

SOUTHEAST ALASKA INDEPENDENT LIVING, INC.

LETTER TO THE BOARD

For the Year Ended June 30, 2016

November 30, 2016

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

November 30, 2016

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

We have audited the financial statements of Southeast Alaska Independent Living, Inc. as of and for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 1, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Southeast Alaska Independent Living, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Southeast Alaska Independent Living, Inc. is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during fiscal year 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. No such misstatements were identified.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We identified no material adjustments as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Southeast Alaska Independent Living, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Southeast Alaska Independent Living, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Southeast Alaska Independent Living, Inc.'s auditors.

Internal Control and Other Matters

Other Internal Control Matters Noted During the Prior Audit and their Current Status

During the prior audit, we noted a matter that was an opportunity for strengthening internal controls and operating efficiency. Below is the recommendation we made in the prior year and the current status:

Evaluate Controls over Coding

In the prior audit, we recommended management review the federal guidance on allowable costs. We also recommended management review Southeast Alaska Independent Living, Inc.'s policies and procedures that relate to allowable direct and indirect costs charged to grants to ensure they are updated for the new federal guidance.

Status: Management has reviewed the federal guidance on allowable costs, and is in the process of updating Southeast Alaska Independent Living, Inc.'s policies and procedures. Comment resolved.

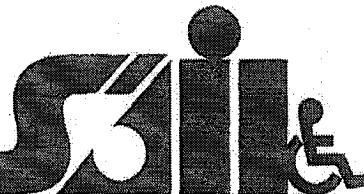
This report is intended solely for the information and use of the Board of Directors and management of Southeast Alaska Independent Living, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

ERM

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SOUTHEAST ALASKA INDEPENDENT LIVING



3225 Hospital Dr, Suite 300, Juneau, Alaska 99801, 1-800-478-SAIL, ph/tty: 907-586-4920, fx: 907-586-4980

November 30, 2016

Elgee Rehfeld Mertz, LLC
9309 Glacier Hwy, Suite B-200
Juneau, AK 99801

This representation letter is provided in connection with your audit of the financial statements of Southeast Alaska Independent Living, Inc. (SAIL), which comprise the balance sheets as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 30, 2016:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 1, 2016, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.

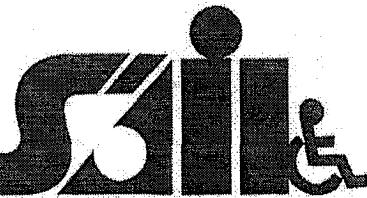
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- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- We have complied with all contractual agreements, grants, and donor restrictions.
- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
- We have accurately presented the entity's position regarding taxation and tax-exempt status.
- The bases used for allocation of functional expenses are reasonable and appropriate.
- We have included in the financial statements all assets and liabilities under the entity's control.
- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.
- Reclassifications between net asset classes are proper.
- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.
- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.
- With respect to the required supplementary information (schedule of state financial assistance and budget to actual schedules) accompanying the financial statements:
 - We acknowledge our responsibility for the presentation of the required supplementary information in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the State of Alaska Department of Health and Social Services.
 - We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and the State of Alaska Department of Health and Social Services.
 - The methods of measurement or presentation have not changed from those used in the prior period.
 - We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or

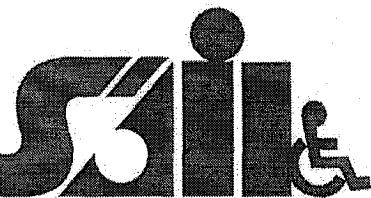
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- Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
- We have no knowledge of any noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

State Single Audit

With respect to state awards, we represent the following to you:

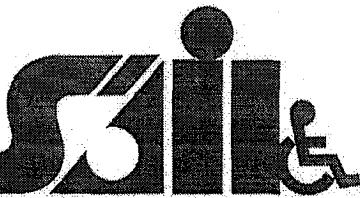
- We are responsible for understanding and complying with and have complied with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
- We are responsible for the preparation and presentation of the schedule of state financial assistance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
- We believe the schedule of state financial assistance, including its form and content, is fairly presented in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
- As part of your audits, you prepared the draft financial statements and related notes and schedule of state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of state financial assistance.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of state financial assistance, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- We are responsible for including the auditor's report on the schedule of state financial assistance in any document that contains the schedule and that indicates that the auditor has reported on such information.
- When the schedule of state financial assistance is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of state financial assistance no later than the date of issuance by the entity of the schedule of state financial assistance and the auditor's report thereon.
- We have, in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, identified in the schedule of state financial assistance, expenditures made during the audit period for all awards provided by state agencies in the form of grants, state cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- We are responsible for complying with the requirements of laws, regulations, and the provisions of

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contracts and grant agreements related to each of our state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major state program; and we have complied, in all material respects, with these requirements.

- We have provided to you our interpretations of any compliance requirements that have varying interpretations.
- We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to state programs that provide reasonable assurance that we are managing our state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our state programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
- We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with state agencies or pass-through entities relating to state programs.
- We have received no requests from a state agency to audit one or more specific programs as a major program.
- We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of state awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
- We have properly classified amounts claimed or used for matching of state awards.
- We have charged costs to state awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* or grant agreements.
- We have made available to you all documentation related to the compliance requirements, including information related to state program financial reports and claims for advances and reimbursements.
- State program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of state financial assistance).
- The copies of state program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective state agency or pass-through entity, as applicable.
- We have properly classified amounts claimed or used for matching in accordance with related guidelines in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
- We have charged costs to state awards in accordance with the provisions of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.
- We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and we have provided you with all information on the status of the follow-up on prior audit findings by state awarding agencies and pass-through entities, including all management decisions.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- We have disclosed all contracts or other agreements with service organizations and disclosed to you

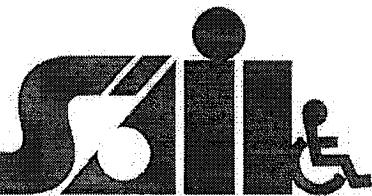
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all communications from these service organizations relating to noncompliance at the organizations.

- We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

Joan O'Keefe, Executive Director

Susan Listberger, Accountant

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