

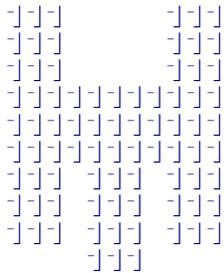
**SEAGULL ACADEMY FOR INDEPENDENT LIVING-
A PROGRAM OF SEAGULL SERVICES**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental fund of Seagull Academy for Independent Living - A Program and component unit of Seagull Services (a not-for-profit corporation) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Seagull Academy for Independent Living's basic financial statements as listed in the table of contents.

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 opinions 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, *Chapter 10.550 Local Governmental Entity Audits*, and *Chapter 10.850 Audits of Charter Schools and Similar Entities of the Rules of the Auditor General, State of Florida*. 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 to 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of Seagull Academy for Independent Living as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2017, 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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 19, 2017

For the Year Ended June 30, 2017

Nature of Program

Seagull Academy for Independent Living ("SAIL") - A Program of Seagull Industries for the Disabled, d/b/a Seagull Services ("Seagull") - is a public charter school operated in Palm Beach County, Florida, under a charter agreement with the School District of Palm Beach County. Seagull is a Florida not-for-profit organization, operating as a public charity under Section 501(c)(3) of the Internal Revenue Code.

Within this section of SAIL's annual financial report, management provides narrative discussion and analysis of the financial activities of SAIL for the fiscal year ended June 30, 2017. SAIL's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces SAIL's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. SAIL also includes in this report additional information to supplement the basic financial statements.

Financial Highlights

For the fiscal year ending June 30, 2017 SAIL's assets exceed its liabilities by \$122,594 (net assets). Total net assets includes \$9,223 investment in capital assets, net of accumulated depreciation (\$122,989 less accumulated depreciation of \$113,766), \$25,000 of restricted net assets for future program expenses, and \$88,371 of unrestricted and undesignated net assets. For the year, SAIL had revenues of \$809,602 versus total expenses \$817,541. The result is a decrease in net assets of \$7,939.

For fiscal year ended 2016, SAIL's assets exceeded its liabilities by \$130,533 with revenues that were \$2,875 more than the \$832,155 in expenses. Current year income is less than prior year by \$10,814, and current year expenses are less than prior year expenses by \$14,614.

Financial Analysis of School

Government funds are reported in the fund financial statements and encompass essentially the same functions reported as government activities in the government-wide financial statements. This fiscal year approximately 72% of SAIL's revenue was provided by the State of Florida from the Florida Education Finance Program (FEFP), which is slightly less than the prior year, with approximately 77% in 2016 . The revenue is based on full-time students enrolled (FTE) each year as determined by counts held in October and February of the fiscal year and allocated and paid monthly. SAIL also receives capital outlay funds to offset its cost of leasing school facilities, and other governmental program funding. For this fiscal year, SAIL received approximately 8% of its funding from Federal sources (i.e., IDEA - Individuals with Disabilities Education Act and Title I), which is slightly more than the prior year, with approximately 6% in 2016.

For the Year Ended June 30, 2017

Financial Analysis of School, continued

SAIL is emphasizing recruitment of younger students who will have a longer retention in the School. This will establish greater educational results for our students and create financial continuity for SAIL. SAIL's initial charter was issued in 2002, and has been extended multiple times with the new charter finalized on September 12, 2016 for the ten-year period of July 1, 2016 to June 30, 2026.

Government-wide Financial Statements

SAIL's annual report includes two government-wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with full accrual accounting.

The first of these government-wide statements is the *Statement of Net Assets*. This is the company-wide statement of position presenting information that includes all of SAIL's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator whether the financial position of SAIL as a whole is improving or deteriorating. Evaluation of the overall health of SAIL would extend to other nonfinancial factors such as student education, progress and improvements.

The second government-wide statement is the *Statement of Activities*, which reports how SAIL's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of SAIL's distinct activities or functions on revenues provided by the school district and other private grants.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. Both government-wide financial statements distinguish governmental activities of SAIL that are principally supported by intergovernmental revenues, and other grants.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. SAIL uses funds to ensure and demonstrate compliance with finance-related laws and regulation. Within the basic financial statements, fund financial statements focus on SAIL's most significant funds.

For the Year Ended June 30, 2017

Governmental Funds

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of SAIL's government funds. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

Proprietary Funds

Proprietary funds are reported in the fund financial statements and generally report services for which SAIL charges a fee. As of June 30, 2017, SAIL did not have any proprietary funds.

Financial Analysis of the Major Funds

General Fund

The general fund is the operating fund. It recognized \$594,380 in total revenues and \$593,261 in total expenditures, which resulted in an excess of revenues over expenditures of \$1,119.

Special Revenue Fund

SAIL's special revenue fund received \$199,224, which was utilized to cover a portion of instructional support salaries and the cost of speech therapy. It includes funds from IDEA and Title 1 in addition to grants from various foundations.

Capital Projects Fund

SAIL received \$15,998 in capital grants to reimburse SAIL for rent and occupancy costs associated with the School facility.

Budgetary Analysis

Overall revenue was \$21,350 higher than originally budgeted, due to changes in the number of students and the level of their disabilities. The revenue was much closer as compared to the final budget, with actual revenue coming in just under budget by \$2,540.

As of June 30, 2017 and 2016

**Condensed Statement of Net Assets
Governmental Activities**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and other current assets	\$ 155,400	\$ 159,246
Capital assets, net	9,223	18,281
Total assets	<u>\$ 164,623</u>	<u>\$ 177,527</u>
LIABILITIES		
Current liabilities	<u>\$ 42,029</u>	<u>\$ 46,994</u>
NET ASSETS		
Invested in capital assets	9,223	18,281
Restricted	25,000	25,000
Unrestricted	<u>88,371</u>	<u>87,252</u>
Total net assets	<u>122,594</u>	<u>130,533</u>
Total liabilities and net assets	<u>\$ 164,623</u>	<u>\$ 177,527</u>

**Condensed Statement of Activities
Governmental Activities**

	<u>2017</u>	<u>2016</u>
GENERAL REVENUES:		
Governmental agencies	\$ 664,930	\$ 722,953
Gifts, grants and bequests	144,672	112,077
Total general revenues	<u>809,602</u>	<u>835,030</u>
FUNCTIONAL/PROGRAM EXPENSES:		
Instruction	340,923	229,682
Pupil personnel services	63,742	118,235
Instructional staff training services	1,133	5,839
Board	13,514	46,394
General administration	14,932	34,645
School administration	142,956	178,757
Facilities, acquisition and construction	55,844	54,318
Fiscal services	5,870	6,150
Food services	2,838	2,698
Pupil transportation services	92,256	91,562
Operation of plant	70,733	62,111
Community services	<u>12,800</u>	<u>1,764</u>
Total governmental activities	<u>817,541</u>	<u>832,155</u>
Change in net assets	<u>\$ (7,939)</u>	<u>\$ 2,875</u>

See independent auditor's report.

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

STATEMENT OF NET ASSETS

As of June 30, 2017

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,641	\$ 20,641
Accounts and grants receivable	1,258	1,258
Promises to give	25,000	25,000
Other current assets	108,501	108,501
Total current assets	<u>155,400</u>	<u>155,400</u>
Depreciable property and equipment:		
Leasehold improvements	7,546	7,546
Furniture, fixtures and equipment	115,443	115,443
Less: accumulated depreciation	<u>(113,766)</u>	<u>(113,766)</u>
Net property and equipment	<u>9,223</u>	<u>9,223</u>
Total assets	<u>\$ 164,623</u>	<u>\$ 164,623</u>
LIABILITIES		
Accounts payable and accrued expenses	<u>\$ 42,029</u>	<u>\$ 42,029</u>
Total liabilities	<u>42,029</u>	<u>42,029</u>
NET ASSETS		
Invested in capital assets	9,223	9,223
Restricted for future expenses	25,000	25,000
Unrestricted	<u>88,371</u>	<u>88,371</u>
Total net assets	<u>122,594</u>	<u>122,594</u>
Total liabilities and net assets	<u>\$ 164,623</u>	<u>\$ 164,623</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, 2017

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:					
Instruction	\$ 340,923	\$ 199,224	\$ -	\$ (141,699)	\$ (141,699)
Pupil personnel services	63,742	-	-	(63,742)	(63,742)
Instructional staff training services	1,133	-	-	(1,133)	(1,133)
Board	13,514	-	-	(13,514)	(13,514)
General administration	14,932	-	-	(14,932)	(14,932)
School administration	142,956	-	-	(142,956)	(142,956)
Facilities, acquisition and construction	55,844	-	15,998	(39,846)	(39,846)
Fiscal services	5,870	-	-	(5,870)	(5,870)
Food services	2,838	-	-	(2,838)	(2,838)
Pupil transportation services	92,256	-	-	(92,256)	(92,256)
Operation of plant	70,733	-	-	(70,733)	(70,733)
Community services	12,800	-	-	(12,800)	(12,800)
Total governmental activities	<u>\$ 817,541</u>	<u>\$ 199,224</u>	<u>\$ 15,998</u>	<u>(602,319)</u>	<u>(602,319)</u>
General revenues:					
FEFP fees				578,873	578,873
IDEA revenues				-	-
Title I revenues				-	-
Ed Job Funding				-	-
Loss on disposal of assets				-	-
Other miscellaneous revenue				15,507	15,507
Total general revenues				<u>594,380</u>	<u>594,380</u>
Change in net assets				(7,939)	(7,939)
Net assets, beginning of year				<u>130,533</u>	<u>130,533</u>
Net assets, end of year				<u>\$ 122,594</u>	<u>\$ 122,594</u>

See accompanying notes to financial statements.

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

**BALANCE SHEET-
GOVERNMENTAL FUNDS**

As of June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 20,641	\$ -	\$ -	\$ 20,641
Accounts and grants receivable	1,258	-	-	1,258
Promises to give	25,000	-	-	25,000
Other current assts	108,501	-	-	108,501
Total assets	<u>\$ 155,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,400</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable and accrued expenses	<u>\$ 42,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,029</u>
Total liabilities	<u>42,029</u>	<u>-</u>	<u>-</u>	<u>42,029</u>
Fund balance:				
Restricted for future expenses	25,000	-	-	25,000
Unassigned	<u>88,371</u>	<u>-</u>	<u>-</u>	<u>88,371</u>
Total fund balance	<u>113,371</u>	<u>-</u>	<u>-</u>	<u>113,371</u>
Total liabilities and fund balance	<u>\$ 155,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,400</u>

See accompanying notes to financial statements.

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

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND
BALANCE-GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
FEFP fees	\$ 578,873	\$ -	\$ -	\$ 578,873
IDEA revenues	-	63,622	-	63,622
Capital outlay grant	-	-	15,998	15,998
Title I revenues	-	6,437	-	6,437
Other revenues	15,507	129,165	-	144,672
Total revenues	<u>594,380</u>	<u>199,224</u>	<u>15,998</u>	<u>809,602</u>
Expenditures:				
Instruction	140,521	199,224	-	339,745
Pupil personnel services	63,742	-	-	63,742
Instructional staff training services	1,133	-	-	1,133
Board	13,514	-	-	13,514
General administration	14,932	-	-	14,932
School administration	135,830	-	-	135,830
Facilities, acquisition, and construction	39,092	-	15,998	55,090
Fiscal services	5,870	-	-	5,870
Food services	2,838	-	-	2,838
Pupil transportation services	92,256	-	-	92,256
Operation of plant	70,733	-	-	70,733
Community services	12,800	-	-	12,800
Total expenditures	<u>593,261</u>	<u>199,224</u>	<u>15,998</u>	<u>808,483</u>
Net change in fund balance	1,119		-	1,119
Fund balance, beginning of fiscal year	<u>112,252</u>			<u>112,252</u>
Fund balance, end of fiscal year	<u>\$ 113,371</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,371</u>

See accompanying notes to financial statements.

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

**RECONCILIATION OF THE BALANCE
SHEET-GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS**

As of June 30, 2017

Total governmental funds balance	\$ 113,371
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost and accumulated depreciation are reported in the government-wide statement of net assets.	
Cost of assets	122,989
Accumulated depreciation	<u>(113,766)</u>
Total net assets	<u><u>\$ 122,594</u></u>

See accompanying notes to financial statements.

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

**RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 1,119

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense:

Current year depreciation	<u>(9,058)</u>
Change in net assets	<u><u>\$ (7,939)</u></u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2017

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. Therefore, 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 reports its financial activity as a component unit of Seagull. SAIL issues its own financial statements under *Government Accounting Standards Board (GASB)* reporting requirements. These financial statements report the results of operations of SAIL and do not reflect the results of operations of Seagull.

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.

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for SAIL as a whole. The Statement of Activities report the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the program expenses and program revenues associated with a distinct functional activity. Program revenues include: 1. charges for services that report fees and other charges, 2. operating grants and contributions that finance annual operating activities including restricted investment income, and 3. capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses.

Governmental Fund Financial Statements

Governmental fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. All the activities of SAIL are classified as governmental type activities. There are no business type activities.

For the Year Ended June 30, 2017

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

Basis of Accounting

The government-wide financial statements of SAIL are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). GASB is responsible for establishing GAAP for school districts through its statements and interpretations. The activities in the financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Net assets are maintained in accordance with the principles of fund accounting using the accrual basis.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. SAIL considers revenues to be available if they are collected within 60 days of the end of the fiscal year, or they are paid according to a pre-determined schedule, such as with monthly receipts of United Way allocations. Expenditures are recorded when the related fund liability is incurred.

SAIL has a revenue spending policy that provides for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of SAIL.

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.

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.

For the Year Ended June 30, 2017

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

Net Assets

Equity in the government-wide Statement of Net Assets is displayed in three categories: 1) invested in capital assets net of related debt, 2) restricted, and 3) unrestricted. Net assets invested in capital assets consist of capital assets reduced by accumulated depreciation. Net assets are reported as restricted when there are legal limitations imposed on their use by legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net assets consist of all net assets that do not meet the definition of either of the other two components.

Governmental Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be spent only for specific purposes determined by formal action of the Board.
- Assigned – Amounts that are designated for a particular purpose but are not spendable until a majority vote of approval by the Board.
- Unassigned – All amounts not included in other spendable classifications.

Contributed Services

A substantial number of volunteers have donated significant contributions of their time to SAIL's program services. SAIL does not recognize any support, revenue or expense from services contributed by individual volunteers since no objective basis is available to measure the value of such services.

Use of Estimates

Management of SAIL has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

For the Year Ended June 30, 2017

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

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.

SAIL, 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. There are currently no open federal or state tax years under audit.

Budgetary Basis of Accounting

SAIL's annual budget is adopted for the entire operation for SAIL and may be amended by Seagull's Board of Directors (the "Board"). The budget is adopted on a basis that is consistent with U.S GAAP with no material exceptions. The Statement of Revenue, Expenditures and Change in Fund Balance - Budget vs. Actual - General Funds is presented in the accompanying required supplementary information.

2. **Cash and Cash Equivalent 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 depositors 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.

3. **Revenue from Government Agencies, Receivables, and Promises to Give**

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

For the Year Ended June 30, 2017

3. Revenue from Government Agencies, Receivables, and Promises to Give, continued

Accounts and grants receivable as of June 30, 2017 include \$1,258 of Palm Beach School Board capital outlay funds. Promises to give include a Town of Palm Beach United Way allocation in the amount of \$25,000, which is classified as 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.

4. Property and Equipment

Property and equipment as of June 30, 2017 includes the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Leasehold improvements	\$ 7,546	\$ -	\$ -	\$ 7,546
Furniture, fixtures and equipment	115,443	-	-	115,443
	122,989	-	-	122,989
Less accumulated depreciation	(104,708)	(9,058)	-	(113,766)
Net property and equipment	<u>\$ 18,281</u>	<u>\$ (9,058)</u>	<u>\$ -</u>	<u>\$ 9,223</u>

Depreciation expense for the year ended June 30, 2017 was \$9,058. Depreciation expense was charged to the following functional categories in the Statement of Activities:

Governmental activities:	
Instructional	\$ 1,178
School administration	7,126
Facilities	754
Total depreciation expense	<u>\$ 9,058</u>

5. 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 for the year ended June 30, 2017 was \$55,090 and is included in purchased services under facilities, acquisition and construction in the Statement of Activities.

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.

For the Year Ended June 30, 2017

5. Lease, continued

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

Year Ending <u>June 30,</u>	
2018	\$ 33,732
2019	33,732
2020	33,732
2021	<u>33,732</u>
Total	<u>\$ 134,928</u>

6. 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, 2017, there were no employer contributions made.

7. 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, 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.

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 three years.

8. 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. The 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 maybe 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, 2017.

For the Year Ended June 30, 2017

8. Contingencies and Concentrations, continued

As of June 30, 2016, SAIL was named a defendant in a civil lawsuit related to alleged actions by SAIL students. As of June 30, 2017, the lawsuit was settled with no out-of-pocket cost from SAIL.

9. 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, 2017, SAIL was billed \$671,721 and made payments of \$677,680. There was a receivable due from Seagull of \$108,501 as of June 30, 2017 reflected as other current assets on the Statement of Net Assets. In connection with the operating results of SAIL for fiscal year ending June 30, 2017, Seagull did not charge SAIL a management fee.

10. Restricted Net Assets / Fund Balance

The balance of SAIL's restricted net assets / fund balance restricted for future expenses are identified for the following purposes or time:

Town of Palm Beach United Way - Time restriction	\$ 25,000
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11. Subsequent Events

Management has evaluated subsequent events through October 19, 2017, the date on which the financial statements were available to be issued, and determined there were no events to disclose in these financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

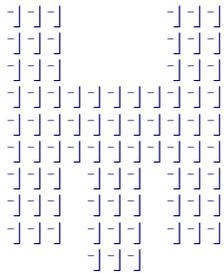
**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-
BUDGET VS ACTUAL-
GENERAL FUNDS**

For the Year Ended June 30, 2017

	General Final Budget	General Fund Actual	Variance Favorable (Unfavorable)	Special Rev Final Budget	Special Revenue Fund Actual	Variance Favorable (Unfavorable)	Capital Projects Fund Final Budget	Capital Projects Fund Actual	Variance Favorable (Unfavorable)	All Funds Original Budget	All Funds Final Budget	All Funds Actual	Variance Favorable (Unfavorable)
Revenues:													
FEFP fees	\$ 579,611	\$ 578,873	\$ (738)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 651,018	\$ 579,611	\$ 578,873	\$ (738)
IDEA revenues	-	-	-	63,622	63,622	-	-	-	-	21,000	63,622	63,622	-
Capital outlay grant	-	-	-	-	-	-	15,998	15,998	-	22,688	15,998	15,998	-
Title I revenues	-	-	-	6,437	6,437	-	-	-	-	2,567	6,437	6,437	-
Other revenues	17,309	15,507	(1,802)	129,165	129,165	-	-	-	-	90,979	146,474	144,672	(1,802)
Total revenues	596,920	594,380	(2,540)	199,224	199,224	-	15,998	15,998	-	788,252	812,142	809,602	(2,540)
Expenditures:													
Instruction	127,124	140,521	(13,397)	199,224	199,224	-	-	-	-	195,746	326,348	339,745	(13,397)
Pupil personnel services	73,697	63,742	9,955	-	-	-	-	-	-	182,929	73,697	63,742	9,955
Instructional staff training srvcs	-	1,133	(1,133)	-	-	-	-	-	-	-	-	1,133	(1,133)
Board	12,535	13,514	(979)	-	-	-	-	-	-	7,215	12,535	13,514	(979)
General administration	14,932	14,932	-	-	-	-	-	-	-	19,958	14,932	14,932	-
School administration	150,282	135,830	14,452	-	-	-	-	-	-	160,598	150,282	135,830	14,452
Facilities, acq. and construction	39,092	39,092	-	-	-	-	15,998	15,998	-	52,036	55,090	55,090	-
Fiscal service	5,870	5,870	-	-	-	-	-	-	-	6,388	5,870	5,870	-
Food service	2,838	2,838	-	-	-	-	-	-	-	1,400	2,838	2,838	-
Pupil transportation services	90,945	92,256	(1,311)	-	-	-	-	-	-	86,668	90,945	92,256	(1,311)
Operation of plant	69,318	70,733	(1,415)	-	-	-	-	-	-	53,538	69,318	70,733	(1,415)
Community services	9,205	12,800	(3,595)	-	-	-	-	-	-	2,000	9,205	12,800	(3,595)
Total expenditures	595,838	593,261	2,577	199,224	199,224	-	15,998	15,998	-	768,476	811,060	808,483	2,577
Net change in fund balance	<u>\$ 1,082</u>	<u>1,119</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 19,776</u>	<u>\$ 1,082</u>	<u>1,119</u>	<u>\$ 37</u>
Fund balance, beginning of fiscal year		<u>112,252</u>										<u>112,252</u>	
Fund balance, end of fiscal year		<u>\$ 113,371</u>			<u>\$ -</u>			<u>\$ -</u>				<u>\$ 113,371</u>	

See independent auditor's report.



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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 governmental activities and each major fund of Seagull Academy for Independent Living - A Program of Seagull Services (“SAIL”) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Seagull Academy for Independent Living’s basic financial statements and have issued our report thereon dated October 19, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SAIL’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

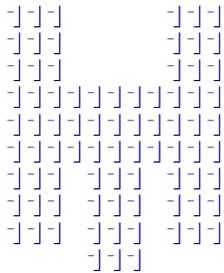
As part of obtaining reasonable assurance about whether SAIL's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Holyfield & Thomas, LLC

West Palm Beach, Florida
October 19, 2017



Holyfield & Thomas, LLC

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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, 2017, and have issued our report thereon dated October 19, 2017.

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.

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 19, 2017 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 Finding #	2015-16 FY Finding #	2014-15 FY Finding #
None	None	None

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Seagull Academy for Independent Living – A Program of Seagull Services.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to 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 identification of 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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report 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.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that 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 19, 2017