grants and contracts	1,389,313	1,182,224
Service fees	286,238	259,576
Other income	505	8,706
Total revenues	1,676,056	1,450,506
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	37,645	29,511
Total support, revenues, and net assets released from restrictions	1,859,731	1,600,401
EXPENSES		
Program services - independent living	1,422,430	1,255,626
Supporting services:		
Management and general	295,015	308,664
Fundraising	40,614	31,116
Total expenses	1,758,059	1,595,406
Increase in unrestricted net assets from operating activities	101,672	4,995
Changes in unrestricted net assets from non-operating activities -		
Interest income	1,942	1,572
Increase in unrestricted net assets	103,614	6,567
Changes in temporarily restricted net assets:		
Support	36,792	34,575
Net assets released from restrictions	(37,645)	(29,511)
Change in temporarily restricted net assets	(853)	5,064
Change in net assets	102,761	11,631
NET ASSETS, beginning of year	921,692	910,061
NET ASSETS, end of year	$ 1,024,453	$ 921,692

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Expenses:				
Personnel services	$ 799,975	$ 166,817	$ 13,745	$ 980,537
Contracts	266,698	-	3,500	270,198
Facility	42,655	102,941	1,947	147,543
Other expenses	91,348	12,253	18,428	122,029
Depreciation and amortization	77,282	7,386	-	84,668
Supplies	75,604	5,499	2,994	84,097
Travel	41,104	119	-	41,223
Equipment	27,764	-	-	27,764
Total expenses	$ 1,422,430	$ 295,015	$ 40,614	$ 1,758,059

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	PROGRAM SERVICES	SUPPORTING SERVICES		
	Independent Living	Management and General	Fundraising	TOTAL EXPENSES
Expenses:				
Personnel services	$ 692,413	$ 167,749	$ 11,019	$ 871,181
Contracts	205,760	35,230	459	241,449
Facility	90,222	39,711	2,314	132,247
Supplies	127,696	3,730	643	132,069
Other expenses	44,403	49,615	16,681	110,699
Depreciation and amortization	62,923	5,184	-	68,107
Travel	20,371	7,445	-	27,816
Equipment	11,838	-	-	11,838
Total expenses	$ 1,255,626	$ 308,664	$ 31,116	$ 1,595,406

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

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and government contracts	$ 1,312,629	$ 1,253,786
Cash received from contributions	146,030	120,384
Cash received from service fees	265,018	225,495
Cash received from interest	1,942	1,572
Cash received from other sources	37,537	43,041
Cash paid to employees and suppliers	(1,599,608)	(1,518,155)
Net cash provided by operating activities	163,548	126,123
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for equipment	(112,707)	(40,717)
Net cash used for investing activities	(112,707)	(40,717)
Net increase in cash and cash equivalents	50,841	85,406
Cash and cash equivalents at beginning of year	609,150	523,744
Cash and cash equivalents at end of year	$ 659,991	$ 609,150

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

Change in net assets	$ 102,761	$ 11,631
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	84,668	68,107
(Increase) decrease in:		
Accounts receivable	(21,220)	(34,081)
Grants receivable	(146,954)	91,080
Employee receivables	240	(240)
Prepaids and deposits	106	9,293
Increase (decrease) in:		
Accounts payable	69,186	(14,780)
Accrued payroll expenses	7,421	9,461
Deferred revenue	(2,053)	(29,776)
Payable to Project Playground	72,323	10,258
Accrued compensation payable	(2,930)	5,170
Net cash provided by operating activities	$ 163,548	$ 126,123

The accompanying notes to 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, 2017 or 2016. Temporarily restricted net assets are described in Note 5.

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 it's 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.

Receivables

Accounts and grants receivable consist of reimbursements, and amounts due for grant expenditures, which were not received by SAIL at year-end. 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 Improvements

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 five 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 2017 and 2016 volunteers donated approximately 1,434 and 1,348 hours to SAIL, respectively. In-kind support is not reflected in the 2017 and 2016 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 and savings accounts 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.

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.

Functional Allocation of Expenses

Program and supporting service costs have been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to the independent living program and supporting services. Expenses related to more than one function are charged to the program and supporting services on the basis of SAIL's federally approved cost allocation plan. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of SAIL.

Recent Accounting Pronouncements

ASU 2016-14

In August 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*." This ASU makes improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in ASU 2016-14 are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The amendment is required to be applied retrospectively and early adoption is permitted. SAIL plans to adopt ASU 2016-14 in its fiscal year ended June 30, 2019. Other than changes in presentation, SAIL does not expect any other impact as a result of adoption.

ASU 2016-02

In February 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-02, *"Leases (Topic 842)."* The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. SAIL plans to adopt ASU 2016-02 in its fiscal year ended June 30, 2020 and does not anticipate a significant impact as a result of adoption.

ASU 2015-14

In August 2015, the Financial Accounting Standard Board (FASB) issued ASU No. 2015-14, *"Deferral of the Effective Date"* which modified ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2014-09 is effective for not-for-profits entities annual reporting periods beginning after December 15, 2018, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date annual periods beginning after 15 December 2016. SAIL plans to adopt ASU 2015-14 in its fiscal year ended June 30, 2019 and does not anticipate a significant impact as a result of adoption.

ASU 2016-18

In November 2016, the Financial Accounting Standard Board (FASB) issued ASU No. 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. SAIL plans to adopt ASU 2016-18 in its fiscal year ended June 30, 2019 and does not anticipate a significant impact as a result of adoption.

Subsequent Events

SAIL has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

NOTE 2 – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

SAIL's equipment and leasehold improvements consist of the following at June 30:

	2017	2016
Equipment	$ 706,994	$ 608,661
Leasehold improvements	22,885	22,885
Less: accumulated depreciation and amortization	(450,649)	(380,355)
Equipment and leasehold improvements, net	$ 279,230	$ 251,191

Depreciation and amortization expense was $84,668 and $68,107 for fiscal years 2017 and 2016, respectively.

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

NOTE 3 – OPERATING LEASES

SAIL leases office space in four Southeast Alaska communities in order to provide consumer services. These leases are non-cancellable operating leases. Rent expense on office operating leases for the years ended June 30, 2017 and 2016 was $67,115 and $99,061, respectively. Minimum future rent expense based on current leases is $93,465 for fiscal year 2018, $43,110 for fiscal year 2019, and $-0- for fiscal year 2020.

NOTE 4 – ADVERTISING

SAIL expenses the costs of advertising the first time the advertising takes place. At June 30, 2017 and 2016 SAIL had $7,747 and $7,703 in advertising expenses, respectively, included in other expenses on the statements of functional expenses.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The following support was temporarily restricted for SAIL's Outdoor Recreation and Community Access (ORCA) activities at June 30:

	2017	2016
Temporarily restricted net assets	$ 6,694	$ 7,547

NOTE 6 – CONCENTRATIONS AND CONTINGENCIES

Grant Revenue and Receivables

SAIL receives a substantial amount of support from federal and State of Alaska 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.

Expenditures made pursuant to grants may be subject to additional audits by government agencies or their representatives. Although subjected to state 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.

Depository Concentration

SAIL has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). At June 30, 2017, SAIL has cash of $206,761 in excess of FDIC insurance. SAIL has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Taxi Lease Contingencies

SAIL leases ramp-equipped vehicles to taxi companies in Juneau and Ketchikan at no charge. While the taxi companies are required to provide maintenance and insurance on the vehicles, if one or more of the vehicles were in an accident it could result in a loss of SAIL's equipment.

NOTE 7 – RETIREMENT PLAN

SAIL has established a 403(b) Thrift Plan to provide retirement benefits to 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, 2017 and 2016 are $14,614 and $14,085, respectively.

STATE FINANCIAL ASSISTANCE

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2017

State of Alaska Grantor / Pass-through Entity / Program Title		Grant Number	Award	Expenditures
Alaska Mental Health Trust Authority				
Expand Aging and Disability Resource Center - Southeast (FY17)	*	7356	$ 50,000	$ 50,000
HomeMAP App:Phase 1		7554	8,200	7,603
Partnership: ORCA Essential Adaptive Sport Instruction & Safety Training (FY16)		6921	7,400	3,284
Transition Outreach and Program Development		7749	20,000	5,705
Passed through the State of Alaska Department of Transportation and Public Facilities				
Alaska Community Transit Reimbursable Grant Project Agreement		2533-17-100/101/102	43,868	43,868
Passed through Information Insights, Inc.				
Behavioral Health Mini-Grants	*	various	55,796	55,796
Total Alaska Mental Health Trust Authority			185,264	166,256
Department of Transportation and Public Facilities				
Alaska Community Transit Reimbursable Grant Project Agreement		2552-15/0204	1,643	1,643
Alaska Community Transit Reimbursable Grant Project Agreement		2533-17-0200	3,754	3,754
Alaska Community Transit Reimbursable Grant Project Agreement		2552-17-0200	2,010	2,010
Total Department of Transportation and Public Facilities			7,407	7,407
Department of Health and Social Services				
Aging and Disability Resource Centers and Medicare Counseling and Outreach	*	607-299-1604	198,728	198,728
Community Initiative Matching Grants		605-230-1726	40,000	40,000
Independent Living	*	607-318-1703	94,680	94,680
Mental Health Essential Program Equipment		C05-548-17008	25,000	17,795
Mental Health Essential Program Equipment		C05-548-17004	14,677	8,984
Short Term Assistance and Referral	*	607-313-1710	150,000	150,000
Total Department of Health and Social Services			523,085	510,187
Department of Labor and Workforce Development				
Older Blind		OB 17.06	5,735	5,735
Total State Financial Assistance			$ 721,491	$ 689,585

* Denotes Major Program

The accompanying notes to schedule of state financial assistance are an integral part of this statement.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2017

General

The accompanying schedule of state financial assistance presents the activity of all state award programs of Southeast Alaska Independent Living, Inc. (SAIL).

Basis of Accounting

The accompanying schedule of state financial assistance is presented using the accrual basis of accounting, which is described in Note 1 to SAIL's financial statements.

Reconciliation of State Financial Assistance to Financial Statements

The following is a reconciliation of state grant revenues reported in the financial statements to state expenditures reported in the schedule of state financial assistance:

Total government grants and contracts as reported on the financial statements	$ 1,389,313
Add: State grants not reported as grants on the financial statements	5,427
Less: Federal grants	(546,736)
Less: Local grants and contracts	(158,419)
Total state grants reported on the schedule of state financial assistance	$ 689,585

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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 of
Southeast Alaska Independent Living, Inc.

We have audited 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, the financial statements of Southeast Alaska Independent Living, Inc. (SAIL), which comprise the balance sheet as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements and have issued our report thereon dated September 13, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAIL'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 SAIL's internal control. Accordingly, we do not express an opinion on the effectiveness of SAIL'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAIL's financial statements are free from 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*.

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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 13, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *STATE OF ALASKA AUDIT GUIDE AND COMPLIANCE SUPPLEMENT FOR STATE SINGLE AUDITS*

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

Report on Compliance for Each Major State Program

We have audited Southeast Alaska Independent Living, Inc.'s (SAIL's) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of SAIL's major state programs for the year ended June 30, 2017. SAIL's major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SAIL's major state programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 state 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 on compliance for each major state program. However our audit does not provide a legal determination of SAIL's compliance.

Opinion on Each Major State Program

In our opinion, SAIL complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of SAIL is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SAIL's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, 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 state 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 state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

ERM

September 13, 2017

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes _x_ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes _x_ None reported
Noncompliance material to financial statements?	___ Yes _x_ No

State Financial Assistance

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	___ Yes _x_ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	___ Yes _x_ None reported
Dollar threshold used to distinguish a state major program:	$ 50,000

FINDINGS – FINANCIAL STATEMENT AUDIT

Southeast Alaska Independent Living, Inc. did not have any findings that relate to the financial statements.

FINDINGS AND QUESTIONED COSTS – STATE MAJOR AWARD PROGRAMS AUDIT

Southeast Alaska Independent Living, Inc. did not have any findings or questioned costs that relate to the state major award programs audit.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

No findings that relate to the financial statements for the year ended June 30, 2016.

FINDINGS AND QUESTIONED COSTS – STATE MAJOR AWARD PROGRAMS AUDIT

No findings or questioned costs that relate to the state major award programs audit for the year ended June 30, 2016.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Aging and Disability Resource Centers and Medicare Counseling and Outreach (607-299-1704)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
State of Alaska	$ 198,728	$ 198,728	$ -
Federal	4,000	4,000	-
Total revenues	202,728	202,728	-
Expenses:			
Direct costs			
Personnel services	129,880	135,585	(5,705)
Travel	13,000	9,651	3,349
Facility	18,804	18,160	644
Supplies	3,146	1,434	1,712
Total direct costs	164,830	164,830	-
Indirect costs	37,898	37,898	-
Total expenses	202,728	202,728	-
Excess of revenues over expenses	$ -	$ -	$ -

See Independent Auditor's Report.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Community Initiative Matching Grants (605-230-1726)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues -			
State of Alaska	$ 40,000	$ 40,000	$ -
Expenses:			
Direct costs			
Personnel services	7,244	6,815	429
Travel	4,075	4,032	43
Facility	928	1,092	(164)
Supplies	15,773	16,099	(326)
Other	4,500	4,482	18
Total direct costs	32,520	32,520	-
Indirect costs	7,480	7,480	-
Total expenses	40,000	40,000	-
Excess of revenues over expenses	$ -	$ -	$ -

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Independent Living (607-318-1703)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
State of Alaska	$ 99,447	$ 94,779	$ (4,668)
Federal	23,573	23,573	-
Total revenues	123,020	118,352	(4,668)
Expenses:			
Direct costs			
Personnel services	69,617	69,741	(124)
Facility	7,493	8,381	(888)
Supplies	1,701	1,093	608
Other	21,625	16,956	4,669
Total direct costs	100,436	96,171	4,265
Indirect costs	22,584	22,181	403
Total expenses	123,020	118,352	4,668
Excess of revenues over expenses	$ -	$ -	$ -

See Independent Auditor's Report.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Mental Health Essential Program Equipment (C05-548-17004)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues -			
State of Alaska	$ 14,677	$ 8,984	$ (5,693)
Expenses -			
Equipment	14,677	8,984	5,693
Excess of revenues over expenses	$ -	$ -	$ -

See Independent Auditor's Report.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Mental Health Essential Program Equipment (C05-548-17008)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues -			
State of Alaska	$ 25,000	$ 17,795	$ (7,205)
Expenses -			
Equipment	25,000	17,795	7,205
Excess of revenues over expenses	$ -	$ -	$ -

See Independent Auditor's Report.

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

STATE OF ALASKA DEPARTMENT OF HEALTH AND SOCIAL SERVICES
SCHEDULE OF REVENUES AND EXPENSES BUDGET TO ACTUAL

Short Term Assistance and Referral (607-313-1710)

For the Year Ended June 30, 2017

	Budget	Actual	Variance favorable (unfavorable)
Revenues -			
State of Alaska	$ 150,000	$ 150,000	$ -
Expenses:			
Direct costs			
Personnel services	97,688	104,663	(6,975)
Travel	1,290	1,149	141
Facility	17,390	14,302	3,088
Supplies	5,583	1,861	3,722
Total direct costs	121,951	121,975	(24)
Indirect costs	28,049	28,025	24
Total expenses	150,000	150,000	-
Excess of revenues over expenses	$ -	$ -	$ -

See Independent Auditor's Report.