R E P O R T

ALTERNATIVES LIVING, INC.

JUNE 30, 2012 AND 2011

ALTERNATIVES LIVING, INC.

INDEX TO REPORT

JUNE 30, 2012 AND 2011

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 19, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

We have audited the accompanying statements of financial position of Alternatives Living, Inc. (a Louisiana 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 Company'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 *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 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 in the first paragraph present fairly, in all material respects, the financial position of Alternatives Living, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013, on our consideration of Alternatives Living, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Duplantier, Hrapmann, Hogan & Maher, LLP

ALTERNATIVES LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

		2012		2011
CURRENT ASSETS:				
Cash and cash equivalents (Notes 1 and 2)	$	38,736	$	161,458
Accounts receivable		243,621		264,035
Certificate of deposit (Notes 1 and 2)		35,602		35,399
Due from officer		68,667		33,769
Due from employees		3,115		1,713
Total current assets		389,741		496,374
PROPERTY AND EQUIPMENT: (Notes 1 and 3)				
Property and equipment, net of accumulated depreciation of $79,538 and $50,407 in 2012 and 2011, respectively		738,701		576,981
Total property and equipment		738,701		576,981
OTHER ASSETS: (Note 3)				
Loan fees, net of accumulated amortization of $4,854 and $3,849 in 2012 and 2011, respectively		5,196		6,201
Total other assets		5,196		6,201
TOTAL ASSETS	$	1,133,638	$	1,079,556

LIABILITIES AND NET ASSETS

		2012		2011
CURRENT LIABILITIES:				
Accounts payable	$	11,234	$	-
Credit card payable		28,920		12,585
Garnishment payable		1,230		2,302
Payroll liabilities		643,667		484,157
Accrued penalties and interest on payroll liabilities		296,091		179,086
Lines of credit (Note 9)		70,935		70,540
Mortgage payable - current portion (Note 5)		33,971		31,340
Total current liabilities		1,086,048		780,010
LONG TERM LIABILITIES:				
Mortgage payable (Note 5)		225,326		260,085
Loan payable - director (Note 8)		-		39,375
Total long term liabilities		225,326		299,460
Total liabilities		1,311,374		1,079,470
NET ASSETS (DEFICIT):				
Unrestricted		(177,736)		86
TOTAL LIABILITIES AND NET ASSETS	$	1,133,638	$	1,079,556

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT: (Note 1)		
Housing Plus grant (Note 4)	$ 2,154,296	$ 1,866,928
Contract revenue - social services (Note 4)	228,859	436,956
New Opportunity Waiver grant (Note 4)	425,474	331,650
Supervised Independent Living grant	-	5,686
Miscellaneous income	9,569	23,306
Special event income	5,848	-
Interest income	219	254
Rental income (Note 4)	16,849	27,258
Total unrestricted revenue and support	2,841,114	2,692,038
Expenses: (Page 5)		
Program services:		
Housing assistance and homeless prevention	2,593,946	2,348,079
Supporting services:		
Fundraising	5,734	-
Management and general	419,256	426,168
Total expenses	3,018,936	2,774,247
Change in net assets	(177,822)	(82,209)
NET ASSETS - beginning of year, as previously reported	86	126,986
Prior period adjustment (Note 12)	-	(44,691)
NET ASSETS - beginning of year, as restated	86	82,295
NET ASSETS - end of year	$ (177,736)	$ 86

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,938,044	$ 102,002	$ -	$ 2,040,046
Payroll taxes	170,795	8,989	-	179,784
Total salaries and related expenses	2,108,839	110,991	-	2,219,830
Accounting	8,953	471	-	9,424
Advertising	-	-	-	-
Automobile lease	-	9,128	-	9,128
Bank charges	-	6,117	-	6,117
Computer supplies	9,422	1,047	-	10,469
Contract labor	-	1,110	-	1,110
Contributions	-	100	-	100
CPR training & supplies	290	-	-	290
Dues and subscriptions	339	1,017	-	1,356
Employee functions	-	6,116	-	6,116
Entertainment	-	570	-	570
Equipment rental	-	790	-	790
Housing assistance - rent and utilities	149,805	-	-	149,805
Insurance - auto	-	4,545	-	4,545
Insurance - flood	1,281	-	-	1,281
Insurance - health	63,961	11,287	-	75,248
Insurance - liability	8,537	949	-	9,486
Insurance - life	-	860	-	860
Insurance - property	3,748	197	-	3,945
Insurance - workers compensation	17,555	-	-	17,555
Interest	-	25,933	-	25,933
Licenses and permits	526	789	-	1,315
Meals	7,739	7,739	-	15,478
Miscellaneous	4,000	558	-	4,558
Office supplies	14,790	778	-	15,568
Penalties and tickets	-	159,290	-	159,290
Postage	-	506	-	506
Printing and reproduction	3,244	360	-	3,604
Professional fees	-	-	-	-
Property taxes	-	8,397	-	8,397
Rent	-	-	-	-
Repairs and maintenace	1,113	20,834	-	21,947
Special events	-	-	5,734	5,734
Supplies-other	31,721	1,670	-	33,391
Telephone	72,672	8,075	-	80,747
Training/seminars	2,179	2,179	-	4,358
Travel	45,900	22,705	-	68,605
Utilities	10,210	1,134	-	11,344
Total expenses before depreciation and amortization	2,566,824	416,242	5,734	2,988,800
Depreciation and amortization	27,122	3,014	-	30,136
TOTAL EXPENSES	$ 2,593,946	$ 419,256	$ 5,734	$ 3,018,936

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Fundraising	Total
Salaries	$ 1,694,239	$ 89,170	$ -	$ 1,783,409
Payroll taxes	140,388	7,389	-	147,777
Total salaries and related expenses	1,834,627	96,559	-	1,931,186
Accounting	20,220	1,064	-	21,284
Advertising	-	437	-	437
Automobile lease	-	9,094	-	9,094
Bank charges	-	8,212	-	8,212
Computer supplies	905	8,142	-	9,047
Contract labor	-	1,930	-	1,930
Contributions	-	250	-	250
CPR training & supplies	198	-	-	198
Dues and subscriptions	-	3,423	-	3,423
Employee functions	-	-	-	-
Entertainment	-	4,649	-	4,649
Equipment rental	-	3,729	-	3,729
Housing assistance - rent and utilities	232,275	-	-	232,275
Insurance - auto	-	1,158	-	1,158
Insurance - flood	-	-	-	-
Insurance - health	26,812	4,731	-	31,543
Insurance - liability	4,200	467	-	4,667
Insurance - life	-	2,579	-	2,579
Insurance - property	8,256	-	-	8,256
Insurance - workers compensation	20,407	-	-	20,407
Interest	-	39,502	-	39,502
Licenses and permits	316	475	-	791
Meals	3,060	3,060	-	6,120
Miscellaneous	7,674	861	-	8,535
Office supplies	13,111	690	-	13,801
Penalties and tickets	-	172,370	-	172,370
Postage	-	71	-	71
Printing and reproduction	2,597	289	-	2,886
Professional fees	2,454	-	-	2,454
Property taxes	-	6,047	-	6,047
Rent	348	61	-	409
Repairs and maintenace	-	36,367	-	36,367
Special events	-	-	-	-
Supplies-other	32,812	1,727	-	34,539
Telephone	62,416	6,935	-	69,351
Training/seminars	-	3,224	-	3,224
Travel	39,874	4,119	-	43,993
Utilities	9,882	1,098	-	10,980
Total expenses before depreciation and amortization	2,322,444	423,320	-	2,745,764
Depreciation and amortization	25,635	2,848	-	28,483
TOTAL EXPENSES	$ 2,348,079	$ 426,168	$ -	$ 2,774,247

See accompanying notes.

ALTERNATIVES LIVING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (177,822)	$ (82,209)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	30,136	28,483
Interest earned on and reinvested in certificate of deposit	(203)	(254)
(Increase) decrease in assets:		
Accounts receivable	20,414	13,965
Due from employees	(1,402)	(100)
Due from officer	(34,898)	(22,480)
Increase (decrease) in liabilities:		
Accounts payable	11,234	-
Payroll liabilities	159,510	120,356
Garnishment payable	(1,072)	(946)
Accrued interest and penalties	117,005	179,086
Credit card payable	16,335	(18,630)
Net cash provided by operating activities	139,237	217,271
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(190,851)	(4,178)
Net cash used by investing activities	(190,851)	(4,178)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage	(32,128)	(28,766)
Loans from director	79,000	25,000
Payments on loan from director	(118,375)	(36,000)
Proceeds from line of credit	24,551	83,007
Payments on line of credit	(24,156)	(92,056)
Net cash used by financing activities	(71,108)	(48,815)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,722)	164,278
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	161,458	(2,820)
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 38,736	$ 161,458
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 21,318	$ 28,032
Income taxes paid	$ -	$ -
NONCASH INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificate of deposit	$ 203	$ 254

See accompanying notes.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

ORGANIZATIONAL PURPOSE

Alternatives Living, Inc. (the Corporation) is a Louisiana nonprofit corporation organized to give individuals an opportunity to become independent, productive, self-sufficient, contributing members of society within a community in both Louisiana and throughout the United States of America as permitted by law. Alternatives Living's primary sources of revenue are grants from the U.S. Department of Housing and Urban Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation:

Financial statements of the Corporation have been prepared utilizing the accrual basis of accounting. Under that basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

Financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. FASB ASC 958 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions. These three classifications are defined as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that may or will be met by the action of the Corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that are required to be maintained by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

The statement of activities presents expenses of the Corporation's operations functionally between program services and supporting services based on specific identification. Indirect expenses have been allocated based on estimates by management.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

Alternatives Living, Inc. is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Property and Equipment:

Property and equipment are stated at cost which includes acquisition price and rehabilitation expenditures. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. The Corporation capitalizes long-lived asset purchases over $1,000.

Receivables:

The Corporation considers accounts receivable to be fully collectible since the balance primarily consists of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Functional Expenses:

The expenses of providing the programs and other activities have been summarized on a functional basis between program and supporting services in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

Advertising Costs:

Advertising costs are expensed as incurred and totaled $-0- and $437 for the years ended June 30, 2012 and 2011, respectively.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, Alternatives Living, Inc. considers cash and cash equivalents as petty cash, cash in banks, savings accounts and certificates of deposit with original maturities of three months or less.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. CASH, CASH EQUIVALENTS AND CERTIFICATE OF DEPOSIT:

At June 30, 2012 and 2011, cash, cash equivalents and certificates of deposit were as follows:

	2012	2011
Cash - checking	$ 23,420	$ 161,457
Savings account	15,016	1
Petty cash	300	--
Certificate of deposit	35,602	35,399
Total cash and cash equivalents and certificates of deposit	$ 74,338	$ 196,857

The Corporation has one certificate of deposit, with an interest rate of 0.20% and a maturity date of July 23, 2012. This certificate was renewed in July 2012, with the new maturity date being July 23, 2013. This certificate is pledged as collateral for the Corporation's line of credit (see footnote 9).

3. PROPERTY, EQUIPMENT AND LOAN FEES:

Property, equipment and loan fees at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Land	$ 45,000	$ 45,000
Rent houses	205,000	205,000
Office building	522,289	350,997
Furniture, fixtures, and equipment	38,897	26,392
Construction in progress	7,054	--
Loan fees	10,049	10,049
Total	828,289	637,438
Less: accumulated depreciation and amortization	(84,392)	(54,256)
Net book value	$ 743,897	$ 583,182

Depreciation expense was $29,131 and $27,478 and amortization expense was $1,005 and $1,005 for the years ended June 30, 2012 and 2011, respectively. Estimated amortization expense for the ensuing fiscal years through June 2018 is as follows:

3. PROPERTY, EQUIPMENT AND LOAN FEES: (Continued)

Year	Amount
2013	$ 1,005
2014	973
2015	942
2016	942
2017	942
2018	392

4. CONTRACT REVENUE:

The Corporation manages one unit of Transitional Housing at Southeast Louisiana Hospital (Wren-Way) and one Permanent Housing Group Home (Hummingbird) at Southeast Louisiana Hospital, providing staff twenty four hours per day, seven days per week, for the supervision and training of residents to prepare residents for more independent living/optimal level of functioning. Alternatives Living, Inc. is reimbursed for these expenses according to the contracts entered into for each facility. Each tenant is also required to pay monthly rent, which is recorded as rental income in the financial statements. The receivable related to this program as of June 30, 2012 and 2011 was $23,225 and $21,796, respectively.

The Company also operates under the New Opportunity Waiver (NOW) agreement, under which the Corporation provides day and night companions for its clients in New Orleans. Alternatives Living, Inc. provides the labor services, and then is reimbursed based on the hours worked with Medicaid reimbursements, which are from the Louisiana Medical Assistance Program. Revenue under this program is recorded as accrued. Receivables for these activities represent amounts owed for the services provided. The payments are received by a wire transfer from the Louisiana State Employment Payment System into a bank account of Alternatives Living, Inc. The receivable related to this program as of June 30, 2012 and 2011 was $-0- and $12,022, respectively.

The Company also operates under the Community Development Block Grant Housing Plus program, under which the Corporation provides housing support services to tenants accepted into the Region 1, State of Louisiana, Permanent Supportive Housing Program. Services provided are community-based, individualized, and determined via individual assessments and development of an individualized housing support plan. Revenue under this program is recorded as accrued. The receivable related to this program as of June 30, 2012 and 2011 was $201,705 and $211,526, respectively.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

5. MORTGAGE PAYABLE:

The Corporation entered into a mortgage note with First NBC Bank for the purpose of purchasing land. The original face value of the note was $48,000. The mortgage bears interest at 8% and matures on January 15, 2014. As of June 30, 2012 and 2011, the principal balance outstanding on the mortgage was $13,148 and $18,846, respectively. This note is collateralized by the land.

The Corporation entered into a mortgage note with Capital One Bank for the purpose of purchasing rental houses. The original face value of the note was $143,500. The mortgage bears interest at 7.953% and matures on November 1, 2022. As of June 30, 2012 and 2011, the principal balance outstanding on the mortgage was $115,256 and $122,197, respectively. This note is collateralized by the property at 714-716 South Gayoso Street.

The Corporation has a mortgage note for the purchase of the office building. The mortgage bears interest at 8% and matures on December 5, 2014. Monthly payments on the loan are $2,488. As of June 30, 2012 and 2011, the principal balance outstanding on the mortgage was $130,893 and $150,382, respectively.

Future minimum mortgage payments are as follows:

June 30,	
2013	$ 33,971
2014	36,505
2015	97,956
2016	9,492
2017	10,297
Thereafter	71,076
	$ 259,297

6. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. CONCENTRATION OF CREDIT RISK:

Alternatives Living, Inc. maintains cash balances at several financial institutions. These balances were fully insured by the Federal Deposit Insurance Corporation as of June 30, 2012 and 2011.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

8. LOAN FROM DIRECTOR:

The executive director of the Corporation has made loans to the Corporation. The loans are non-interest bearing and do not have a maturity date. As of June 30, 2012 and 2011, the balance on the loans outstanding was $-0- and $39,375, respectively.

9. LINES OF CREDIT:

The Corporation established a revolving line of credit with Capital One Bank with a maximum borrowing amount of $35,000 for a one year period. As of June 30, 2012 and 2011, the principal balance outstanding on the line of credit was $34,966 and $30,293, respectively, and the variable interest rate was 13.5% and 3.25%, respectively, as of June 30, 2012 and 2011. This line of credit is secured by a certificate of deposit (CD) with Capital One (see Note 2).

The Corporation also established a revolving line of credit with First NBC Bank with a maximum borrowing amount of $45,000. As of June 30, 2012 and 2011, the principal balance outstanding on the line of credit was $35,969 and $40,247, respectively. The line of credit is due on demand, or if not on demand July 28, 2012, and has an interest rate of 7.25% per year. This line of credit is secured by the land owned by the Corporation, which is valued at $45,000.

10. FUTURE LEASE OBLIGATIONS:

The Corporation entered into a lease agreement for a vehicle for the use of the executive director. Lease expense for the years ended June 30, 2012 was $9,128 and $9,094, respectively. The lease expires October 6, 2013. Future payments under this lease are as follows:

June 30,	
2013	$ 8,301
2014	2,767
	$ 11,068

11. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through July 19, 2013, which is the date the financial statements were available to be issued.

12. PRIOR PERIOD ADJUSTMENT:

During the year ended June 30, 2011, a prior period adjustment was made to correct payroll tax liabilities. The cumulative effect was to reduce beginning net assets by $44,691.

13. SUBSEQUENT EVENT:

As of June 2013, federal funding passed through the Louisiana Department of Health and Hospitals has been suspended until required reports are submitted by the Corporation.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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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

July 19, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

We have audited the financial statements of Alternatives Living, Inc. (the "Corporation") as of and for the year ended June 30, 2012, and have issued our report thereon dated July 19, 2013. 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 the Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2012-01, 2012-02, 2012-03 and 2012-04.

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. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2012-05 and 2012-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alternatives Living, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2012-03 and 2012-05.

We noted certain matters that we reported to management of Alternatives Living, Inc. in a separate letter dated July 19, 2013.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors and Management of Alternatives Living, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

July 19, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

Compliance

We have audited Alternatives Living, Inc.'s (the "Corporation") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2012. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Alternatives Living, Inc.'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 OMB 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 the Corporation'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 the Corporation's compliance with those requirements.

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As described in item 2012-08 in the accompanying schedule of findings and questioned costs, Alternatives Living, Inc. did not comply with requirements regarding the allowable costs and activities compliance requirement that is applicable to its PSH Housing Support Team Program. Compliance with such requirements is necessary, in our opinion, for Alternatives Living, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Alternatives Living, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The results of our audit procedures also disclosed one other instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-07.

Internal Control Over Compliance

Management of Alternatives Living, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB 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 the Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04 to be material weaknesses.

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 federal 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.

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Directors and Management of Alternatives Living, Inc., and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ALTERNATIVES LIVING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U. S. Department of Housing and Urban Development		
Passed through Louisiana Department of Social Services:		
Passed through UNITY of Greater New Orleans:		
ARRA - Homeless Prevention & Rapid Re-housing	14.257	$ 129,179
Passed through Louisiana Department of Health and Hospitals:		
PSH Housing Support Team*	14.218	2,025,117
Homeless Prevention Supportive Housing	14.238	54,692
Permanent Group Home Supportive Housing	14.169	117,093
TOTAL FEDERAL AWARDS		$ 2,326,081

* This program is considered a "major" program under OMB Circular A-133.

NOTE: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting

ALTERNATIVES LIVING, INC.
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of Alternatives Living, Inc. has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2012, Type A programs consist of the federal programs that expended over $300,000 and Type B programs are the programs that expended under $300,000.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
* Material weakness(es) identified?	X yes __ no
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	X yes __ no
Noncompliance material to financial statements noted?	X yes __ no

FEDERAL AWARDS:

Internal control over major programs:	
* Material weakness(es) identified?	X yes __ no
* Significant deficiency(ies) identified that are not considered to be material weaknesses?	__ yes X no
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133:	X yes __ no

Identification of major programs:

Name of Program	CFDA Number	Expenditures
PSH Housing Support Team	14.218	$ 2,025,117

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	__ yes X no

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS:

2012-01: CHECKS WRITTEN TO CASH

Condition:
We noted checks written to "cash" that were intended for purchases such as van fuel, food and other supplies needed for social workers. Supporting receipts were not maintained for these purchases.

Criteria:
Checks should be written to a specific vendor and supporting documentation should be properly maintained.

Cause
Food and various other supplies for the social workers of the units of permanent and transitional housing are needed. For convenience, checks are written to cash and given to the social workers to be used for the purchase of the items noted above.

Effect
Checks written to "cash" can be easily negotiated to anyone, in the event a check is lost or stolen. Lack of supporting receipts can result in misuse of cash and material misstatements to the financial statements.

Recommendation
We recommend that management consider using an alternative method by which supplies and food needed for social workers can be purchased. We also recommend that all checks be made payable to specific payees. Additionally, supporting documentation should be maintained for all purchases paid with Company funds.

Management's Corrective Action Plan
Management has implemented a policy that requires all checks be made payable to a specific payee. Supporting documentation must be provided and maintained. Additionally, management will review its policies on reimbursing social workers and determine if an alternate method can be used to supply food and other items needed. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-02 – CREDIT CARDS

Condition
Credit card charges are not reconciled properly to the vendor statements. Transactions are posted to the general ledger monthly using descriptions and amounts included on the credit card statements. Supporting receipts are not maintained.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2012-02 – CREDIT CARDS (Continued)

Criteria
Credit card charges should be reconciled to supporting receipts that validate the business purpose for the charges incurred.

Cause
There is a lack of controls over credit card charges.

Effect
The lack of proper supporting documentation and reconciliation to the monthly statements could result in material misstatements to the financial statements.

Recommendation
We recommend the Company develop procedures to ensure accounts are reconciled properly and timely, including keeping copies of invoices to document the business purpose.

Management's Corrective Action Plan
Management has implemented written credit card policies requiring that all charges be supported with receipts or invoices and the supporting documentation should include the business purpose. Management will reconcile charges incurred to the monthly statements and supporting documentation. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-03: PAYROLL TAX LIABILITIES

Condition
Federal and state income tax withholdings as well as FICA taxes and withholdings were not paid to the Federal and State government in a timely manner. Outstanding payroll taxes exist for fiscal years 2009 through 2012. It was further noted that payments are not current through March 2013.

Criteria
Federal laws require payroll tax deposits to be made within 3 days of the date payroll was issued or semi-weekly, depending on the dollar amount. State laws require payroll tax with-holdings to be deposited monthly or quarterly depending on the dollar amount.

Cause
The operations of the Company were not properly managed. Budgets and cash flow were not properly monitored.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2012-03: PAYROLL TAX LIABILITIES (Continued)

Effect
The Company is not in compliance with Federal and State laws. Failure to pay payroll taxes has resulted in significant penalty and interest charges.

Recommendation
We recommend that outstanding payroll tax liabilities be paid to the appropriate agencies through the current date. We also recommend that management monitor cash flow effectively.

Management's Corrective Action Plan
Management has met with the Internal Revenue Services and negotiated a plan to pay off the outstanding liabilities. Management will also perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-04: SEGREGATION OF DUTIES

Condition
A lack of proper segregation of duties exists for accounting functions over cash receipts, cash disbursements, payroll and the general ledger.

Criteria
Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

Cause
The controller performs all accounting functions for cash receipts, disbursements, payroll, general ledger entries, bank reconciliations, check writing, etc.

Effect
The effect of not having proper segregation of duties results in lack of internal controls, which could result in misappropriation of assets or material misstatements to the financial statements.

Recommendation
We recommend, whenever possible, duties be segregated to improve internal controls.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2012-04: SEGREGATION OF DUTIES (Continued)

Management's Corrective Action Plan
Management will review current accounting procedures and consider having other staff members assume roles that will allow for better separation of duties.

2012-05: FILING OF AUDIT REPORT

Condition
State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year.

Criteria
The Company did not submit the audit report for the year ended June 30, 2012 by the date authorized by the State of Louisiana Legislative Auditor.

Cause
Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect
The Company is not in compliance with State laws. Additionally, receiving information that is not timely or current can significantly impact management's ability to guide an organization.

Recommendation
We recommend that the Company complete financial information in a timely and accurate manner in order to be in compliance with State filing requirements.

Management's Corrective Action Plan
Management will prepare financial information timely and accurately in order to submit the audit report in accordance with State law. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)

2012-06 – PERSONAL EXPENSES

Condition
We noted several personal expenses for items such as travel, sporting events, concert tickets, repairs to personal vehicles and tuition that were charged as expenses to the company. An adjustment was made during the audit to reclassify all such known items as receivable from employee.

Criteria
Charges that are personal in nature should not be recorded as expenses of the company.

Cause
There is no written policy in place for employee personal expenses made through use of company funds.

Effect
Expenses for the company were overstated by $29,659.

Recommendation
We recommend that policies related to personal expenses be implemented. We also recommend that these types of transactions be recorded as employee receivables and not company expenses.

Management's Corrective Action Plan
Management has implemented a policy for personal expenses. Any future personal expenses will be coded as employee receivable. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS:

2012-03: PAYROLL TAX LIABILITIES

See comment listed under Section II above

2012-04: SEGREGATION OF DUTIES

See comment listed under Section II above

2012-07: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition
Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Company to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the Company's federal oversight agency approves an extension of this deadline.

Criteria
The federal reporting deadline for the Company's Single Audit Reporting Package was March 31, 2013. The Corporation did not issue its Single Audit Reporting Package within the time frame required. There was no extension request made to the U.S. Department of Housing and Urban Development.

Cause
Due to the increase in contract and grant activity, management had difficulties ensuring all transactions were accounted for properly and more time was needed to ensure all transactions were recorded and accounted for.

Effect
The company is not in compliance with Federal single audit submission package requirements. Additionally, future grant revenue could be impacted if the Corporation continues to be out of compliance with Federal law.

Recommendation
We recommend that the Corporation complete financial information in a timely and accurate manner in order to be in compliance with Federal single audit submission package requirements.

Management's Corrective Action Plan
Management will prepare financial information timely and accurately in order to submit the audit report in accordance with Federal law. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS: (Continued)

2012-08: UNPAID PAYROLL TAXES

Condition
We noted that payroll taxes and tax withholdings related to social workers under the PSH Housing Support Team Program (CFDA #14.218) were not paid.

Criteria
Federal grant funds were received for the purpose of paying salaries and related Federal and State payroll taxes and with-holdings.

Cause
The operations of the Corporation were not properly managed.

Effect
Federal funding was received, but was not spent on the allowable costs of the program.

Questioned Cost
Because there are many other employees of the company that did not work on the Federal programs, an assumption was made that any taxes paid were first allocated to these employees and then to the employees that worked on Federal grant programs. As such, estimated questioned costs related to unpaid taxes under the PSH Housing Support Team Program (CFDA 14.218) were $208,345.

Recommendation
We recommend that outstanding payroll tax liabilities be paid to the appropriate agencies through the current date.

Management's Corrective Action Plan
Management has met with the Internal Revenue Services and negotiated a plan to pay off the outstanding liabilities. Management will also perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-01: CHECKS WRITTEN TO CASH

Condition and Criteria

We noted several checks written to "cash" that were used for expenses, such as van fuel, supplies, payroll, and other expenses. Checks should be written to the specific payee and all proper documentation should be properly maintained.

Status

This finding is repeated as item 2012-01 in the current year.

2011-02: CREDIT CARDS

Condition and Criteria

Credit card charges were not reconciled properly to the vendor statements. Transactions are posted to the general ledger monthly using descriptions and amounts included on the credit card statements. Supporting receipts were not maintained. Credit card charges should be reconciled to supporting receipts that validate the business purpose for the charges incurred.

Status

This finding is repeated as item 2012-02 in the current year.

2011-03: PAYROLL TAX LIABILITIES

Condition and Criteria

Federal and state income tax withholdings as well as FICA taxes and withholdings were not paid to the Federal and State government in a timely manner. Federal laws require payroll tax deposits to be made within 3 days of the date payroll was issued or semi-weekly, depending on the dollar amount. State laws require payroll tax withholdings to be deposited monthly or quarterly depending on the dollar amount.

Status

This finding is repeated as items 2012-03 in the current year.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-04: SEGREGATION OF DUTIES

Condition and Criteria
A lack of proper segregation of duties existed for accounting functions over cash receipts, cash disbursements, payroll and the general ledger. Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

Status
This finding is repeated as item 2012-04 in the current year.

2011-05: FILING OF AUDIT REPORT

Condition and Criteria
State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year. The Company did not submit the audit report for the year ended June 30, 2011 by the date authorized by the State of Louisiana Legislative Auditor.

Status
This finding is repeated as item 2012-05 in the current year.

2011-06: PAYROLL BANK RECONCILIATION

Condition and Criteria
Supporting documentation could not be produced for an outstanding disbursement in the amount of $17,000. An adjustment was made during the audit to correct the cash balance as of June 30, 2011. The bank account was not properly reconciled.

Status
A similar finding was reported in a separate management letter for the current year.

2011-07: PERSONAL EXPENSES

Condition and Criteria
During the audit, we noted several personal expenses for items such as travel, sporting events, movie tickets, life insurance premiums and tuition that were charged as expenses to the company. An adjustment was made during the audit to reclassify all such known items as receivable from employee. Charges that are personal in nature should not be recorded as expenses of the company.

Status
This finding is repeated as item 2012-06 in the current year.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

2011-08: FINANCIAL STATEMENT PREPARATION

Condition and Criteria
As is common in small organization, the Corporation engaged the auditor to prepare the Corporation's annual financial statements and related disclosures.

Status
This finding was resolved in the current year.

2011-09: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition and Criteria
Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Company to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the Company's federal oversight agency approves an extension of this deadline. The federal reporting deadline for the Company's Single Audit Reporting Package was March 31, 2012; however, the Corporation did not issue its Single Audit Reporting Package until May 2013. There was no extension request made to the U.S. Department of Housing and Urban Development.

Status
This finding is repeated as item 2012-07 during the current year.

2011-10: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition and Criteria
The Schedule of Expenditures of Federal Awards was prepared using cost reimbursement forms and invoices submitted to the pass-through agencies. Federal award expenditures should be tracked in a manner that can easily support the Schedule of Expenditures of Federal Awards.

Status
A similar finding was reported in a separate management letter for the current year.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

FINDING 2011-11: VOIDED CHECKS REIMBURSED

Condition and Criteria
The Company was reimbursed by the Homeless Prevention Program (CFDA #14.254) for three checks that were voided. These checks were not re-issued; therefore, no expenditure was incurred. Items requested for reimbursement should be properly reconciled.

Status
This item was resolved in the current year.

FINDING 2011-12: UNPAID PAYROLL TAXES

Condition and Criteria
We noted that payroll taxes related to social workers under the PSH Housing Support Team Program (CFDA #14.218) and a case manager under the Homeless Prevention Program (CFDA #14.254) were not paid. Federal grant funds were received for the purpose of paying salaries and related Federal and State payroll taxes and with-holdings.

Status
A similar finding is repeated as item 2012-08 during the current year for the PSH Housing Support Team Program (CFDA #14.218). The payroll taxes for the Homeless Prevention Program case manager were paid and therefore resolved.

FINDING 2011-13: BOOK KEEPING REIMBURSEMENTS

Condition
We noted bookkeeping expenses totaling $17,000 paid to the Corporation's CFO under the Homeless Prevention Program (CFDA #14.257) in addition to his normal employment compensation. Supporting time sheets approved by the executive director were provided detailing the number of hours the CFO worked specifically in relation to this grant. Based on the pass-through agency's programmatic monitoring visit report for the period November 30, 2010 to November 29, 2011, the additional number of hours spent above the normal work week hours was an item that was questioned. Our procedures did not enable us to substantiate the hours claimed or the reasonableness other than relying on documentation provided by management. It is the CFO's primary job responsibility to maintain the books for all federal programs. Allowable costs should be reasonable and necessary.

Status
This finding was resolved during the current year.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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FELIX J. HRAPMANN, JR, C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., CPA (1920-1996)
JAMES MAHER, JR, C.P.A. (1921-1999)

July 19, 2013

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Alternatives Living, Inc. (the "Company") as of and for the year ended June 30, 2012, 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, we considered the Company's internal control over financial reporting (internal control) 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 the Company's internal control. Accordingly, we do not express an opinion of the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The section below summarizes our comments and suggestions regarding these matters. Our separate report on internal controls over financial reporting and on compliance and other matters based on an audit in accordance with *Government Auditing Standards*, dated July 19, 2013, and our independent auditor's 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 A-133*, dated July 19, 2013, contains our communication of significant deficiencies and material weaknesses in the Company's internal control. This letter does not affect our report dated July 19, 2013, on the financial statements of Alternatives Living, Inc.

2012-09: CASH RECEIPTS

Comment

We noted one receipt for $15,262 that was posted twice to accounts receivable, and two deposits totaling $26,395 that were not posted as revenue. We also noted additional receipts totaling $6,462.18 that were coded to incorrect general ledger accounts. One receipt for $23,000 entered into the general ledger did not clear on the bank statements. Adjustments were made during the audit to correct these transactions.

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Recommendation

We recommend that revenue and related receivable accounts be reconciled accurately and timely to ensure cash receipts are posted correctly to the proper general ledger account.

Management's Correction Action Plan

Management will reconcile revenue and receivable accounts accurately and timely and adjust coding errors as necessary. Because the June 2011 and 2012 audit reports were issued in May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-10: CASH DISBURSEMENTS

Comment

We noted disbursements totaling $135 coded to "reimbursed expenses". "Reimbursed expenses" is not considered to be a natural account classification. We also noted additional disbursements totaling $88,624 that were coded to incorrect general ledger accounts. Adjustments were made during the audit to correct these posting errors and to reclassify items to their natural account class.

Recommendation

We recommend that expense accounts be reconciled accurately and timely to ensure cash disbursements are posted correctly to the proper general ledger account.

Management's Corrective Action Plan

Management will reconcile expense accounts accurately and timely and adjust coding errors as necessary. Because the June 2011 and 2012 audit reports were issued in May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-11: PAYROLL BANK RECONCILIATION

Comment

We noted several outstanding deposits on the First NBC bank reconciliation that were made in error totaling $21,663.68. This resulted in the bank account not being properly reconciled. Adjustments were made during the audit to correct these reconciliation items.

Recommendation

We recommend that reconciling items be supported by proper documentation and that bank reconciliations are properly prepared and adjusted accordingly on a timely basis.

Management's Corrective Action Plan

Management will review bank reconciliations and determine that they have been prepared correctly. Support for reconciling items will be properly maintained. Because the June 2011 and 2012 audit reports were issued in May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-12: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Comment

The Schedule of Expenditure of Federal Awards was prepared by the auditor using cost reimbursement forms and invoices submitted to the pass-through agencies and cost allocations provided by the Company, however, the cost allocations could not be directly tied to all of the funds received. Federal award expenditures should be tracked in a manner that they can easily support the Schedule of Expenditures of Federal Awards.

Recommendation

We recommend that management continue to allocate costs under applicable programs and reconcile federal funds spent to amounts reported on the schedule of expenditures of federal awards.

Management's Corrective Action Plan

Management will continue to allocate costs to applicable programs, and will reconcile allocated costs to the amounts reported on the schedule of expenditures of federal awards. Because the June 2011 and 2012 audit reports were issued in May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-13: DEFICIT FUND BALANCE

Comment

As of June 30, 2012, the unrestricted net assets had a deficit balance. During the current year, the unrestricted net asset class has incurred a significant loss in its operations mainly due to penalties and interest incurred for past due payroll tax liabilities. If not resolved, this deficit financial position could lead to a going concern issue in future years.

Recommendation

We recommend that payroll taxes be filed timely so that unfunded penalties and interest are not incurred.

Management's Corrective Action Plan

Management has met with the Internal Revenue Services and negotiated a plan to pay off the outstanding liabilities. Management will also perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future.

2012-14: VEHICLE LEASE

Comment

During the audit we noted that the Company was making payments on a vehicle lease for the officer. The Company did not have a signed lease agreement for this vehicle on file.

Recommendation

We recommend that the original signed copy of lease agreements be maintained.

Management's Corrective Action Plan

Management will obtain a copy of the signed lease agreement and will maintain original copies of lease agreements in the future.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience or assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

Lindsay J. Calub CPA

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LJC/ckr