

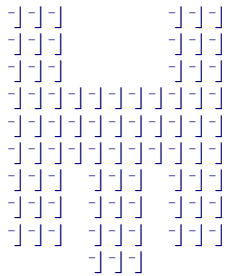
**SEAGULL ACADEMY FOR INDEPENDENT LIVING -
A PROGRAM OF SEAGULL INDUSTRIES
FOR THE DISABLED, INC.**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

For the Year Ended June 30, 2010

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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, 2010, 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, 2010, 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 September XX, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the statement of revenues, expenditures and changes in fund balance-budget vs. actual-general fund information on pages 2 through 5 and 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Holyfield & Thomas, LLC

West Palm Beach, Florida

September 28, 2010

For the Year Ended June 30, 2010

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, 2010. 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, 2010, SAIL's assets exceed its liabilities by \$120,099 (net assets). Total net assets includes \$25,508 investment in capital assets, net of accumulated depreciation (\$79,154 less accumulated depreciation of \$53,646) and \$94,591 of unrestricted and undesignated net assets. For the year, SAIL had revenues of \$654,918 versus total expenses \$648,776. The result is a change of net assets of \$6,142.

For fiscal year 2008-2009, SAIL's assets exceeded its liabilities by \$113,957 with revenues that were \$44,883 greater than the \$547,654 in expenses. Current year income exceeds prior year by \$62,381 while current year expenses exceed prior year expenses by \$101,122.

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 80% 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 9% of its funding from IDEA (Individuals with Disabilities Education Act). The increase in FEFP funding was a direct result of the increase in student enrollment. However, the amount received from IDEA decreased slightly because of a decrease in per student allotment.

In 2009, SAIL applied 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, 2010

Financial Analysis of School, continued

While the School District of Palm Beach County recommended to the School Board that the Charter Renewal be approved, the new Charter Agreement could not be negotiated by the parties by June 30, 2010, the expiration date of the existing charter. However, the existing Charter has been extended until December 31, 2010 to allow for the negotiation of the new Charter Agreement.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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.

For the Year Ended June 30, 2010

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, 2010, SAIL did not have any proprietary funds.

Financial Analysis of the Major Funds

General Fund

The general fund is the operating fund. It recognized \$654,918 in total revenues and \$647,051 in total expenditures, which resulted in an excess of revenues over expenditures of \$7,867.

As of June 30, 2010 and 2009

**Condensed Statement of Net Assets
Governmental Activities**

	<u>2010</u>	<u>2009</u>
ASSETS		
Current and other assets	\$ 128,852	\$ 113,464
Capital assets, net	25,508	27,233
Total assets	<u>\$ 154,360</u>	<u>\$ 140,697</u>
LIABILITIES		
Current liabilities	<u>\$ 34,261</u>	<u>\$ 26,740</u>
NET ASSETS		
Invested in capital assets (net of related debt)	25,508	27,233
Unrestricted	94,591	86,724
Total net assets	<u>120,099</u>	<u>113,957</u>
Total liabilities and net assets	<u>\$ 154,360</u>	<u>\$ 140,697</u>

**Condensed Statement of Activities
Governmental Activities**

	<u>2010</u>	<u>2009</u>
GENERAL REVENUES:		
Governmental agencies	\$ 521,253	\$ 434,908
Gifts, grants and bequests	133,665	157,629
Total general revenues	<u>654,918</u>	<u>592,537</u>
FUNCTIONAL/PROGRAM EXPENSES:		
Instruction	261,762	207,573
Pupil personnel services	55,965	49,286
Instructional staff training services	1,584	1,757
Board	308	434
General administration	60,085	52,400
School administration	107,945	100,220
Facilities, acquisition and construction	45,408	42,422
Fiscal services	37,008	10,500
Food services	605	3,131
Pupil transportation services	72,195	74,472
Operation of plant	5,911	5,459
Total governmental activities	<u>648,776</u>	<u>547,654</u>
Change in net assets	<u>\$ 6,142</u>	<u>\$ 44,883</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, 2010

	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 45,521	\$ 45,521
Receivables	76,006	76,006
Prepaid expenses	7,325	7,325
Depreciable property and equipment:		
Leasehold improvements	40,545	40,545
Furniture, fixtures & equipment	38,609	38,609
Less: accumulated depreciation	(53,646)	(53,646)
Total assets	<u>\$ 154,360</u>	<u>\$ 154,360</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 32,157	\$ 32,157
Due to related party	2,104	2,104
Total liabilities	<u>34,261</u>	<u>34,261</u>
NET ASSETS		
Invested in capital assets (net of related debt)	25,508	25,508
Unrestricted	94,591	94,591
Total net assets	<u>120,099</u>	<u>120,099</u>
Total liabilities and net assets	<u>\$ 154,360</u>	<u>\$ 154,360</u>

See accompanying notes to financial statements

For the Year Ended June 30, 2010

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:					
Instruction	\$ 261,762	\$ 24,500	\$ -	\$ (237,262)	\$ (237,262)
Pupil personnel services	55,965	-	-	(55,965)	(55,965)
Instructional staff training services	1,584	-	-	(1,584)	(1,584)
Board	308	-	-	(308)	(308)
General administration	60,085	-	-	(60,085)	(60,085)
School administration	107,945	-	-	(107,945)	(107,945)
Facilities, acquisition and construction	45,408	-	40,277	(5,131)	(5,131)
Fiscal services	37,008	-	-	(37,008)	(37,008)
Food services	605	-	-	(605)	(605)
Pupil transportation services	72,195	-	-	(72,195)	(72,195)
Operation of plant	5,911	-	-	(5,911)	(5,911)
Total governmental activities	<u>\$ 648,776</u>	<u>\$ 24,500</u>	<u>\$ 40,277</u>	<u>(583,999)</u>	<u>(583,999)</u>
General revenues:					
FEFP fees				521,253	521,253
IDEA revenues				61,410	61,410
Title I revenues				4,974	4,974
Other revenues				2,504	2,504
Total general revenues				<u>590,141</u>	<u>590,141</u>
Change in net assets				6,142	6,142
Net assets, beginning of year				<u>113,957</u>	<u>113,957</u>
Net assets, end of year				<u>\$ 120,099</u>	<u>\$ 120,099</u>

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, 2010

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 45,521
Receivables	76,006
Prepaid expenses	7,325
Total assets	<u>\$ 128,852</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 32,157
Due to related party	2,104
Total liabilities	<u>34,261</u>
Fund balance:	
Undesignated	94,591
Total liabilities and fund balance	<u>\$ 128,852</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, 2010

	<u>General Fund</u>
Revenues:	
FEFP fees	\$ 521,253
IDEA revenues	61,410
Capital outlay grant	40,277
Title I revenues	4,974
Other revenues	27,004
Total revenues	<u>654,918</u>
Expenditures:	
Instruction	261,237
Pupil personnel services	55,965
Instructional staff training services	1,584
Board	308
General administration	60,085
School administration	111,276
Facilities, acquisition and construction	42,769
Fiscal services	37,008
Food services	313
Pupil transportation services	72,195
Operation of plant	4,311
Total expenditures	<u>647,051</u>
Net change in fund balance	7,867
Fund balance, beginning of fiscal year	<u>86,724</u>
Fund balance, end of fiscal year	<u>\$ 94,591</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, 2010

Total governmental fund balance	\$ 94,591
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	79,154
Accumulated depreciation	<u>(53,646)</u>
Total net assets	<u>\$ 120,099</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, 2010

Net change in fund balances - total governmental fund	\$ 7,867
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:	
Expenditures for capital assets	3,806
Current year depreciation	<u>(5,531)</u>
Change in net assets	<u><u>\$ 6,142</u></u>

See accompanying notes to financial statements.

For the Year Ended June 30, 2010

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 14-22, 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 associated 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, 2010

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

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, 2010

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. Accordingly, there is no provision for income tax in these financial statements.

2. **Revenue from Government Agencies and Receivables**

SAIL receives a substantial amount of its revenue from government agencies. A significant reduction in the level of this revenue may have a material effect on SAIL's programs, activities, and its ability to continue operations. Recognizing the ongoing reductions in governmental funding, SAIL made a concerted effort to recruit more students for the 2009-2010 fiscal year and increased enrollment by 8 students. Receivables as of June 30, 2010 include \$61,410 of IDEA reimbursement, \$11,200 of the Town of Palm Beach allocation and \$3,396 of the District capital outlay. Management deems these amounts fully collectible and there is no provision for bad debt included herein.

3. **Property and Equipment**

Following is a detail of property and equipment as of June 30, 2010:

	Beginning Balance	Additions	Dispositions	Ending Balance
Leasehold improvements	\$ 36,739	\$ 3,806	\$ -	\$ 40,545
Furniture, fixtures & equipment	38,609	-	-	38,609
	75,348	-	-	79,154
Less accumulated depreciation	(48,115)	(5,531)	-	(53,646)
Total property and equipment	<u>\$ 27,233</u>	<u>\$ (1,725)</u>	<u>\$ -</u>	<u>\$ 25,508</u>

Depreciation expense for the year ended June 30, 2010 was \$5,531.

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 lease was extended one year to June 30, 2010. The monthly lease payments are \$3,600. Rent expense for the year ended June 30, 2010 was \$39,759 and is included in purchased services under facilities, acquisition and construction in the statement of activities.

For the Year Ended June 30, 2010

4. **Lease, continued**

A new lease was signed with the same lessor for July 1, 2010 to June 30, 2012 for monthly lease payments of \$3,800 and continues to include the 60 day termination clause. Future minimum lease payments under this lease agreement are \$43,700 for each fiscal year for June 30, 2010 to 2012. SAIL expects to move the school location in January 2011 to a building purchased by Seagull.

5. **Pension Plan**

Seagull has established a non-contributory, defined contribution plan for its employees, including those employees of SAIL. 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, 2010, Seagull contributed \$7,582 on behalf of SAIL employees, which is a 3% contribution for eligible employees.

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, and there is no such liability recorded as of June 30, 2010.

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, 2010, SAIL was billed \$547,162 and made payments of \$563,441, paying the prior year payable of \$18,383 and leaving a remaining payable due to Seagull of \$2,104 at June 30, 2010.

8. **Subsequent Events**

Management has evaluated subsequent events through September 28, 2010, the date on which the financial statements were available to be issued. The charter for SAIL expired June 30, 2010. The existing Charter has been extended until December 31, 2010 to allow for the negotiation of the new charter agreement. Even though the negotiation was not complete by June 30, 2010 the School District of Palm Beach County recommended to the School Board that the charter renewal be approved.

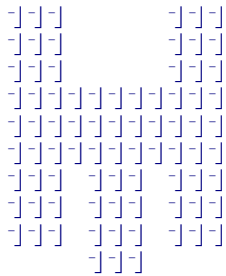
**SEAGULL ACADEMY FOR INDEPENDENT
LIVING - A PROGRAM OF SEAGULL
INDUSTRIES FOR THE DISABLED, INC.**

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

For the Year Ended June 30, 2010

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
FEFP fees	\$ 459,484	\$ 521,253	\$ 61,769
IDEA revenues	71,500	61,410	(10,090)
Capital outlay grant	28,000	40,277	12,277
Title I revenues	4,974	4,974	-
Other revenues	55,000	27,004	(27,996)
Total revenues	<u>618,958</u>	<u>654,918</u>	<u>35,960</u>
Expenditures:			
Instruction	268,023	261,237	6,786
Pupil personnel services	56,201	55,965	236
Instructional staff training services	-	1,584	(1,584)
Board	-	308	(308)
General administration	60,000	60,085	(85)
School administration	86,587	111,276	(24,689)
Facilities, acquisition and construction	39,670	42,769	(3,099)
Fiscal service	37,787	37,008	779
Food service	2,000	313	1,687
Pupil transportation services	64,240	72,195	(7,955)
Operation of plant	4,450	4,311	139
Total expenditures	<u>618,958</u>	<u>647,051</u>	<u>(28,093)</u>
Net change in fund balance	<u>\$ -</u>	7,867	<u>\$ 7,867</u>
Fund balance, beginning of fiscal year		<u>86,724</u>	
Fund balance, end of fiscal year		<u>\$ 94,591</u>	

See independent auditor's report.



Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

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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. ("SAIL") as of and for the year ended June 30, 2010, which collectively comprise the Seagull Academy for Independent Living - A Program of Seagull Industries for the Disabled, Inc.'s basic financial statements and have issued our report thereon dated September 28, 2010. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 September 28, 2010.

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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
September 28, 2010

MANAGEMENT LETTER

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

We have audited the financial statements of Seagull Academy for Independent Living (SAIL) - A Program of Seagull Industries for the Disabled, Inc., in Riviera Beach, Florida for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in that report, which is dated September 28, 2010 should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report:

1. Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations requiring corrective actions in the prior year audit.
2. Section 10.854(1)(e)3, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
3. Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
4. Section 10.854(1)(e)5, Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit we noted the following current year recommendations:
 - a. During our disbursement testing we noted that in some instances there were not two authorizing approvals as required per the School District contract.

- *Management Response:* A response to our query regarding the dual signature requirement was received after publication of the 2008-2009 audit report. According to Jeannette Merced in the Charter School Accounting Department, SAIL is governed by its board of directors. As the board has voted to require one signature on disbursements under \$5,000, one signature is required. However, to ensure that the Board is aware of all disbursements, each board member is furnished with a Check Disbursements Report as part of the monthly financial reporting.

SAIL had the following management letter items in the prior year audit.

- b. We recommended that prior to payment all receipts be accumulated and that the purpose and responsible party be noted.
 - In the instances noted, receipts were not available, and the disbursements were supported with purchase orders that were authorized by two approving individuals.
 - c. We recommended that Management request clarification from the School District regarding authorization on disbursements.
 - Management stated they received clarification on this matter. Refer to current year comments above for further discussion regarding authorization of disbursements.
5. Section 10.854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school. The official name of the school is Seagull Academy for Independent Living.
 6. Section 10.854(1)(e)2, Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that SAIL did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
 7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of Management, and the Florida Auditor General, Board of Directors, 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
September 28, 2010