

**SEAGULL ACADEMY FOR
INDEPENDENT LIVING**

**A COMPONENT OF
SEAGULL INDUSTRIES FOR
THE DISABLED, INC.**

**Financial Statements
and Supplementary
Information**

June 30, 2022

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 17
SUPPLEMENTAL INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	18 – 19
MANAGEMENT LETTER	20 – 21
CURRENT YEAR MANAGEMENT RECOMMENDATIONS	22



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Seagull Academy for Independent Living
A Component of Seagull Industries for the Disabled, Inc.
West Palm Beach, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Seagull Academy for Independent Living (SAIL) which is a component unit of Seagull Industries for the Disabled, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of SAIL as of June 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SAIL and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Prior Period Financial Statements

The financial statements of SAIL as of June 30, 2021 were audited by other auditors whose report dated September 29, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIL's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SAIL's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAIL's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2023, on our consideration of SAIL'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SAIL's 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 SAIL's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of SAIL as of June 30, 2021 were audited by other auditors whose report dated September 29, 2021 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 3, 2023

Seagull Academy for Independent Living
A Component of Seagull Industries for the Disabled, Inc.

STATEMENT OF FINANCIAL POSITION

June 30, 2022

(With summarized financial information for the year ended June 30, 2021)

ASSETS

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
CURRENT ASSETS				
Cash and cash equivalents	\$ 116,166	\$ 2,500	\$ 118,666	\$ 131,157
Accounts and grants receivable, net	2,591	-	2,591	9,052
Due from related parties	269,538	-	269,538	233,016
Prepaid expenses	-	-	-	4,320
Promises to give	-	-	-	20,000
Total current assets	388,295	2,500	390,795	397,545
Property and equipment, net	101,369	-	101,369	108,875
Total assets	\$ 489,664	\$ 2,500	\$ 492,164	\$ 506,420

LIABILITIES AND NET ASSETS**LIABILITIES**

Accrued expenses	\$ 11,199	\$ -	\$ 11,199	\$ 16,281
Accounts payable	<u>23,335</u>	<u>-</u>	<u>23,335</u>	<u>5,039</u>
Total liabilities	34,534	-	34,534	21,320

NET ASSETS

ASSETS	<u>455,130</u>	<u>2,500</u>	<u>457,630</u>	<u>485,100</u>
Total liabilities and net assets	\$ 489,664	\$ 2,500	\$ 492,164	\$ 506,420

The accompanying notes are an integral part of these financial statements.

Seagull Academy for Independent Living
A Component of Seagull Industries for the Disabled, Inc.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2022
(with summarized financial information for the year ended June 30, 2021)

	Without donor restrictions	With donor restrictions	2022 Totals	2021 Totals
SUPPORT AND REVENUES				
Florida Education Finance Program (FEFP) fees	\$ 513,240	\$ -	\$ 513,240	\$ 566,117
Individuals With Disabilities Act (IDEA) revenues	58,525	-	58,525	63,701
Capital outlay grant	27,786	-	27,786	29,352
Title I revenues	-	-	-	2,321
Vocational rehabilitation	-	-	-	2,843
COVID 19 distance learning	1,296	-	1,296	31,779
United Way agency allocations	10,003	-	10,003	60,339
Paycheck Protection Program	-	-	-	144,000
Contributions	176,143	30,000	206,143	100,922
	<hr/>	<hr/>	<hr/>	<hr/>
Total grant and contributions	786,993	30,000	816,993	1,001,374
	<hr/>	<hr/>	<hr/>	<hr/>
Miscellaneous income	2,666	-	2,666	1,560
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	789,659	30,000	819,659	1,002,934
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets released from restrictions	76,340	(76,340)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENSES				
Instruction	409,924	-	409,924	376,030
School administration	363,769	-	363,769	336,860
Operation of plant	73,436	-	73,436	70,506
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	847,129	-	847,129	783,396
	<hr/>	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	18,870	(46,340)	(27,470)	219,538
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, BEGINNING OF YEAR	436,260	48,840	485,100	265,562
	<hr/>	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 455,130</u>	<u>\$ 2,500</u>	<u>\$ 457,630</u>	<u>\$ 485,100</u>

The accompanying notes are an integral part of these financial statements.

Seagull Academy for Independent Living
A Component of Seagull Industries for the Disabled, Inc.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2022
(with summarized financial information for the year ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATIONS		
Cash received from:		
Grants and contributions	\$ 843,454	\$ 911,895
Cash paid to employees and vendors	(803,989)	(774,271)
Miscellaneous income received	2,666	1,560
	<u>42,131</u>	<u>139,184</u>
Net cash provided by operating activities		
	<u>42,131</u>	<u>139,184</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(18,100)	(84,635)
	<u>(18,100)</u>	<u>(84,635)</u>
Net cash used in investing activities		
	<u>(18,100)</u>	<u>(84,635)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash paid to related party	(36,522)	(2,275)
	<u>(36,522)</u>	<u>(2,275)</u>
Net cash used in financing activities		
	<u>(36,522)</u>	<u>(2,275)</u>
Net change in cash	(12,491)	52,274
Cash and cash equivalents, beginning of year	131,157	78,883
Cash and cash equivalents, end of year	<u>\$ 118,666</u>	<u>\$ 131,157</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (27,470)	\$ 219,538
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	25,606	18,279
(Increase) decrease in certain assets:		
Accounts and grants receivable	6,461	54,521
Due from related parties	-	(144,000)
Promises to give	20,000	-
Prepaid expenses	4,320	(4,320)
Increase (decrease) in certain liabilities		
Accounts payable	18,297	1,442
Accrued expenses	(5,083)	(6,276)
	<u>18,297</u>	<u>1,442</u>
Net cash provided by operating activities	<u>\$ 42,131</u>	<u>\$ 139,184</u>

The accompanying notes are an integral part of these financial statements.

Seagull Academy for Independent Living
A Component of Seagull Industries for the Disabled, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES
(with summarized financial information for the year ended June 30, 2021)

	Instruction	School Administration	Operation of Plant	2022 Totals	2021 Totals
Salaries	\$ 297,613	\$ 109,091	\$ 9,003	\$ 415,707	\$ 477,487
Employee benefits	45,602	8,105	34	53,741	17,937
Payroll taxes	22,586	8,381	674	31,641	38,199
Total salaries and related expenses	<u>365,801</u>	<u>125,577</u>	<u>9,711</u>	<u>501,089</u>	<u>533,623</u>
Management allocation	-	10,457	8	10,465	-
Professional services	35,753	96,098	-	131,851	77,056
Insurance	-	35,357	3,051	38,408	20,376
Transportation	8	14,610	-	14,618	5,290
Miscellaneous	2,100	59,742	1,864	63,706	68,624
Supplies	2,296	10,555	1,299	14,150	10,047
Telephone and postage	500	4,786	3,283	8,569	8,826
Utilities	-	1,480	11,832	13,312	8,642
Conferences and training	-	55	122	177	-
Repair and maintenance	-	994	14,161	15,155	27,437
Equipment rental and purchase	-	-	-	-	807
Dues and subscriptions	-	-	-	-	4,389
Advertising	<u>3,466</u>	<u>4,058</u>	<u>2,499</u>	<u>10,023</u>	<u>-</u>
Total expenses before depreciation	<u>409,924</u>	<u>363,769</u>	<u>47,830</u>	<u>821,523</u>	<u>765,117</u>
Depreciation	<u>-</u>	<u>-</u>	<u>25,606</u>	<u>25,606</u>	<u>18,279</u>
Total expenses	<u>\$ 409,924</u>	<u>\$ 363,769</u>	<u>\$ 73,436</u>	<u>\$ 847,129</u>	<u>\$ 783,396</u>

The accompanying notes are an integral part of these financial statements.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 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.

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 was for one year.

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. The merger was effective October 1, 2021.

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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 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: 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, 2022.

The School reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Fair Value of Financial Instruments (continued)

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. SAIL did not have financial instruments measured at fair value on a recurring basis.

The following methods and assumptions were used by the SAIL 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 Related Parties

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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

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.

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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Support and Revenue Recognition (continued)

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.

Functional Expense

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, 2022, were \$10,023.

Income Taxes

SAIL is a component unit of Seagull Industries for the Disabled, Inc., 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 the ARC 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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

Income Taxes (continued)

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.

Contributed Non-Financial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-financial Assets*, which requires the monitoring and tracking of gifts in kind by asset category, while also noting any donor-imposed restrictions. SAIL adopted ASU No. 2020-07 effective July 1, 2021. The adoption has no significant impact on the SAIL's financial statements as there were no contributed nonfinancial assets during the year ended June 30, 2022.

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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

**NOTE 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, 2021, from which the summarized information was derived. Certain 2021 amounts may have been reclassified to conform to 2022 classifications. Such reclassifications would have no effect on the change in net assets as previously reported.

NOTE 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	\$ 118,666
Accounts and grants receivable	<u>2,591</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 121,257</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, 2022, 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.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 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.

NOTE 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, 2022, include amounts due from the Palm Beach School District and Palm Beach County. 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.

Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022, includes the following:

	Beginning Balance	Additions	Dispositions	Ending Balance
Improvements	\$ 45,712	\$ 18,100	\$ -	\$ 63,812
Furniture, fixtures and equipment	208,675	-	-	208,675
	254,387	18,100	-	272,487
Less accumulated depreciation	(145,512)	(25,606)	-	(171,118)
Net property and equipment	<u>\$ 108,875</u>	<u>\$ (7,506)</u>	<u>\$ -</u>	<u>\$ 101,369</u>

Depreciation expense for the year ended June 30, 2022, was \$25,606.

NOTE 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, 2022, was \$47,741 and is included in miscellaneous in the statement of functional expenses.

NOTE 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, 2022, there were no employer contributions made.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 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.

NOTE 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, 2022.

NOTE 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, 2022, SAIL was billed \$284,486 and made payments of \$337,349, for a net of \$52,863. The resulting amount due from parent organization of \$285,970 includes the prior year balance, the net payments noted herein. In connection with the combined operating results of SAIL and Seagull for fiscal year ending June 30, 2022, Seagull did not charge SAIL a management fee.

SAIL acquires certain services including salaries and related expenses, insurance, repairs, and management services through The Arc. Amounts due to The Arc at June 30, 2022 totaled \$22,501.

**Seagull Academy for Independent Living, Inc.
A Component of Seagull Industries for the Disabled, Inc.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Unexpended net assets with donor restrictions as of June 30, 2022 were as follows:

Subject to expenditures for a specific purpose:

Student services	\$ <u>2,500</u>
	\$ <u>2,500</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated the effect subsequent events would have on the financial statements through the date these financial statements were available to be issued on March 3, 2023.

NOTE 13 – RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the SAIL’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global pandemic situation.

SUPPLEMENTAL INFORMATION



**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**

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To the Board of Trustees
Seagull Academy for Independent Living
A Component Unit of Seagull Industries for the Disabled, Inc.
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seagull Academy for Independent Living which is a component unit of Seagull Industries for the Disabled, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2023.

Report on 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 opinion 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 material weaknesses 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 or significant deficiencies may exist that were not identified.

Report on 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Krusick & Associates, LLC

Winter Park, Florida

March 3, 2023



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MANAGEMENT LETTER

To the Board of Trustees
Seagull Academy for Independent Living
A Component Unit of Seagull Industries for the Disabled, Inc.
West Palm Beach, Florida

Report on the Financial Statements

We have audited the financial statements of Seagull Academy for Independent Living (SAIL) a Component of Seagull Industries for the Disabled, Inc., Florida as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated March 3, 2023.

Auditors' 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 March 3, 2023, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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, 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 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, 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.

Moss, Krusick & Associates, LLC

Winter Park, Florida
March 3, 2023

CURRENT YEAR MANAGEMENT RECOMMENDATIONS

For the year ended June 30, 2022, there are no management recommendations.

STATUS OF PRIOR YEAR FINDING

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.

Status: The prior year finding has been resolved.