

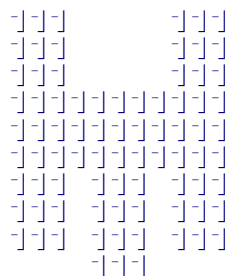
**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL SERVICES**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2021
(with comparable totals for 2020)**

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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, 2021, 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, 2021, 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 29, 2021, 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 2020 financial statements, and our report dated October 27, 2020, 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, 2020, 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 29, 2021

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

STATEMENT OF FINANCIAL POSITION

As of June 30, 2021

(with comparable totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 131,157	\$ -	\$ 131,157	\$ 78,883
Accounts and grants receivable	9,052	-	9,052	63,574
Promises to give	-	20,000	20,000	20,000
Prepaid expenses	4,320	-	4,320	-
Due from parent organization	204,176	28,840	233,016	86,741
Total current assets	348,705	48,840	397,545	249,198
Property and equipment, net	108,875	-	108,875	42,519
Total assets	<u>\$ 457,580</u>	<u>\$ 48,840</u>	<u>\$ 506,420</u>	<u>\$ 291,717</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 16,281	\$ -	\$ 16,281	\$ 14,840
Accrued expenses	5,039	-	5,039	11,315
Total liabilities	21,320	-	21,320	26,155
Net assets	436,260	48,840	485,100	265,562
Total liabilities and net assets	<u>\$ 457,580</u>	<u>\$ 48,840</u>	<u>\$ 506,420</u>	<u>\$ 291,717</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, 2021

(with comparable totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Totals	2020 Totals
Support and revenues:				
Florida Education Finance Program (FEFP) fees	\$ 566,117	\$ -	\$ 566,117	\$ 549,613
Individuals With Disabilities Act (IDEA) revenues	63,701	-	63,701	55,115
Capital outlay grant	29,352	-	29,352	30,263
Title I revenues	2,321	-	2,321	5,273
Vocational rehabilitation	2,843	-	2,843	5,511
COVID 19 distance learning	31,779	-	31,779	-
United Way agency allocations	40,339	20,000	60,339	60,024
Paycheck Protection Program	144,000	-	144,000	-
Contributions	65,922	35,000	100,922	198,979
Total grants and contributions	946,374	55,000	1,001,374	904,778
Special events	-	-	-	3,074
Miscellaneous income	1,560	-	1,560	3,832
Total support and revenues	947,934	55,000	1,002,934	911,684
Net assets released from restrictions	121,222	(121,222)	-	-
Expenses:				
Program services	763,563	-	763,563	778,362
Support services:				
Management and general	19,833	-	19,833	18,252
Fundraising and development	-	-	-	1,053
Total expenses	783,396	-	783,396	797,667
Change in net assets	285,760	(66,222)	219,538	114,017
Net assets, beginning of year	150,500	115,062	265,562	151,545
Net assets, ending of year	\$ 436,260	\$ 48,840	\$ 485,100	\$ 265,562

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, 2021

(with comparable totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Cash received from:		
Grants and contributions	\$ 911,895	\$ 853,474
Special events	-	3,074
Cash paid to employees and vendors	(774,271)	(785,778)
Miscellaneous income received	<u>1,560</u>	<u>3,832</u>
Net cash provided by operating activities	<u>139,184</u>	<u>74,602</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(84,635)</u>	<u>(20,065)</u>
Net cash (used in) investing activities	<u>(84,635)</u>	<u>(20,065)</u>
Cash flows from financing activities:		
Net cash received from (paid to) parent organization	<u>(2,275)</u>	<u>3,840</u>
Net cash (used in) provided by financing activities	<u>(2,275)</u>	<u>3,840</u>
Net change in cash	52,274	58,377
Cash and cash equivalents, beginning of year	<u>78,883</u>	<u>20,506</u>
Cash and cash equivalents, end of year	<u><u>\$ 131,157</u></u>	<u><u>\$ 78,883</u></u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 219,538	\$ 114,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,279	4,048
(Increase) decrease in certain assets:		
Accounts and grants receivable	54,521	(51,304)
Due from parent organization	(144,000)	
Prepaid expenses	(4,320)	-
Increase (decrease) in certain liabilities:		
Accounts payable	1,442	3,285
Accrued expenses	<u>(6,276)</u>	<u>4,556</u>
Net cash provided by operating activities	<u><u>\$ 139,184</u></u>	<u><u>\$ 74,602</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2021

	Program Services		
	Education	Supported Employment	Total Program Services
Salaries and wages	\$ 324,104	\$ 145,664	\$ 469,768
Payroll taxes and benefits	33,069	20,466	53,535
Total salaries and related expenses	357,173	166,130	523,303
Bank and credit card fees	49	14	63
Equipment purchase	807	-	807
Food supplies	339	26	365
Insurance expense	15,927	4,184	20,111
Legal and accounting	17,598	3,944	21,542
Marketing and outreach	464	115	579
Materials and supplies	7,701	2,336	10,037
Membership, dues, and fees	3,506	883	4,389
Miscellaneous	13,832	80	13,912
Postage and freight	165	-	165
Professional fees	49,673	-	49,673
Program activities	425	120	545
Repairs and maintenance	21,203	5,723	26,926
Rent and utilities	46,973	11,943	58,916
Security	-	-	-
Telephone	6,928	1,733	8,661
Vehicle and travel	4,622	668	5,290
Total expenses before depreciation	547,385	197,899	745,284
Depreciation	14,624	3,655	18,279
Total expenses	\$ 562,009	\$ 201,554	\$ 763,563

See accompanying notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

(with comparable totals for 2020)

Management and General	Support Services		2021 Totals	2020 Totals
	Fundraising and Development	Total Support Services		
\$ 7,719	\$ -	\$ 7,719	\$ 477,487	\$ 484,091
2,601	-	2,601	56,136	48,752
10,320	-	10,320	533,623	532,843
-	-	-	63	186
-	-	-	807	-
-	-	-	365	1,009
265	-	265	20,376	26,675
5,185	-	5,185	26,727	18,667
54	-	54	633	7,022
10	-	10	10,047	7,153
-	-	-	4,389	2,277
2,832	-	2,832	16,744	9,213
-	-	-	165	-
656	-	656	50,329	53,248
-	-	-	545	3,806
511	-	511	27,437	28,874
-	-	-	58,916	68,166
-	-	-	-	627
-	-	-	8,661	7,518
-	-	-	5,290	26,335
19,833	-	19,833	765,117	793,619
-	-	-	18,279	4,048
\$ 19,833	\$ -	\$ 19,833	\$ 783,396	\$ 797,667

See accompanying notes to financial statements.

For the Year Ended June 30, 2021

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 on March 25, 2006. The original charter school contract from 2002 was renewed multiple times. 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.

Prior to year-end, on May 27, 2021, SAIL's parent organization Seagull, entered into a management agreement with another Florida not-for-profit organization, The Arc of Palm Beach County, Inc. ("Manager") for management services as outlined in the agreement. The Manager is deemed to be an independent contractor of SAIL and Seagull. The term of the agreement is for one year and will be automatically extended by one year on each anniversary of the effective date, unless the Manager notifies Seagull no later than 60 days prior to the beginning of any such anniversary that it does not want to extend the term.

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.

For the Year Ended June 30, 2021

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

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, 2021.

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.

For the Year Ended June 30, 2021

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

Fair Value of Financial Instruments, continued

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.

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, payments, and related transactions shown as an amount due from (to) parent organization. See Note 10.

Prepaid expenses

Prepaid expenses represent costs incurred that benefit future periods.

Property and Equipment

Property and equipment are 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, 2021

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

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.

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 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.

Paycheck Protection Program (PPP): SAIL recognized grant income based on an allocation provided by Seagull. Seagull applied for and received a PPP loan in the amount of \$338,300 in May 2020 to fund payroll and related expense for its entire operation, including the activities at SAIL. The Paycheck Protection Program (PPP) is part of the Coronavirus, Aid, Recovery and Economic Security Act (the "CARES Act"). In accordance with the provisions of this program, the loan was forgiven in January 2021, at which time Seagull and SAIL recognized proportionate shares of income.

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

Special Events

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.

For the Year Ended June 30, 2021

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

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, 2021 were \$633, and are reported as marketing and outreach in the statement of functional expenses.

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.

Recently Adopted Accounting Policies

As of July 1, 2020, SAIL adopted the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Analysis of various provisions of this standard resulted in no significant changes in the way SAIL recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

For the Year Ended June 30, 2021

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

Recent Accounting Pronouncements

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, 2020, from which the summarized information was derived. Certain 2020 amounts may have been reclassified to conform to 2021 classifications. Such reclassifications would have 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	\$ 131,157
Accounts and grants receivable	9,052
Promises to give	<u>20,000</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 160,209</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. Some of SAIL's net assets with donor restrictions are available for general expenditure within one year of June 30, 2021 because the restrictions on the net assets are expected to be met by conducting the normal program activities of SAIL in the coming year. Accordingly, related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

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.

For the Year Ended June 30, 2021

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.

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, 2021 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.

5. Property and Equipment

Property and equipment as of June 30, 2021 includes the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Leasehold improvements	\$ 10,177	\$ 35,535	\$ -	\$ 45,712
Furniture, fixtures and equipment	<u>159,575</u>	<u>49,100</u>	<u>-</u>	<u>208,675</u>
	169,752	84,635	-	254,387
Less accumulated depreciation	<u>(127,233)</u>	<u>(18,279)</u>	<u>-</u>	<u>(145,512)</u>
Net property and equipment	<u>\$ 42,519</u>	<u>\$ 66,356</u>	<u>\$ -</u>	<u>\$ 108,875</u>

Depreciation expense for the year ended June 30, 2021 was \$18,279.

For the Year Ended June 30, 2021

6. Lease

SAIL leases space on a month-to-month basis 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, 2021 was \$50,274 and is included in rent and utilities in the statement of functional expenses.

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, 2021, 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 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, 2021.

For the Year Ended June 30, 2021

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, generally to include a monthly management fee. For the year ended June 30, 2021, SAIL was billed \$691,798 and made payments of \$694,073, for a net of \$2,275. The resulting amount due from parent organization of \$233,016 includes the prior year balance, the net payments noted herein, and \$144,000 allocated to SAIL from the PPP forgiveness processed through Seagull. In connection with the combined operating results of SAIL and Seagull for fiscal year ending June 30, 2021, Seagull did not charge SAIL a management fee.

11. Net Assets with Donor Restrictions

Unexpended net assets with donor restrictions as of June 30, 2021 were as follows:

Subject to expenditures for a specific purpose:

Student services	\$ 28,840
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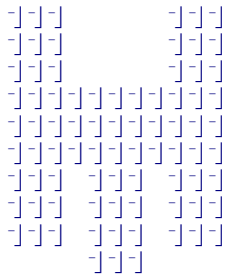
Subject to time and expenditures for a specific purpose:

Student services	<u>20,000</u>
	<u>\$ 48,840</u>

12. Subsequent Events

Management has evaluated subsequent events through September 29, 2021, the date on which the financial statements were available to be issued, and determined the following additional event to disclose was required to be presented in these financial statements.

On September 21, 2021 the Board of Directors of SAIL's parent organization, Seagull Services, voted to approve and execute an agreement to merge SAIL and Seagull Services with another local not-for-profit organization, The Arc of Palm Beach County, Inc., (The Arc). The Arc shares a similar mission and suite of programs that are provided to the public.



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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, 2021, 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 29, 2021.

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) as a basis for designing 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. 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 financial statements. 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 29, 2021

For the Year Ended June 30, 2021

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 matter is considered to be a material weakness:

2021-01 – Account Balance Reconciliation

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.

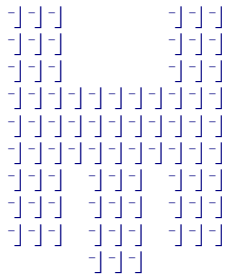
We recommend that the Organization implement a monthly closing routine that addresses each of the major account areas, to include: accounts and grants receivable, fixed assets, accounts payable and accrued liabilities, and allocation of net assets.

Management's response:

Management agrees with the Auditor's findings and recommendations; steps have been put in place that will create an efficient month-end close process and reduces the amount of year-end adjusting journal entries. The steps that have been put in place are:

- SAIL has created a month-end Close Checklist for accounts, grants, and pledges receivable, fixed assets, accounts payable, accrued liabilities, 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 appropriate level of Management.

Management also notes that the number of adjusting journal entries prepared by the Auditors significantly decreased this audit period.



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, 2021, and have issued our report thereon dated September 29, 2021.

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 September 29, 2021 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. The finding noted for the current year is the same as that noted for 2019-20, and is largely attributable to the need for specific staff training and late implementation of prior recommendations.

Tabulation of Uncorrected Audit Findings

Current Year <u>Finding #</u>	2019-20 FY <u>Finding #</u>	2018-19 FY <u>Finding #</u>
2021-01	2020-01	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 did have a recommendation which is included in the schedule of findings and responses at 2021-01.

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, 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, applicable management and Seagull Services, a Florida registered d/b/a for Seagull Industries for the Disabled, Inc. 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 29, 2021