

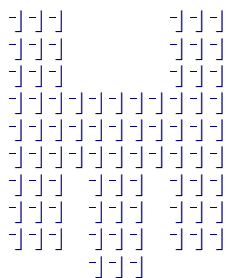
**SEAGULL ACADEMY FOR INDEPENDENT LIVING
A PROGRAM OF SEAGULL SERVICES**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2020
(with comparable totals for 2019)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6-7
NOTES TO FINANCIAL STATEMENTS	8-15
REPORT ON INTERNAL CONTROL	
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 <i>Government Auditing Standards</i>	16-17
Schedule of Findings and Responses	18
MANAGEMENT LETTER	19-20



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Seagull Academy for Independent Living-
A Program of Seagull Services
Riviera Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Seagull Academy for Independent Living – A Program and component unit of Seagull Services (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the 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 audit. 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. 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 Seagull Services as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020, on our consideration of Seagull Academy for Independent Living'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 Seagull Academy for Independent Living's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the 2019 financial statements, and our report dated September 26, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 27, 2020

**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

STATEMENT OF FINANCIAL POSITION

As of June 30, 2020

(with comparable totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 78,883	\$ -	\$ 78,883	\$ 20,506
Due (to) from other funds	(8,321)	8,321	-	-
Accounts and grants receivable	63,574	-	63,574	12,269
Promises to give	-	20,000	20,000	20,000
Due from parent organization	-	86,741	86,741	90,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	134,136	115,062	249,198	143,356
Property and equipment, net	42,519	-	42,519	26,502
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 176,655</u>	<u>\$ 115,062</u>	<u>\$ 291,717</u>	<u>\$ 169,858</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 14,840	\$ -	\$ 14,840	\$ 11,554
Accrued expenses	11,315	-	11,315	6,759
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	26,155	-	26,155	18,313
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	150,500	115,062	265,562	151,545
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 176,655</u>	<u>\$ 115,062</u>	<u>\$ 291,717</u>	<u>\$ 169,858</u>

See accompanying notes to financial statements.

**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

(with comparable totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
Support and Revenues:				
Florida Education Finance Program (FEFP) fees	\$ 549,613	\$ -	\$ 549,613	\$ 545,306
Individuals With Disabilities Act (IDEA) revenues	55,115	-	55,115	55,454
Capital outlay grant	30,263	-	30,263	24,108
Title I revenues	5,273	-	5,273	-
Vocational rehabilitation	5,511	-	5,511	-
United Way agency allocations	40,024	20,000	60,024	57,451
Contributions	101,417	97,562	198,979	153,259
	<u>787,216</u>	<u>117,562</u>	<u>904,778</u>	<u>835,578</u>
Total grants and contributions	787,216	117,562	904,778	835,578
Special events	3,074	-	3,074	5,125
Miscellaneous income	3,832	-	3,832	12,202
	<u>794,122</u>	<u>117,562</u>	<u>911,684</u>	<u>852,905</u>
Total support and revenues	794,122	117,562	911,684	852,905
Net assets released from restrictions	<u>22,500</u>	<u>(22,500)</u>	<u>-</u>	<u>-</u>
Expenses:				
Program services	778,362	-	778,362	803,197
Support services:				
Management and general	18,252	-	18,252	20,842
Fundraising and development	1,053	-	1,053	1,010
	<u>797,667</u>	<u>-</u>	<u>797,667</u>	<u>825,049</u>
Total expenses	797,667	-	797,667	825,049
Change in net assets	18,955	95,062	114,017	27,856
Net assets, beginning of year	<u>131,545</u>	<u>20,000</u>	<u>151,545</u>	<u>123,689</u>
Net assets, ending of year	<u>\$ 150,500</u>	<u>\$ 115,062</u>	<u>\$ 265,562</u>	<u>\$ 151,545</u>

See accompanying notes to financial statements.

**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

(with comparable totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from:		
Grants and contributions	\$ 853,474	\$ 831,409
Special events	3,074	5,125
Cash paid to employees and vendors	(785,778)	(826,043)
Miscellaneous income received	3,832	12,202
	<u>74,602</u>	<u>22,693</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(20,065)	(26,698)
	<u>(20,065)</u>	<u>(26,698)</u>
Net cash (used in) investing activities		
Cash flows from financing activities:		
Net cash received from (paid to) parent organization	3,840	(68,906)
	<u>3,840</u>	<u>(68,906)</u>
Net cash provided by (used in) financing activities		
Net change in cash	58,377	(72,911)
Cash and cash equivalents, beginning of year	20,506	93,417
Cash and cash equivalents, end of year	<u>\$ 78,883</u>	<u>\$ 20,506</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 114,017	\$ 27,856
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,048	2,361
(Increase) decrease in certain assets:		
Grants, contracts, and allocations receivable	(51,304)	831
Promises to give	-	(5,000)
Increase (decrease) in certain liabilities:		
Accounts payable	3,285	(19)
Accrued expenses	4,556	(3,336)
	<u>74,602</u>	<u>22,693</u>
Net cash provided by operating activities	<u>\$ 74,602</u>	<u>\$ 22,693</u>

See accompanying notes to financial statements.

**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

For the Year Ended June 30, 2020

	Program Services		Total Program Services
	Education	Supported Employment	
Salaries and wages	\$ 359,519	\$ 122,380	\$ 481,899
Payroll taxes and benefits	36,878	11,706	48,584
Total salaries and related expenses	396,397	134,086	530,483
Bank and credit card fees	-	-	-
Equipment purchase	-	-	-
Food supplies	260	749	1,009
Insurance expense	21,340	5,335	26,675
Legal and accounting	4,107	933	5,040
Marketing and outreach	5,267	702	5,969
Materials and supplies	5,656	358	6,014
Membership, dues, and fees	2,277	-	2,277
Miscellaneous	5,988	2,304	8,292
Postage and freight	-	-	-
Professional fees	47,923	5,325	53,248
Program activities	2,566	1,240	3,806
Repairs and maintenance	28,874	-	28,874
Rent and utilities	64,758	3,408	68,166
Security	627	-	627
Telephone	7,142	357	7,499
Vehicle and travel	23,382	2,953	26,335
	616,564	157,750	774,314
Depreciation	4,048	-	4,048
Total expenses	\$ 620,612	\$ 157,750	\$ 778,362

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2019)

Support Services				
Management and General	Fundraising and Development	Total Support Services	2020 Totals	2019 Totals
\$ 2,192	\$ -	\$ 2,192	\$ 484,091	\$ 443,228
168	-	168	48,752	45,149
2,360	-	2,360	532,843	488,377
186	-	186	186	132
-	-	-	-	1,800
-	-	-	1,009	6,230
-	-	-	26,675	26,459
13,627	-	13,627	18,667	19,000
-	1,053	1,053	7,022	1,570
1,139	-	1,139	7,153	10,408
-	-	-	2,277	6,552
921	-	921	9,213	15,830
-	-	-	-	211
-	-	-	53,248	71,105
-	-	-	3,806	8,520
-	-	-	28,874	22,168
-	-	-	68,166	68,160
-	-	-	627	36,597
19	-	19	7,518	7,278
-	-	-	26,335	32,291
18,252	1,053	19,305	793,619	822,688
-	-	-	4,048	2,361
<u>\$ 18,252</u>	<u>\$ 1,053</u>	<u>\$ 19,305</u>	<u>\$ 797,667</u>	<u>\$ 825,049</u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Seagull Academy for Independent Living (SAIL) is a charter school program of Seagull Industries for the Disabled, Inc. d/b/a Seagull Services (Seagull). SAIL was originally incorporated by Seagull as a result of the charter school agreement with the School District of Palm Beach County, Florida (District). The separate incorporation was discovered to have not been necessary as SAIL has always been operated as a program of Seagull. Accordingly, the two Boards were merged on December 21, 2004, and SAIL was formally dissolved as a non-profit corporation March 25, 2006. The original charter school contract from 2002 was renewed multiple times and extended last fiscal year to September 30, 2016, while SAIL was in the process of finalizing their new contract. On September 12, 2016 the new contract was finalized for the ten-year period of July 1, 2016 to June 30, 2026.

SAIL provides school programs for at-risk and adjudicated youth and young adults who are developmentally challenged, offering them the skills for post-school adult living, supported employment, and a high school diploma. As of the fall of 2011, SAIL received approval to serve middle school children and accepts students from ages 11 to 22.

Method of Accounting

SAIL follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned, public support when received and expenses as incurred. State and local government, and public grants are recorded as revenue when performance occurs under the terms of the grant agreement.

The costs of providing the various programs and other activities have been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. Salaries and other expenses that are associated with a specific program are charged directly to that program. Salaries and other expenses that benefit more than one program are allocated to the various programs based on the relative benefit provided.

Financial Statement Presentation

SAIL reports net assets and activity under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Presentation of Financial Statements*. Under this standard, SAIL reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions: Are those currently available for use in the current operations of SAIL under the direction of the Board of Directors.

Net Assets With Donor Restrictions: Are those subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. SAIL did not have any net assets with perpetual restrictions as of June 30, 2020.

For the Year Ended June 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies, continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

SAIL follows FASB ASC 820-10, *Fair Value Measurements and Disclosures*, which provides a common definition of fair value, establishes a framework to measure fair value within accounting principles generally accepted in the United States of America, and expands the disclosures about fair value measurements. The standard does not create any new fair value measurements. Instead, it applies under existing accounting pronouncements that require or permit fair value measurements.

For assets and liabilities measured at fair value on a recurring basis, entities should disclose information that allows financial statement users to assess (1) the inputs used to develop such measurements, such as Level 1 (i.e., quoted price in an active market for an identical asset or liability), Level 2 (i.e., quoted price for similar assets or liabilities in active markets), or Level 3 (i.e., unobservable inputs); and (2) the effect on changes in net assets of recurring measurements that use significant unobservable (Level 3) inputs. Seagull Services did not have financial instruments measured at fair value on a recurring basis.

The following methods and assumptions were used by the Seagull Services in estimating fair value of financial instruments that are not disclosed under ASC 820-10.

Cash and Cash Equivalents: The carrying amount reported approximates fair value.

Accounts and Grants Receivable: The carrying amount approximates fair value due to the short term of these receivables.

Promises to Give: The carrying amount approximates fair value due to the short term of these agreements.

Accounts Payable and Accrued Expenses: The carrying amount reported approximates fair value due to the short-term duration of the instruments.

Cash and Cash Equivalents

SAIL considers cash and cash equivalents to include cash on hand and demand deposits. As per the agreement with the District, SAIL keeps a separate bank account for its funding, and uses a regional commercial bank which management believes to be in sound financial condition. The bank is a member of the Federal Deposit Insurance Corporation.

For the Year Ended June 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies, continued

Due from Parent Organization

In connection with its charter school operation, SAIL acquires various services from its parent organization Seagull, with the net result of billing and payments shown as an amount due from (to) parent organization. See Note 10.

Due (to) from other Funds

The category due (to) from other funds includes transactions between funds with donor restrictions and funds without donor restrictions. As of June 30, 2020, the funds without donor restrictions owed the funds with donor restrictions \$8,321.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets ranging from five to ten years. Depreciation is allocated to program and supporting services based on the use of the property and equipment. Although SAIL believes that the District would not want these capitalized assets, the possibility exists that the District could acquire these assets when the contract expires.

Additions, improvements, and expenditures for repairs and maintenance that are over \$2,500 and significantly add to the productivity or extend the economic life of assets are capitalized. Any immaterial amounts or amounts incurred as recurring expenditures for repairs and maintenance are expensed.

Accrued Expenses

Accrued expenses include accrued salaries and related costs.

Support and Revenue Recognition

SAIL follows the provisions of FASB ASC 958-605, *Revenue Recognition*. In accordance with this standard, SAIL reports gifts as support without donor restriction unless they are received with donor stipulations that limit the use of the gift. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions.

For the Year Ended June 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies, continued

Support and Revenue Recognition, continued

SAIL reports various types of support and revenue as further described below:

Contributions: Contributions are recorded when received and unconditional promises to give are recorded when the promise is made. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by donor.

Grants: SAIL receives various grants from federal, local, and private agencies for program and supporting services. Grants on a cost reimbursement basis, including recoverable overhead, from governmental grants and other sources are deemed earned and recognized in the Statement of Activities when expenditures are made for the purpose specified. Funds that have been received but have not yet been expended for the purpose specified are reported as income with donor restrictions. Grants which are not awarded on a cost reimbursement basis are recorded as support in the year for which the grant was awarded and in which the conditions of the grant are met.

Revenues: Special event revenue is recognized as revenue at the time of the event.

Special Events

SAIL realized \$3,074 of special events revenue. Direct expenses such as venue fees, supplies, advertising, and indirect expenses such as salaries, insurance, other expenses, associated with these events and general fundraising and development are reflected on a functional basis in the Statements of Activities and Functional Expenses.

Functional Expenses

Expenses that can be identified with a specific program or supporting service are charged accordingly. Indirect expenses which benefit multiple programs and/or supporting services, are allocated according to various distribution bases such as relative salaries, relative square footage of space, and client enrollment percentages.

Advertising Cost

Advertising costs are expensed as incurred. Advertising costs for the year ended June 30, 2020 were \$7,022, and are reported as marketing and outreach in the Statement of Activities.

Income Taxes

SAIL is a program and component unit of Seagull, a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, SAIL includes all of its activities within the federal information return for Seagull, and reports no provision for income tax in these financial statements.

For the Year Ended June 30, 2020

1. Nature of Activities and Summary of Significant Accounting Policies, continued

Income Taxes, continued

Seagull, and SAIL by extension, follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. This pronouncement seeks to reduce the diversity in practice associated with certain aspects of measurement and recognition in accounting for income taxes. It prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return.

An entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. SAIL assesses its income tax positions based on management’s evaluation of the facts, circumstances, and information available at the reporting date. SAIL uses the prescribed more likely than not threshold when making its assessment. SAIL has not accrued any interest expense or penalties related to tax positions. There are currently no open Federal or State tax years under audit.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued several Accounting Standards Updates (ASUs) that affect the accounting and reporting of not-for-profit entities.

In May 2014, the FASB issued ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)* and has modified the standard thereafter. This standard replaces existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU No. 2014-09 is effective for annual reporting periods in fiscal years that begin after December 15, 2019, and therefore will take effect for SAIL’s fiscal year ending June 30, 2021. Management is currently evaluating the standard and does not anticipate it will have a material impact on SAIL’s financial statements.

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which does not take effect until SAIL’s fiscal year ending June 30, 2023, and provides new guidance for leases, such that virtually all leases will be capitalized and create “right of use” assets along with associated liabilities. This standard will impact the interpretation of certain SAIL transactions, and management is evaluating the effect that the updated standard will have on the financial statements.

Comparable Financial Information

These financial statements include certain prior-year summarized comparable information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SAIL’s financial statements for the year ended June 30, 2019, from which the summarized information was derived. Certain 2019 amounts may have been reclassified to conform to 2020 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

For the Year Ended June 30, 2020

2. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use comprise the following:

Cash and cash equivalents	\$ 78,883
Accounts and grants receivable	<u>63,574</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 142,457</u>

In addition to financial assets currently available to meet general expenditures over the next 12 months, SAIL anticipates collecting sufficient support and revenue from its charter school contract with the School District of Palm Beach County and from its historically consistent stream of contributions to cover general expenditures not covered by donor-restricted resources. SAIL also has the ability to obtain financial resources from Seagull, its parent organization.

SAIL is supported by contributions without and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, SAIL must maintain sufficient resources to meet those responsibilities to its donors.

3. Cash and Cash Equivalents Deposits

All of SAIL's deposits are held in qualified public depositories pursuant to Florida State Statute, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required pledging levels. The pledging level may range from 25% to 125% of the average monthly balance of public deposits, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. As of the year-end, SAIL's deposits were covered by federal depository insurance.

4. Income from Government Agencies, Receivables, and Promises to Give

SAIL receives a substantial amount of its income from government agencies. A significant reduction in the level of this income may have a material effect on SAIL's programs, activities, and its ability to continue operations. Recognizing the ongoing reduction in realized governmental funding, SAIL continues to make a concerted effort to recruit more students.

Accounts and grants receivable as of June 30, 2020 include amounts due from the Palm Beach School District and Palm Beach County. Promises to give include a Town of Palm Beach United Way allocation in the amount of \$20,000, which is classified as donor restricted net assets for time, given it has not been collected as of year-end. SAIL uses the allowance method of recognizing uncollectible accounts by estimating the portion of uncollectible accounts receivable based upon past experience and management's analysis. Management deems all amounts fully collectible and there is no provision for uncollectible accounts included herein.

For the Year Ended June 30, 2020

5. Property and Equipment

Property and equipment as of June 30, 2020 includes the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Leasehold improvements	\$ 10,177	\$ -	\$ -	\$ 10,177
Furniture, fixtures and equipment	139,510	20,065	-	159,575
	149,687	20,065	-	169,752
Less accumulated depreciation	(123,185)	(4,048)	-	(127,233)
Net property and equipment	<u>\$ 26,502</u>	<u>\$ 16,017</u>	<u>\$ -</u>	<u>\$ 42,519</u>

Depreciation expense for the year ended June 30, 2020 was \$4,048.

6. Lease

SAIL leases space for its school facility from its parent organization, Seagull Services. In connection with this lease, SAIL is responsible for all expenses and maintenance related to the school facility.

Total rent expense under this lease, including charges for common area maintenance, for the year ended June 30, 2020 was \$57,066 and is included in rent and utilities in the Statement of Functional Expenses.

The lease was extended during the prior fiscal year for an additional five-year term, commencing on July 1, 2016, and ending June 30, 2021, with monthly rent of \$2,811.

Future minimum rental payments under the lease agreement are as follows:

Year Ending <u>June 30,</u> 2021	<u>\$ 33,732</u>
--	------------------

7. Pension Plan

Seagull has an established defined contribution 403(b) plan for its employees, including those employees of SAIL. Employees are eligible upon reaching 21 years of age and one year of qualifying service.

Matching and other employer contributions are set annually at the discretion of the Board of Directors. For the plan year ended June 30, 2020, there were no employer contributions made.

8. Risk Management

SAIL is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAIL purchases commercial insurance for all material risks of loss to which SAIL is exposed, including general liability, directors and officers coverage, property, and workers' compensation. Retention of risks is limited to the excess of those that are insured, those risks that are uninsurable, and deductibles per occurrence.

For the Year Ended June 30, 2020

8. Risk Management, continued

Major uninsurable risks include damage to infrastructure assets. Since the amount of loss cannot be reasonably estimated and the likelihood of occurrence is not determinable, no provision for losses is reflected in the financial statements. There were no settled claims that exceeded insurance coverage during the past five years.

9. Contingencies and Concentrations

SAIL receives most of its funding from the District based upon the number of full time equivalent (FTE) students who attend the charter school. Student census data is compiled by SAIL and submitted to the District. The disbursements of funds received under the contract generally requires compliance with terms and conditions specified by the contract and is subject to audit by the District, the District's independent auditors; and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of SAIL. SAIL's management believes that any amounts that may be remitted back to the District due to errors in their FTE count would not be material to the financial statements of SAIL; and therefore, no liability is recorded as of June 30, 2020.

10. Related Party Transactions

SAIL acquires certain services including salaries and related expenses, insurance, repairs, and management services through its parent organization, Seagull. Seagull makes payments for these services and bills SAIL for a like amount, plus a monthly management fee. For the year ended June 30, 2020, SAIL was billed \$460,641 and made payments of \$456,801, with a resulting amount due from parent organization of \$86,741. In connection with the operating results of SAIL for fiscal year ending June 30, 2020, Seagull did not charge SAIL a management fee.

11. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of June 30, 2020 were as follows:

Subject to expenditures for a specific purpose:

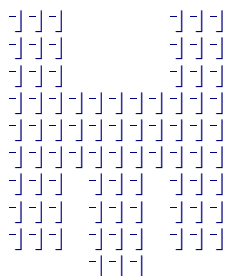
Capital Projects	\$ 63,062
Student services	<u>32,000</u>
	95,062

Subject to time and expenditures for a specific purpose:

Student services	<u>20,000</u>
	<u>\$ 115,062</u>

12. Subsequent Events

Management has evaluated subsequent events through October 27, 2020, the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

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

The Board of Directors and Management
Seagull Academy for Independent Living -
A Program of Seagull Services
West Palm Beach, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Seagull Academy for Independent Living - A Program of Seagull Services ("SAIL") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Seagull Academy for Independent Living's financial statements and have issued our report thereon dated October 27, 2020.

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 opinions 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 a material weakness or, significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be material weakness.

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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 27, 2020

For the Year Ended June 30, 2020

FINDINGS AND RESPONSES

SAIL's responses to the findings identified in our audit are described in the following schedule of findings and responses. SAIL's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The following matters are considered to be material weaknesses:

2020-01 – Account Balance Reconciliation

The current year engagement required a number of adjusting entries to correct reported balances that had not been fully reconciled or agreed to supporting information.

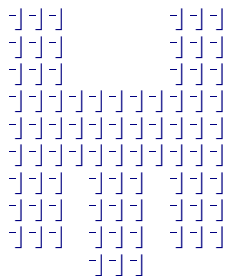
In order to make the financial reports generated by the accounting system as meaningful as possible, the Organization should reconcile its general ledger accounts to supporting documentation on a monthly basis. The benefits of monthly reconciliations include more accurate and timely financial information for decision making purposes, and more efficient future reconciliations that correctly identify and resolve accounting errors.

We recommend that the Organization implement a monthly closing routine that addresses each of the major account areas, to include: accounts and grants receivable, fixed assets, accounts payable and accrued liabilities, and allocation of net assets.

Management's response:

Management agrees with this recommendation and has implemented the following steps which will create an efficient month-end close process and reduce the amount of year-end adjusting journal entries:

- SAIL has created a month-end Close Checklist for accounts, grants, and pledges receivable, investments, fixed assets, accounts payable, accrued liabilities, loans, and allocation of net assets.
- The Organization will prepare monthly reconciliations by the 15th business day of the following month, and have those reconciliations reviewed by the Comptroller and the Chief Executive Officer.
- The Board Treasurer will meet with the Comptroller every month prior to the Board meetings to discuss and review monthly financial statements.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407
(561) 689-6000 • Fax (561) 689-6001 • www.holyfieldandthomas.com

MANAGEMENT LETTER

The Board of Directors and Management
Seagull Academy for Independent Living -
A Program of Seagull Services
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Seagull Academy for Independent Living (SAIL) - A Program of Seagull Services, in West Palm Beach, Florida as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated October 27, 2020.

Auditor's Responsibility

We conducted our audit 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 Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report along with the Schedule of Findings and Responses, which is dated October 27, 2020 should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding fiscal year.

Tabulation of Uncorrected Audit Findings

Current Year <u>Finding #</u>	2018-19 FY <u>Finding #</u>	2017-18 FY <u>Finding #</u>
2020-01	None	None

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Seagull Academy for Independent Living – A Program of Seagull Services, 503991.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Seagull Academy for Independent Living has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that SAIL did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for SAIL. It is management's responsibility to monitor SAIL's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.584(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

We recommend that the Organization implement a monthly closing routine that addresses each of the major account areas, to include: accounts, grants, and pledges receivable, fixed assets, accounts payable and accrued liabilities, and allocation of net assets.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether SAIL maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that SAIL maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 27, 2020