

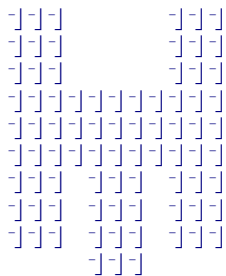
**SEAGULL ACADEMY FOR INDEPENDENT LIVING
A PROGRAM OF SEAGULL SERVICES**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019
(with comparable totals for 2018)**

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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, 2019, 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, 2019, 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 September 26, 2019, 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 2018 financial statements, and our report dated September 27, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Holyfield & Thomas, LLC

West Palm Beach, Florida
September 26, 2019

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

STATEMENT OF FINANCIAL POSITION

As of June 30, 2019

(with comparable totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 20,506	\$ -	\$ 20,506	\$ 93,417
Accounts and grants receivable	12,269	-	12,269	13,100
Promises to give	-	20,000	20,000	15,000
Due from parent organization	90,581	-	90,581	21,675
Total current assets	123,356	20,000	143,356	143,192
Property and equipment, net	26,502	-	26,502	2,163
Total assets	<u>\$ 149,858</u>	<u>\$ 20,000</u>	<u>\$ 169,858</u>	<u>\$ 145,355</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 11,554	\$ -	\$ 11,554	\$ 11,573
Accrued expenses	6,759	-	6,759	10,093
Total liabilities	18,313	-	18,313	21,666
Net assets	131,545	20,000	151,545	123,689
Total liabilities and net assets	<u>\$ 149,858</u>	<u>\$ 20,000</u>	<u>\$ 169,858</u>	<u>\$ 145,355</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, 2019

(with comparable totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Support and Revenues:				
Florida Education Finance Program (FEFP) fees	\$ 545,306	\$ -	\$ 545,306	\$ 561,360
Individuals With Disabilities Act (IDEA) revenues	55,454	-	55,454	57,961
Capital outlay grant	24,108	-	24,108	29,965
Title I revenues	-	-	-	6,001
United Way agency allocations	37,451	20,000	57,451	52,181
Contributions	119,759	33,500	153,259	115,844
Total grants and contributions	782,078	53,500	835,578	823,312
Special events	5,125	-	5,125	3,931
Miscellaneous income	12,202	-	12,202	14,274
Total support and revenue	799,405	53,500	852,905	841,517
Net assets released from restrictions	69,429	(69,429)	-	-
Expenses:				
Program services	803,197	-	803,197	814,260
Support services:				
Management and general	20,842	-	20,842	25,336
Fundraising and development	1,010	-	1,010	826
Total expenses	825,049	-	825,049	840,422
Change in net assets	43,785	(15,929)	27,856	1,095
Net assets, beginning of year	87,760	35,929	123,689	122,594
Net assets, ending of year	\$ 131,545	\$ 20,000	\$ 151,545	\$ 123,689

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, 2019

(with comparable totals for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from:		
Grants and contributions	\$ 831,409	\$ 821,470
Special events	5,125	3,931
Cash paid to employees and vendors	(826,043)	(853,725)
Miscellaneous income received	<u>12,202</u>	<u>14,274</u>
Net cash provided by (used in) operating activities	<u>22,693</u>	<u>(14,050)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(26,698)</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>(26,698)</u>	<u>-</u>
Cash flows from financing activities:		
Net cash (paid to) received from parent organization	<u>(68,906)</u>	<u>86,826</u>
Net cash (used in) provided by financing activities	<u>(68,906)</u>	<u>86,826</u>
Net change in cash	(72,911)	72,776
Cash and cash equivalents, beginning of year	<u>93,417</u>	<u>20,641</u>
Cash and cash equivalents, end of year	<u><u>\$ 20,506</u></u>	<u><u>\$ 93,417</u></u>
Reconciliation of change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 27,856	\$ 1,095
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,359	7,061
(Increase) decrease in certain assets:		
Grants, contracts, and allocations receivable	831	(11,842)
Promises to give	(5,000)	10,000
Increase (decrease) in certain liabilities:		
Accounts payable	(19)	(20,145)
Accrued expenses	<u>(3,334)</u>	<u>(219)</u>
Net cash (used in) provided by operating activities	<u><u>\$ 22,693</u></u>	<u><u>\$ (14,050)</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2019

	Program Services		
	Education	Supported Employment	Total Program Services
Salaries and wages	\$ 338,729	\$ 100,924	\$ 439,653
Payroll taxes and benefits	33,709	11,013	44,722
Total salaries and related expenses	372,438	111,937	484,375
Bank and credit card fees	-	-	-
Equipment purchase	1,800	-	1,800
Food supplies	5,677	553	6,230
Insurance expense	21,113	5,346	26,459
Legal and accounting	4,320	810	5,130
Marketing and outreach	560	-	560
Materials and supplies	9,351	999	10,350
Membership, dues, and fees	5,768	598	6,366
Miscellaneous	13,153	2,008	15,161
Postage and freight	168	-	168
Professional fees	26,293	43,852	70,145
Program activities	8,520	-	8,520
Repairs and maintenance	19,123	2,420	21,543
Rent and utilities	65,546	2,614	68,160
Security	33,578	3,019	36,597
Telephone	6,091	890	6,981
Vehicle and travel	29,084	3,207	32,291
	622,583	178,253	800,836
Depreciation	2,361	-	2,361
Total expenses	\$ 624,944	\$ 178,253	\$ 803,197

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2018)

Support Services			2019 Totals	2018 Totals
Management and General	Fundraising and Development	Total Support Services		
\$ 3,575 427	\$ - -	\$ 3,575 427	\$ 443,228 45,149	\$ 503,202 55,758
4,002	-	4,002	488,377	558,960
132	-	132	132	132
-	-	-	1,800	-
-	-	-	6,230	5,556
-	-	-	26,459	25,805
13,870	-	13,870	19,000	18,737
-	1,010	1,010	1,570	2,321
58	-	58	10,408	7,653
186	-	186	6,552	4,874
669	-	669	15,830	17,390
43	-	43	211	196
960	-	960	71,105	45,987
-	-	-	8,520	7,975
625	-	625	22,168	27,231
-	-	-	68,160	66,901
-	-	-	36,597	8,954
297	-	297	7,278	8,192
-	-	-	32,291	26,497
20,842	1,010	21,852	822,688	833,361
-	-	-	2,361	7,061
<u>\$ 20,842</u>	<u>\$ 1,010</u>	<u>\$ 21,852</u>	<u>\$ 825,049</u>	<u>\$ 840,422</u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2019

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.

For the Year Ended June 30, 2019

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, 2019

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.

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 unrestricted support 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, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

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.

Revenues: 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.

For the Year Ended June 30, 2019

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

Special Events

Seagull Services realized approximately \$5,125 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, 2019 were approximately \$1,570, 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.

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) recently issued ASU 2016-02, *Leases (Topic 842)*, which does not take effect until Seagull Services’ fiscal year ending June 30, 2021, 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.

For the Year Ended June 30, 2019

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

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, 2018, from which the summarized information was derived. Certain 2018 amounts have been reclassified to conform to 2019 classifications. Such reclassifications have had no effect on the change in net assets as previously reported.

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	\$ 20,506
Accounts and grants receivable	<u>12,269</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 32,775</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 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.

For the Year Ended June 30, 2019

4. 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 reduction in realized governmental funding, SAIL continues to make a concerted effort to recruit more students.

Accounts and grants receivable as of June 30, 2019 include amounts due from the Palm Beach School Board 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.

5. Property and Equipment

Property and equipment as of June 30, 2019 includes the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Leasehold improvements	\$ 7,546	\$ 2,631	\$ -	\$ 10,177
Furniture, fixtures and equipment	<u>115,443</u>	<u>24,067</u>	<u>-</u>	<u>139,510</u>
	122,989	26,698	-	149,687
Less accumulated depreciation	<u>(120,826)</u>	<u>(2,359)</u>	<u>-</u>	<u>(123,185)</u>
Net property and equipment	<u>\$ 2,163</u>	<u>\$ 24,339</u>	<u>\$ -</u>	<u>\$ 26,502</u>

Depreciation expense for the year ended June 30, 2019 was \$2,359.

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, 2019 was \$55,090 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.

For the Year Ended June 30, 2019

6. Lease, continued

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

Year Ending	
<u>June 30,</u>	
2020	\$ 33,732
2021	<u>33,732</u>
Total	<u>\$ 67,464</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, 2019, 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.

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 four 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 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, 2019

For the Year Ended June 30, 2019

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, 2019, SAIL was billed \$699,407 and made payments of \$768,314, with a resulting amount due from parent organization of \$90,581. In connection with the operating results of SAIL for fiscal year ending June 30, 2019, Seagull did not charge SAIL a management fee.

11. Net Assets with Donor Restrictions

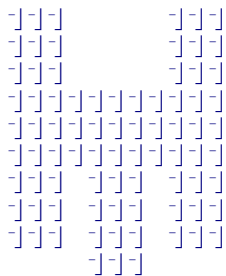
Unexpended net assets with donor restrictions as of June 30, 2019 were as follows:

Time restriction:

Promises to give – Town of Palm Beach United Way	\$ 20,000
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12. Subsequent Events

Management has evaluated subsequent events through September 26, 2019, 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

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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 Seagull Academy for Independent Living - A Program of Seagull Services ("SAIL") as of and for the year ended June 30, 2019, 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 September 26, 2019.

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
September 26, 2019

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 did not have any such recommendations.

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
September 26, 2019