

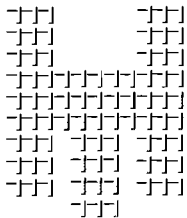
**SEAGULL ACADEMY FOR INDEPENDENT LIVING -  
A PROGRAM OF SEAGULL INDUSTRIES  
FOR THE DISABLED, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2009**

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# Holyfield & Thomas, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Seagull Academy for Independent Living - A Program  
of Seagull Industries for the Disabled, Inc.  
Riviera Beach, Florida

We have audited the accompanying financial statements of the governmental activities and the governmental fund of Seagull Academy for Independent Living - A Program of Seagull Industries for the Disabled, Inc. (a not-for-profit corporation) as of and for the year ended June 30, 2009, which collectively comprise Seagull Academy for Independent Living's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Seagull Academy for Independent Living's management. 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, *Chapter 10.550 Local Governmental Entity Audits*, and *Chapter 10.850 Audits of Charter Schools and Similar Entities of the Rules of the Auditor General, State of Florida*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental fund of Seagull Academy for Independent Living as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2009, 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 grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the statement of revenues, expenditures and changes in fund balance-budget vs. actual-general fund are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

West Palm Beach, Florida  
August 6, 2009

*Holyfield & Thomas, LLC*

**For the Year Ended June 30, 2009**

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The Seagull Academy for Independent Living (SAIL) - A Program of Seagull Industries for the Disabled, Inc., (Seagull) - is a public charter school operated in Palm Beach County, FL, under a charter agreement with the School District of Palm Beach County.

Within this section of SAIL's annual financial report, management provides narrative discussion and analysis of the financial activities of SAIL for the fiscal year ended June 30, 2009. SAIL's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**Overview of the Financial Statements**

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

**Financial Highlights**

For the current year ending June 30, 2009, SAIL's assets exceed its liabilities by \$113,957 (net assets). Total net assets includes \$27,233 investment in capital assets, net of accumulated depreciation (\$75,348 less accumulated depreciation of \$48,115) and \$86,724 of unrestricted and undesignated net assets. For the year, SAIL had revenues of \$592,537 versus total expenses \$547,654. The result is a change of net assets of \$44,883.

For Fiscal year 2007-2008, SAIL's assets exceeded its liabilities by \$69,074 with revenues that were \$51,052 greater than the \$452,044 in expenses. Current year income exceeds prior year by \$87,441 while current year expenses exceed prior year expenses by \$93,610.

**Financial Analysis of School**

Government funds are reported in the fund financial statements and encompass essentially the same functions reported as government activities in the government-wide financial statements. This fiscal year approximately 73% of SAIL's revenue was provided by the State of Florida from the Florida Education Finance Program (FEFP). The revenue is based on full-time students enrolled (FTE) each year as determined by counts held in October and February of the fiscal year and allocated and paid monthly. SAIL also receives capital outlay funds to offset its cost of leasing school facilities. For this fiscal year, SAIL received approximately 11% of its funding from IDEA (Individuals with Disabilities Education Act). The increase in FEFP and IDEA funding was a direct result of the increase in student enrollment.

In 2009, SAIL is applying to the Palm Beach County School District to expand its charter to add middle school (grades 6-9) students. As governmental and private funding becomes more difficult to obtain in these uncertain financial times, SAIL hopes to offset any future reductions in funding by increasing its enrollment.

*For the Year Ended June 30, 2009*

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### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

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

### Governmental Funds

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

### Proprietary Funds

Proprietary funds are reported in the fund financial statements and generally report services for which SAIL charges a fee. As of June 30, 2009, SAIL did not have any proprietary funds.

*For the Year Ended June 30, 2009*

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Financial Analysis of the Major Funds

General Fund

The general fund is the operating fund. It recognized \$592,958 in total revenues and \$539,401 in total expenditures, which resulted in an excess of revenues over expenditures of \$53,557.

*As of June 30, 2009 and 2008*

**Condensed Statement of Net Assets  
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current and other assets	\$ 113,464	\$ 86,683
Capital assets, net	27,233	35,907
Total assets	<u>\$ 140,697</u>	<u>\$ 122,590</u>
<b>LIABILITIES</b>		
Current liabilities	<u>\$ 26,740</u>	<u>\$ 53,516</u>
<b>NET ASSETS</b>		
Invested in capital assets (net of related debt)	27,233	35,907
Unrestricted	86,724	33,167
Total net assets	<u>113,957</u>	<u>69,074</u>
Total liabilities and net assets	<u>\$ 140,697</u>	<u>\$ 122,590</u>

**Condensed Statement of Net Assets  
Governmental Activities**

	<u>2009</u>	<u>2008</u>
<b>General revenues:</b>		
Governmental agencies	\$ 434,908	\$ 357,884
Gifts, grants and bequests	157,629	147,212
Total general revenues	<u>592,537</u>	<u>505,096</u>
<b>Functional/program expenses:</b>		
Instruction	207,573	143,066
Pupil personnel services	49,286	52,463
Instructional staff training services	1,757	546
Board	434	48
General administration	52,400	51,500
School administration	100,220	97,338
Facilities, acquisition and construction	42,422	36,321
Fiscal services	10,500	9,575
Food services	3,131	2,019
Pupil transportation services	74,472	56,451
Operation of plant	5,459	4,717
Total governmental activities	<u>547,654</u>	<u>454,044</u>
Change in net assets	<u>\$ 44,883</u>	<u>\$ 51,052</u>

*See accompanying notes to financial statements*

**SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.**

**STATEMENT OF NET ASSETS**

*As of June 30, 2009*

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 45,199	\$ -	\$ 45,199
Receivables (net)	68,265	-	68,265
Depreciable property and equipment:			
Leasehold improvements	36,739	-	36,739
Furniture, fixtures & equipment	38,609	-	38,609
Less: accumulated depreciation	(48,115)	-	(48,115)
Total assets	<u>\$ 140,697</u>	<u>\$ -</u>	<u>\$ 140,697</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 8,357	\$ -	\$ 8,357
Due to related party	18,383	-	18,383
Total liabilities	<u>26,740</u>	<u>-</u>	<u>26,740</u>
<b>NET ASSETS</b>			
Invested in capital assets (net of related debt)	27,233	-	27,233
Unrestricted	86,724	-	86,724
Total net assets	<u>113,957</u>	<u>-</u>	<u>113,957</u>
Total liabilities and net assets	<u>\$ 140,697</u>	<u>\$ -</u>	<u>\$ 140,697</u>

*See accompanying notes to financial statements*

SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 207,573	\$ -	\$ 45,022	\$ -	\$ (162,551)	\$ -	\$ (162,551)
Pupil personnel services	49,286	-	-	-	(49,286)	-	(49,286)
Instructional staff training services	1,757	-	-	-	(1,757)	-	(1,757)
Board	434	-	-	-	(434)	-	(434)
General administration	52,400	-	-	-	(52,400)	-	(52,400)
School administration	100,220	-	-	-	(100,220)	-	(100,220)
Facilities, acquisition and construction	42,422	-	-	39,598	(2,824)	-	(2,824)
Fiscal services	10,500	-	-	-	(10,500)	-	(10,500)
Food services	3,131	-	-	-	(3,131)	-	(3,131)
Pupil transportation services	74,472	-	-	-	(74,472)	-	(74,472)
Operation of plant	5,459	-	-	-	(5,459)	-	(5,459)
Total governmental activities	\$ 547,654	\$ -	\$ 45,022	\$ 39,598	(463,034)	-	(463,034)
Total business-type activities	\$ -	\$ -	\$ -	\$ -	-	-	-
General revenues:							
FEFP fees					434,908	-	434,908
IDEA revenues					66,624	-	66,624
Title I revenues					5,233	-	5,233
Other revenues					1,152	-	1,152
Total general revenues					507,917	-	507,917
Change in net assets					44,883	-	44,883
Net assets, beginning of year					69,074	-	69,074
Net assets, end of year					\$ 113,957	\$ -	\$ 113,957

See accompanying notes to financial statements.

SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.

BALANCE SHEET-  
GOVERNMENTAL FUND

*As of June 30, 2009*

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 45,199
Receivables	68,265
Total assets	<u>\$ 113,464</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable and accrued expenses	\$ 8,357
Due to related party	18,383
Total liabilities	<u>26,740</u>
Fund balance:	
Undesignated	86,724
Total liabilities and fund balance	<u>\$ 113,464</u>

*See accompanying notes to financial statements.*

**SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.**

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

*For the Year Ended June 30, 2009*

	<u>General Fund</u>
Revenues:	
FEFP fees	\$ 434,908
IDEA revenues	66,624
Capital outlay grant	39,598
Title I revenues	5,233
Other revenues	46,595
Total revenues	<u>592,958</u>
Expenditures:	
Instruction	206,244
Pupil personnel services	49,286
Instructional staff training services	1,757
Board	434
General administration	52,400
School administration	99,617
Facilities, acquisition and construction	39,973
Fiscal services	10,500
Food services	2,455
Pupil transportation services	74,472
Operation of plant	2,263
Total expenditures	<u>539,401</u>
Net change in fund balance	53,557
Fund balance, beginning of fiscal year	33,167
Fund balance, end of fiscal year	<u>\$ 86,724</u>

*See accompanying notes to financial statements.*

SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.

RECONCILIATION OF THE BALANCE  
SHEET-GOVERNMENTAL FUND TO THE  
STATEMENT OF NET ASSETS

*As of June 30, 2009*

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Total governmental fund balance \$ 86,724

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost and accumulated depreciation are reported in the government-wide statement of net assets.

Cost of assets	75,348
Accumulated depreciation	<u>(48,115)</u>
Total net assets	<u>\$ 113,957</u>

*See accompanying notes to financial statements.*

**SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.**

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

***For the Year Ended June 30, 2009***

Net change in fund balances - total governmental fund \$ 53,557

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

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

Current year depreciation (8,253)

Loss on disposal of equipment (421)

In the statement of activities, the loss on abandonment of fixed asset is reported, whereas in the governmental funds, it is not recorded since there is no increase in financial resources. The change in net assets differs from the change in fund balance

Change in net assets \$ 44,883

*See accompanying notes to financial statements.*

*For the Year Ended June 30, 2009*

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

Nature of Activities

The Seagull Academy for Independent Living ("SAIL") is a charter school program of Seagull Industries for the Disabled, Inc. ("Seagull"). SAIL was originally incorporated by Seagull as a result of the charter school agreement with the School District of Palm Beach County, Florida ("District"). The separate incorporation was discovered to have not been necessary as SAIL has always been operated as a program of Seagull. Therefore, the two Boards were merged on December 21, 2004 and SAIL was formally dissolved as a non-profit corporation March 25, 2006. The charter school contract, which was renewed on August 16, 2005, expires July, 2010. SAIL reports its financial activity as a component of the Palm Beach County, Florida School District as required by the Florida Auditor General. SAIL issues its own financial statements under *Government Accounting Standards Board (GASB)* reporting requirements. These financial statements report the results of operations of SAIL and do not reflect the results of operations of Seagull.

SAIL provides school programs for at-risk and adjudicated youth and young adults aged 14-21, who are developmentally challenged into post-school adult living with a high school diploma.

Basic Financial Statements

Government-wide Financial Statements

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

Governmental Fund Financial Statements

Governmental fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

All the activities of SAIL are classified as governmental type activities. There are no business type activities.

***For the Year Ended June 30, 2009***

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

*Basis of Accounting*

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. SAIL considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

*Cash and Cash Equivalents*

For purposes of reporting cash flows, 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.

*Property and Equipment*

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

Additions, improvements, and expenditures for repairs and maintenance that are over \$1,000 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.

*Contributed Services*

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

*For the Year Ended June 30, 2009*

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

*Use of Estimates*

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

*Income Taxes*

SAIL is a program of a non-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code.

**2. Revenue from Government Agencies**

SAIL receives a substantial amount of its revenue from government agencies. A significant reduction in the level of this revenue may have a material effect on SAIL's programs, activities, and its ability to continue operations. Recognizing the ongoing governmental reductions in funding, SAIL made a concerted effort to recruit more students for the 2008-2009 fiscal year and increased enrollment by 10 students. The accounts receivable is the IDEA reimbursement funds received in July 2009.

**3. Property and Equipment**

Following is a detail of property and equipment as of June 30, 2009:

	Beginning Balance	Additions	Dispositions	Ending Balance
Leasehold improvements	\$ 36,739	\$ -	\$ -	\$ 36,739
Furniture, fixtures & equipment	40,303	-	(1,694)	38,609
	77,042	-	(1,694)	75,348
Less accumulated depreciation	(41,135)	(8,253)	1,273	(48,115)
Total property and equipment	<u>\$ 35,907</u>	<u>\$ (8,253)</u>	<u>\$ (421)</u>	<u>\$ 27,233</u>

Depreciation expense for the year ended June 30, 2009 was \$8,253.

**4. Lease**

SAIL leases its primary school facility pursuant to a lease that had an original expiration of June 30, 2009, has one-year renewal options and may be cancelled by either party with 60 days written notice. The monthly lease payments are \$3,600. Rent expense for the year ended June 30, 2009 was \$38,600 and is included in purchased services under facilities, acquisition and construction in

*For the Year Ended June 30, 2009*

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4. Lease, continued

the statement of activities. Future minimum lease payments under this lease agreement are \$7,200 for fiscal year end June 30, 2010.

5. Pension Plan

Seagull has established a non-contributory, defined contribution plan for its employees. Employees are eligible upon reaching 21 years of age and one year of qualifying service. The year of service requirement may be waived for employees with prior participation in a comparable plan.

Contributions are set annually at the discretion of the Board of Directors for eligible employees' salary. For the plan year ended June 30, 2009, no contribution was made.

6. Contingencies and Concentrations

SAIL receives most of its funding from the District based upon the number of full time equivalent (FTE) students who attend the charter school. The data is compiled by SAIL and submitted to the District. The disbursements of funds received under the contract generally requires compliance with terms and conditions specified by the contract and is subject to audit by the District, the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of SAIL. The management of SAIL believes that the amounts that would be remitted back to the District due to errors in their FTE count would not be material to the financial position of SAIL.

7. Related Party Transactions

SAIL acquires certain services including salaries and related expenses, insurance, repairs and management services through its parent organization, Seagull Industries for the Disabled, Inc. (Seagull). Seagull will make payments for these various services and bill SAIL for a like amount, plus a monthly management fee. For the year ended June 30, 2009, SAIL was billed approximately \$442,675 and made payments of approximately \$460,421, paying all of the current year expenses and reducing the prior year payable by \$17,746.

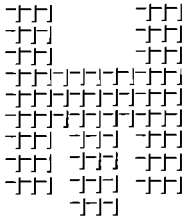
**SEAGULL ACADEMY FOR INDEPENDENT  
LIVING - A PROGRAM OF SEAGULL  
INDUSTRIES FOR THE DISABLED, INC.**

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

*For the Year Ended June 30, 2009*

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
FEFP fees	\$ 454,108	\$ 434,908	\$ (19,200)
IDEA revenues	34,000	66,624	32,624
Capital outlay grant	28,000	39,598	11,598
Title I revenues	5,500	5,233	(267)
Other revenues	54,300	46,595	(7,705)
Total revenues	575,908	592,958	17,050
<b>Expenditures:</b>			
Instruction	222,289	206,244	16,045
Pupil personnel services	42,616	49,286	(6,670)
Instructional staff training services	-	1,757	(1,757)
Board	-	434	(434)
General administration	51,500	52,400	(900)
School administration	89,422	99,617	(10,195)
Facilities, acquisition and construction	45,536	39,973	5,563
Fiscal service	10,000	10,500	(500)
Food service	-	2,455	(2,455)
Pupil transportation services	73,427	74,472	(1,045)
Operation of plant	3,300	2,263	1,037
Reserve Fund	-	-	-
Total expenditures	538,090	539,401	(1,311)
Net change in fund balance	\$ 37,818	53,557	\$ 15,739
Fund balance, beginning of fiscal year		33,167	
Fund balance, end of fiscal year		\$ 86,724	

*See independent auditor's report.*



# Holyfield & Thomas, LLC

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## **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 Industries for the Disabled, Inc.  
Riviera Beach, Florida

We have audited the financial statements of the governmental activities and each major fund of Seagull Academy for Independent Living - A Program of Seagull Industries for the Disabled, Inc. as of and for the year ended June 30, 2009, which collectively comprise the Seagull Academy for Independent Living - A Program of Seagull Industries for the Disabled, Inc.'s ("SAIL") basic financial statements and have issued our report thereon dated August 6, 2009. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered SAIL's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SAIL's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects SAIL's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of SAIL's financial statements that is more than inconsequential will not be prevented or detected by SAIL's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by SAIL's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether SAIL's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not

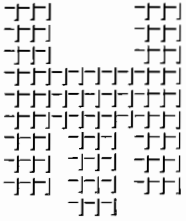
an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of SAIL in a separate letter dated August 6, 2009.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, School Board of Palm Beach County and others within SAIL and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida  
August 6, 2009

*Holyfield & Thomas, LLC*



# Holyfield & Thomas, LLC

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## MANAGEMENT LETTER

The Board of Directors  
Seagull Academy for Independent Living - A Program  
of Seagull Industries for the Disabled, Inc.  
Riviera Beach, Florida

In planning and performing our audit of the financial statements of Seagull Academy for Independent Living (SAIL) - A Program of Seagull Industries for the Disabled, Inc. for the year ended June 30, 2009, we considered SAIL's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We previously reported on SAIL's internal control in our report dated August 6, 2009. This letter does not affect our report, dated August 6, 2009, on the financial statements of SAIL.

This management letter has been prepared pursuant to Florida Statutes, Section 218.39 (4) and the Rules of the Florida Auditor General, AG Sections 10.806 (2)(d) and 10.856 (2)(d) and notes the following:

1. SAIL had the following management letter items in the prior year audit.
  - a. We recommended that the sponsoring organization provide monthly invoicing for reimbursable fees and services.
    - This recommendation has not been adopted as management believes that current procedures are adequate.
  - b. We recommended that management establish files for journal entries with the attached supporting documentation.
    - This recommendation has been adopted.
2. SAIL is not in a financial emergency as defined by Florida Statute 218.503(1).
3. There are no recommendations pursuant to Florida Statute Section 218.39(5).
4. Current year recommendations:
  - a. During our disbursement testing we observed that some payments lacked receipts. All disbursements are best supported by receipts or invoices. Each invoice should indicate the purpose and responsible party. We recommend that prior to payment all receipts be accumulated and that the purpose and responsible party be noted.
    - *Management Response:* In the instances noted, receipts were not available, although the disbursements were supported with purchase orders that were authorized by two approving individuals.

- b. During our disbursement testing we noted that checks under \$5,000 had one signature, although supporting documentation had two. Per the Palm Beach County contract, "All Disbursements should have two authorized signatures."
  - *Management Response:* Management believes that the requirement to have two authorized signatures relates more to overall approval (which it has on invoice support) and not just check signing. Management has sent a request for clarification to the School District and has implemented a two signature policy pending formal response.
5. Findings and/or recommendations are provided above, as applicable.
6. The official name of the school is Seagull Academy for Independent Living.

This report is intended for the information of the Board of Directors, management, federal and state awarding agencies, School Board of Palm Beach County and others within SAIL 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  
August 6, 2009