

House District 40

Senate District 19

THE TWENTY-SIXTH LEGISLATURE
HAWAII STATE LEGISLATURE
APPLICATION FOR GRANTS & SUBSIDIES
CHAPTER 42F, HAWAII REVISED STATUTES

Log No: 91-C

For Legislature's Use Only

REC'D JAN 20 2011

Type of Grant or Subsidy Request:

GRANT REQUEST - OPERATING

GRANT REQUEST - CAPITAL

SUBSIDY REQUEST

"Grant" means an award of state funds by the legislature, by an appropriation to a specified recipient, to support the activities of the recipient and permit the community to benefit from those activities.

"Subsidy" means an award of state funds by the legislature, by an appropriation to a recipient specified in the appropriation, to reduce the costs incurred by the organization or individual in providing a service available to some or all members of the public.

"Recipient" means any organization or person receiving a grant or subsidy.

STATE DEPARTMENT OR AGENCY RELATED TO THIS REQUEST (LEAVE BLANK IF UNKNOWN):

DEPARTMENT OF EDUCATION, DEPARTMENT OF HUMAN SERVICES

STATE PROGRAM I.D. NO. (LEAVE BLANK IF UNKNOWN): _____

1. APPLICANT INFORMATION:

Legal Name of Requesting Organization or Individual:

Db/a: Seagull Schools, Inc.

Street Address: 1300 Kailua Road, Kailua, HI 96734

Mailing Address: 1300 Kailua Road, Kailua, HI 96734

2. CONTACT PERSON FOR MATTERS INVOLVING THIS APPLICATION:

Name CHARLES LARSON

Title Executive Director

Phone # 808-261-8534

Fax # 808-261-7052

e-mail seagull@aloha.com

3. TYPE OF BUSINESS ENTITY:

- NON PROFIT CORPORATION
- FOR PROFIT CORPORATION
- LIMITED LIABILITY COMPANY
- SOLE PROPRIETORSHIP/INDIVIDUAL

6. DESCRIPTIVE TITLE OF APPLICANT'S REQUEST:

CONSTRUCT PRESCHOOL BUILDING FOR 40 CHILDREN ON CAMPUS OF KAPOLEI ELEMENTARY SCHOOL. PROJECT COORDINATED AND PARTICULARLY FUNDED BY PRIVATE NON PROFIT PRESCHOOL, SEAGULL SCHOOLS.

4. FEDERAL TAX ID # _____

5. STATE TAX ID #: _____

7. AMOUNT OF STATE FUNDS REQUESTED:

FY 2011-2012: \$ 300,000

8. STATUS OF SERVICE DESCRIBED IN THIS REQUEST:

- NEW SERVICE (PRESENTLY DOES NOT EXIST)
- EXISTING SERVICE (PRESENTLY IN OPERATION)

SPECIFY THE AMOUNT BY SOURCES OF FUNDS AVAILABLE AT THE TIME OF THIS REQUEST:

STATE \$ _____
 FEDERAL \$ _____
 COUNTY \$ _____
 PRIVATE/OTHER \$ 150,000

TYPE NAME & TITLE OF AUTHORIZED REPRESENTATIVE

CHARLES LARSON, EXECUTIVE DIRECTOR
NAME & TITLE

JANUARY 20, 2011
DATE SIGNED

Application for Grants and Subsidies

I. Background and Summary

1. Seagull Schools is a private, non-profit 501 (c) (3) corporation, that for the past 40 years has been serving Hawai'i's communities by developing and operating childcare and early education facilities. It has become one of the state's largest child care providers, serving approximately 1,000 children from mixed socio-economic backgrounds. The schools' seven (7) centers are located in Kailua, Ewa Beach, Kapolei (2), Ko Olina, and downtown Honolulu on the island of O'ahu, and at the Mauna Lani Resort on the island of Hawai'i. From the Kapolei school Seagull also operates a food service program from a central kitchen which prepares over 2,400 meals a day and an adult day service program for older adults.

All of the Seagull Schools childcare and early education centers are currently accredited by the National Association for the Education of Young Children (NAEYC) except for a new center that opened at Ko Olina in April 2010.

The schools' child development programs are known for their exceptional ability to provide quality care and early education at affordable rates that meet the needs of working parents.

At Seagull Schools, we are exceptionally proud that our services are provided to a broad spectrum of socio-economic levels within the community. The childcare centers currently have 240 children whose attendance is supported by funding from the State of Hawai'i or Kamehameha Schools. Besides having fees that are among the lowest in the state, Seagull Schools also provides approximately \$65,000 in financial aid annually to children from a separate tuition assistance program that is partially funded by local charitable foundations.

Seagull Schools also provides quality employment and training. During the past fifteen years of operation, Seagull Schools has trained and hired more than 30 persons from Welfare to Work programs. These jobs, as with all the programs of Seagull Schools, are self-sustaining and require no type of on-going government funding or support.

The mission of Seagull Schools is to provide early education programs of the highest value, which are responsive to Hawai'i's diverse community.

Seagull Schools has been opportunistic in developing new childcare centers that are responsive to Hawai'i's growth. In the past eighteen years the schools have obtained more than \$15 million in grants, loans and gifts to develop well designed, beautiful, state of the art childcare facilities in Kapolei, Ko Olina, Ewa Beach and Kailua. The schools are all beautifully landscaped, naturally ventilated and energy efficient.

More specifically, Seagull Schools leveraged \$2,300,000 of grants from the

Hawai'i State Legislature to construct facilities valued at \$15,000,000 that support the public need for early education and childcare.

Since 2006, Seagull Schools has contracted with the Department of Human Services (DHS) to operate a Pre Plus facility at Kapolei Elementary School for 30 children. It is one of seventeen Pre Plus facilities constructed on Department of Education (DOE) campuses that were developed to provide early education opportunities for 3 and 4 year old children from low to moderate income families.

The Kapolei Pre Plus program operated by Seagull Schools differs from all the other Pre Plus programs because it has a 50% larger capacity, longer operating hours to support working families, is not operated by Head Start and is funded by fees charged to parents. It also differs in appearance as evidenced by the relatively large and beautifully landscaped playground.

2. Seagull Schools is requesting a CIP grant of \$300,000 to partially fund construction of two new early education classrooms for 40 children on the Kapolei Elementary School campus. The one-time grant from the State of Hawai'i will support a project that will complement the state's Pre-Plus program. It will provide additional much-needed childcare slots at a per child cost that is only a fraction of what is spent by the state for similar facilities. The location of this project is in an area demonstrated to be of greatest need for this service both now and into the future.

The new classroom building will be constructed on a vacant parcel of land at Kapolei Elementary School that is adjacent to the existing Pre Plus building. The design of the new building will be very similar to one that was constructed in 2009 at the Kailua Seagull Schools. It will also be energy efficient with naturally cooled classrooms. The Kailua project was also partially funded by a chapter 42F CIP grant of \$300,000.

The projected total cost of this project is \$450,000. The balance of needed funding (\$150,000) will be obtained from non-state sources. We are confident in our ability to financially complete this project due to our previous successes. The result will be services and economic benefits to the local communities far beyond the State's grant contribution.

3. For the past fifteen years, Seagull Schools has provided significant services to the West O'ahu Community. Its nationally accredited preschools at Kapolei and Ewa Beach operate at full capacity with a combined enrollment of 420 children aged 2 to 5 years old. The Kapolei Pre Plus program also operates at full capacity with 30 children.

This project will expand Seagull's ability to provide the basic education needs of a growing Kapolei population. It will allow more students, regardless of socio-economic backgrounds, to be better prepared for the increasing educational

demands of a technology-oriented society.

The Good Beginnings Alliance (GBA) recently confirmed the need for greater attention to early education in Hawai'i with the following statements.

- Early intervention for developmentally delayed children can eliminate the need for special education.
- Every \$1 spent on early childhood services in Hawai'i produces \$4.2 return on investment.
- Hawai'i currently dedicates less than 3% of its resources to young children and their families.
- 85% of brain development happens before age 5.
- Less than 10% of Kindergarten classes have at least 75% of children entering with the necessary pre-literacy and pre-math skills.
- 40% of Hawai'i's public school kindergarten students did not attend preschool (2009).

Because of the rapid growth of industry and economic development in the Kapolei area, the services provided by Seagull Schools are in great demand. This is evidenced by the current wait list for enrollment at both of the Seagull Schools preschools located in Kapolei.

The State of Hawai'i continues to suffer through a significant economic downturn. While signs of economic recovery are beginning to appear, unemployment claim data indicate that Hawai'i continues to experience increases in unemployment. Construction of the new facility at Kapolei will not only provide enriching and educationally stimulating programs to an increasing number of young, it will also create additional job training and employment.

4. The target population to be served at Seagull Schools' Kapolei Elementary School Pre Plus campus includes children aged two to five years. It will also create additional job training and employment for seven people from West O'ahu.

With significant development of business, employment and residential opportunities in the Kapolei area, this project is being developed as a result of the existing and growing demand for childcare and early education as evidenced by the wait list for enrollment in Seagull Schools' programs. The capacity of this new classroom project is currently projected to accommodate 40 children.

5. Seagull Schools at this time is developing a plan that will significantly expand its services to Kapolei residents.

Development of the two new classrooms will provide additional educational opportunities for 40 children and provide childcare support for their working parents.

II. Service Summary and Outcomes

The Service Summary shall include a detailed discussion of the applicant's approach to the request. The applicant shall clearly and concisely specify the results, outcomes, and measures of effectiveness from this request.

1. This project will result in construction of a new building at Kapolei Elementary School that will contain two classrooms, two restrooms, and an office and storage area. It will also enlarge and equip an existing playground area.

It will utilize existing architectural plans for a classroom building recently constructed at Seagull Schools' Kailua facility.

Construction of the project will be managed by administrative staff of Seagull Schools that have over-sight experience of four previous childcare center construction projects. They will coordinate Architectural design, permitting, construction bids, site monitoring and payment.

2. The timeline will begin when project funding is approved.

Month 1. Complete architectural design work

Month 2. Apply for building permit

Month 5. Solicit construction bids

Month 6. Award construction contract

Month 9. Begin construction

Month 12. Complete construction

3. Seagull Schools is nationally accredited by the National Association for the Education of Young Children (NAEYC), and continuously licensed by the State of Hawai'i Department of Human Services. As such, Seagull Schools adheres to the rigorous quality standards set by NAEYC and the State of Hawai'i Department of Human Services. Additionally, Seagull Schools was recognized by the Hawai'i Association for the Education of Young Children (HAEYC) "for becoming the first Early Education multi-site program in Hawai'i to have all its centers accredited by the National Academy of Early Childhood Programs." The significance of this recognition for providing high quality programs is enhanced when one considers the difficulty of the accreditation process in relationship to the size of the programs being accredited. Three of Seagull School's programs are the largest in the state outside of military facilities.

Seagull School's Quality Improvement/ Assurance Committee is comprised of members of a Board of Directors from the communities Seagull Schools serves. Measures of effectiveness to be evaluated by the Quality Improvement/Assurance Committee include:

- Full enrollment of 40 children at the new facility

- Satisfaction with the quality of the construction
 - Appropriateness of learning activities provided to the children
 - Provision for professional training and development of the teaching staff
 - Job training and employment opportunities for community residents
 - NAEYC accreditation
4. Previous projects of Seagull Schools that were partially funded with State grants were monitored by the Office of Community Services (OCS) of the Department of Labor and Industrial Relations (DLIR). In all of the projects the OCS staff assigned a person to monitor the construction weekly and process contractor payments on a timely basis. Other over-sight will be provided by designated members of the Seagull Schools Board of Directors who will make weekly construction site inspections and participate in weekly owner, architect, and contractor meetings.

III. Financial

Budget

1. See budget forms
2. Schedule of quarterly funding requests

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
			\$300,000	\$300,000

3. Other sources of funding will be provided by Seagull Schools.

IV. Experience and Capability

A. Necessary Skills and Experience

Seagull Schools has successfully fulfilled its mission of responding to the early education needs of Hawai'i's diverse community by providing affordable early education programs of the highest value. In its forty years, Seagull Schools' history has included, but is not limited to, the following events:

- 1970 First Seagull School preschool began in Kailua for 38 children
- 1973 Began food service that today prepares more than 2,400 meals per day
- 1973 Seagull Schools begins eighteen (18) years of a P.O.S. child care contract with the State of Hawai'i
- 1974 Seagull Schools opens preschool in Waimanalo with P.O.S. funding (closed in 1992)
- 1975 Seagull Schools opens an Elementary school with grades K – 6 in Waimanalo (closed in 1996)
- 1980 Started the Child Care Switchboard as a community based child care

referral program

- 1981 Created the Play Plus Program
- 1983 Seagull Schools began Hawai'i's first center-based infant/toddler day care
- 1986 Began contracting with the City of Honolulu to operate the State's largest child care center with licensed capacity for 264 children. It is still operated by Seagull Schools.
- 1988 Manoa child care center opens (closed in 1992)
- 1989 Ecumenical Housing Corporation contracts to operate child care center for Kalihi homeless children. (Converted to Head Start in 1992)
- 1990 Mauna Lani Resort contracts with Seagull Schools to operate their employee child care center on the Big Island. (Continues to present)
- 1995 Completed (Phase I) \$3.2 million Kapolei preschool facility
- 1997 Completed (Phase II) \$800,000 Kapolei adult care facility
- 2001 Co-sponsored international intergenerational conference
- 2001 Began Kapolei's first private elementary school
- 2001 Received KOA award for excellence in education
- 2002 Completed Kapolei school (Phase III) \$1.2 million construction to add space for additional 25 disabled seniors
- 2006 Completed construction of \$4 million Ewa Beach preschool facility
- 2006 Began operation of Pre Plus center at Kapolei
- 2009 Completed construction of Kailua Preschool classroom project \$490,000
- 2010 Completed (Phase I) \$1.9 million Ko Olina preschool construction

B. Facilities

Seagull Schools currently operates seven childcare centers in Hawai'i. The Seagull School in Kailua opened in 1970 with 38 children and expanded to 74 children in 2009. The Early Education Center is leased from the City and is located in the Capitol district. It is Hawai'i's largest childcare center with a capacity for 264 children. The Seagull School at Kapolei is owned by Seagull Schools and provides care for 240 children and 60 frail elderly adults. It was constructed in three phases from 1995 to 2002. The Seagull School at Mauna Lani on the Big Island is licensed for 75 children and has been operated by Seagull Schools since it was constructed in 1990. The Seagull School at Ewa Beach is owned by Seagull Schools. It was constructed in 2006 for 240 children. The Seagull Schools at Ko Olina is owned by Seagull Schools. Phase I construction for 150 children was completed in 2010. The Seagull Schools Pre Plus program at Kapolei Elementary School has provided care for 30 children since 2006.

V. Personnel: Project Organization and Staffing

A. Proposed Staffing, Staff Qualifications, Supervision and Training

Seagull School's founder and current executive director is Chuck Larson. He has a B.Ed. and M.Ed. and has had primary responsibility and over-sight of all Seagull Schools projects. He currently serves as a member of the State Early Learning Council.

The Chief of Operations is Jayne Arasaki. She has been employed at Seagull Schools since 1986 and has a B.Ed. and is currently competing work on an M.Ed. She has overall responsibility for program development, staff training, and safety and recruiting.

The Chief Financial Officer is Cheryl Campbell. She has been employed at Seagull Schools since 1994 and has had financial over-sight for all financial operations for the organization including four school construction projects.

B. Organization Chart

See attachment

VI. Other

A. Litigation

There are no pending litigations.

B. Licensure or Accreditation

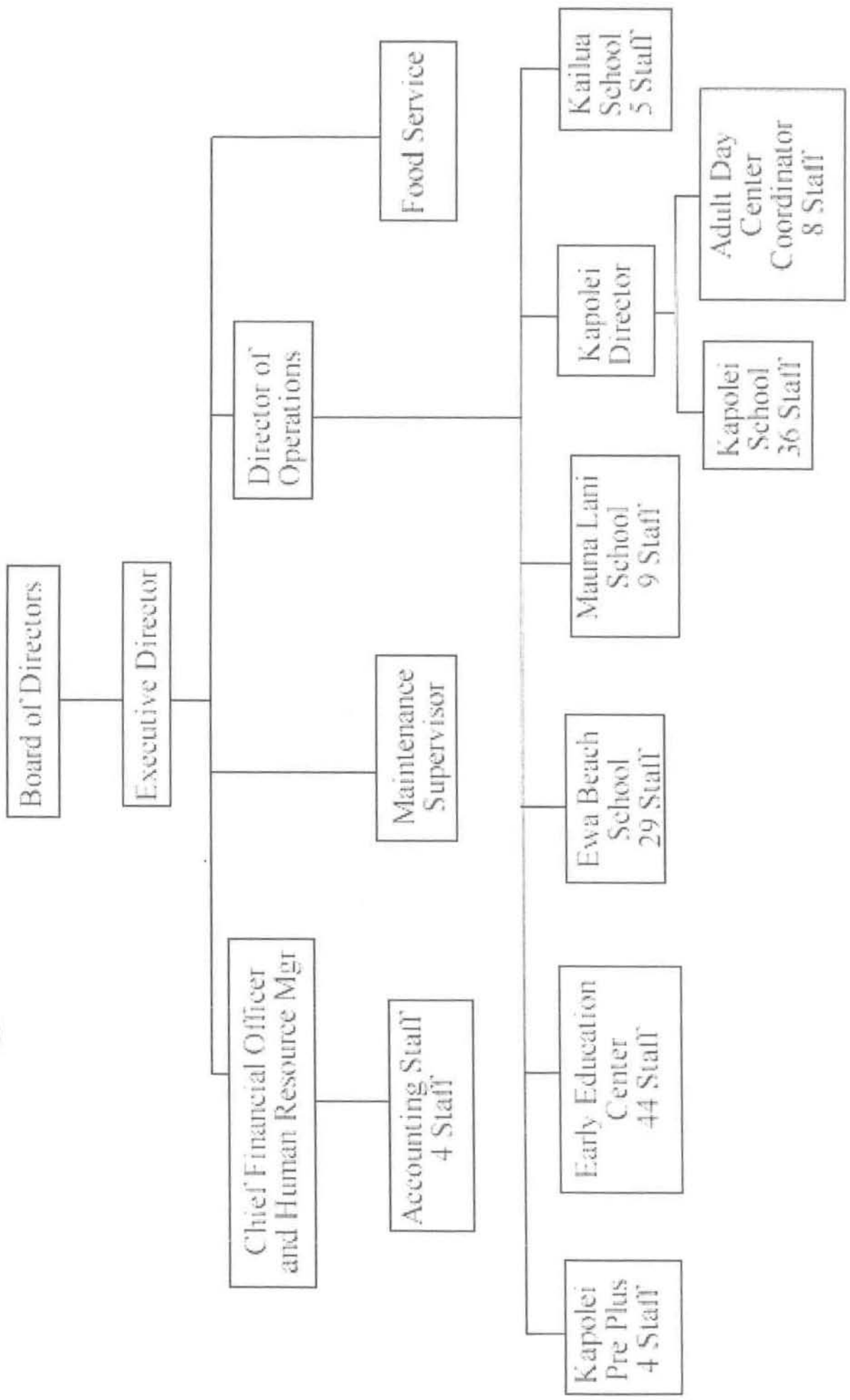
All of the Seagull School facilities are licensed by the State of Hawai'i DHS. All of the Seagull Schools are accredited by the NAEYC except for the new school at Ko Olina which is not eligible for accreditation until April 2012.

VII. Attachments

- A. Organization Chart**
- B. Project Budget Forms**
- C. Copy of License and Accreditation**
- D. Letter of Determination – 501 (c) (3)**
- E. Latest Audited Financial Statement**
- F. Declaration Statement**
- G. By Laws and Policies**
- H. Biography of Executive Director**



ORGANIZATIONAL CHART SEAGULL SCHOOLS, INC.



BUDGET JUSTIFICATION PERSONNEL - SALARIES AND WAGES

Applicant: Seagull Schools, Inc.

Period: July 1, 2011 to June 30, 2012

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
0				\$ -
				\$ -
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				\$ -
				\$ -
				\$ -
TOTAL:				0.00
JUSTIFICATION/COMMENTS:				

**BUDGET JUSTIFICATION
CAPITAL PROJECT DETAILS**

Applicant: Seagull Schools, Inc.

Period: July 1, 2011 to June 30, 2012

FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2009-2010	FY: 2010-2011	FY:2011-2012	FY:2011-2012	FY:2012-2013	FY:2013-2014
PLANS					0	0
LAND ACQUISITION					0	0
DESIGN					0	0
CONSTRUCTION			300,000.00		0	0
EQUIPMENT					0	0
TOTAL:			300,000.00		0	0
JUSTIFICATION/COMMENTS:						

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
BENEFIT, EMPLOYMENT AND SUPPORT SERVICES DIVISION

THE KAPOLEI ELEMENTARY PRE PLUS FACILITY

is hereby granted a
Certificate of Approval

015607

*to operate a GCC - Preschool Program at
91-1119 KAMAAHA LP, KAPOLEI, HI 96707
for children not to exceed 30 in number. Said children shall be over 3 years of age and under 6
years of age. This certificate is issued in accordance with Section 346-161, Hawaii Revised
Statutes, 1985, for the period beginning May 17, 2010, and ending May 16, 2011, unless sooner
revoked for cause.*



LILLIAN B. KOLLER
Director, Department of Human Services

Administrator

National Association for the Education of Young Children

Having met the NAEYC Early Childhood Program Standards,

Seagull School Pre Plus Facility

91-1119 Kama'aha Loop

Kapolei HI 96707

Program ID 725180

is hereby awarded

NAEYC Accreditation

by the NAEYC Academy for Early Childhood Program Accreditation

12/01/2014

Certificate is valid until date above.

www.rightchoiceforkids.org
accreditation.information@naeyc.org
800-424-2460



Internal Revenue Service
District Director

Department of the Treasury
LA: EO: 79 1271

Date: 07 JUN 1979

Our Letter Dated: January 24, 1974
and May 18, 1976

Person to Contact: W. E. Pure

Contact Telephone Number:
(213) 688-5787

Seagull School
1300 Kailua
Kailua, Hawaii 96734

Gentlemen:

This modifies our letter of the above date in which we stated that you would be treated as an organization which is not a private foundation until the expiration of your advance ruling period.


Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Internal Revenue Code, because you are an organization of the type described in section 170(b)(1)(A)(vi)*. Your exempt status under section 501(c)(3) of the code is still in effect.

Grantors and contributors may rely on this determination until the Internal Revenue Service publishes notice to the contrary. However, a grantor or a contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 170(b)(1)(A)(vi)* status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 170(b)(1)(A)(vi)* organization.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,


W. H. Connett
District Director

* and section 509(a)(1)

**DECLARATION STATEMENT
APPLICANTS FOR GRANTS AND SUBSIDIES
CHAPTER 42F, HAWAII REVISIED STATUTES**

The undersigned authorized representative of the applicant acknowledges that said applicant meets and will comply with all of the following standards for the award of grants and subsidies pursuant to section 42F-103, Hawaii Revised Statutes:

- (1) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant or subsidy is awarded;
- (2) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) Agree not to use state funds for entertainment or lobbying activities; and
- (4) Allow the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant or subsidy.

In addition, a grant or subsidy may be made to an organization only if the organization:

- (1) Is incorporated under the laws of the State; and
- (2) Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.

Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (1) Has been determined and designated to be a non-profit organization by the Internal Revenue Service; and
- (2) Has a governing board whose members have no material conflict of interest and serve without compensation.

For a grant or subsidy used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant or subsidy was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant or subsidy used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Seagull Schools, Inc.

(Typed Name of Individual or Organization)


(Signature)

1/10/11
(Date)

Charles E. Larson

(Typed Name)

Executive Director

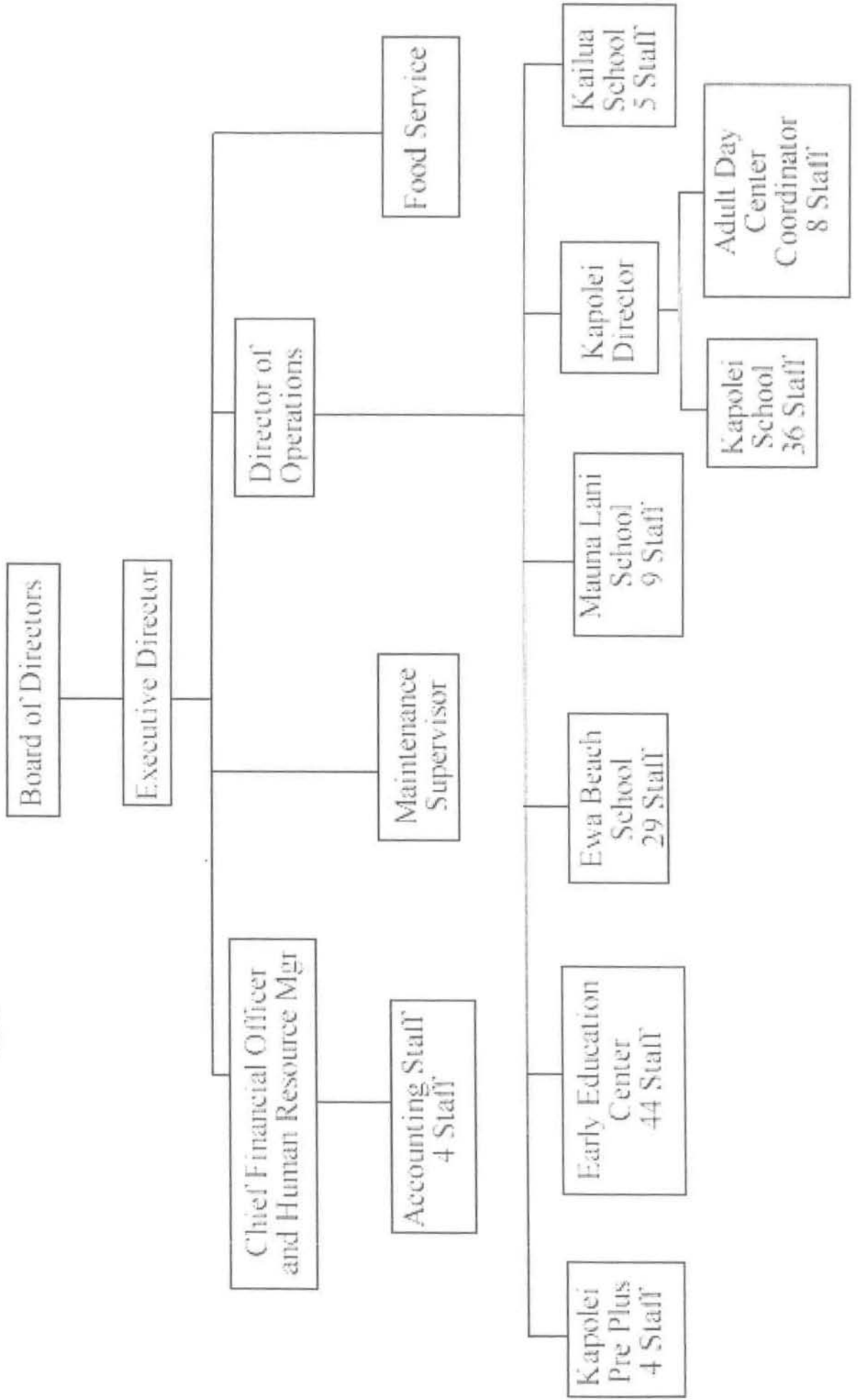
(Title)

Biography of Executive Director of Seagull Schools

Chuck Larson is the co-founder and Executive Director of Seagull Schools. He has a Bachelor's Degree in Primary Education and a M.Ed. in teaching exceptional children. He is a past member of the Kailua-Waimanalo Community Education Coalition, the Honolulu County Commission on the Status of Women and the State Committee to develop new licensing regulations for infant/toddler care. He is also a past president of the Waimanalo Methodist Church and a past secretary for the Polynesian Voyaging Society. He is the current president of the Hawai'i Intergenerational Network and is also a member of the Childcare Business Coalition. In 2007 he received the prestigious KOA Award for Entrepreneur of the Year, and in 2008 was appointed by Governor Lingle to serve on the Early Learning Council.



ORGANIZATIONAL CHART SEAGULL SCHOOLS, INC.



BUDGET JUSTIFICATION PERSONNEL - SALARIES AND WAGES

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TOTAL:				0.00
JUSTIFICATION/COMMENTS:				

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CAPITAL PROJECT DETAILS**

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STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
BENEFIT, EMPLOYMENT AND SUPPORT SERVICES DIVISION

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12/01/2014

Certificate is valid until date above.

www.rightchoiceforkids.org
accreditation.information@naeyc.org
800-424-2460




Mark R. Ginsberg, Ph.D.
NAEYC Executive Director

Internal Revenue Service
District Director

Department of the Treasury
LA: EO:79 1271

Date: 07 JUN 1979

Our Letter Dated: January 24, 1974
and May 18, 1976

Person to Contact: W. E. Pure

Contact Telephone Number:
(213) 688-5787

Seagull School
1300 Kailua
Kailua, Hawaii 96734

Gentlemen:

This modifies our letter of the above date in which we stated that you would be treated as an organization which is not a private foundation until the expiration of your advance ruling period.

Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Internal Revenue Code, because you are an organization of the type described in section 170(b)(1)(A)(vi)*. Your exempt status under section 501(c)(3) of the code is still in effect.

Grantors and contributors may rely on this determination until the Internal Revenue Service publishes notice to the contrary. However, a grantor or a contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 170(b)(1)(A)(vi)* status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 170(b)(1)(A)(vi)* organization.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,


W. H. Connett
District Director

* and section 509(a)(1)

SEAGULL SCHOOLS, INC.
(A Non-Profit Corporation)

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SEAGULL SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS	2010	2009
Current Assets		
Cash and cash equivalents	\$ 1,788,600	\$ 2,863,503
Grants receivable	36,000	87,782
Accounts receivable	281,201	149,296
Promise receivable	7,500	7,500
Prepaid expenses	126,950	106,835
Total current assets	2,240,251	3,214,916
Property and equipment, net	14,274,242	11,397,662
Other Assets		
Cash held for others	-	15,801
Construction in progress	-	777,883
Total assets	\$ 16,514,493	\$ 15,406,262
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 28,662	\$ 16,914
Accrued expenses	70,557	72,280
Accrued payroll and related liabilities	259,292	195,283
Tuition deposits	462,953	459,520
Deferred revenues	86,582	134,262
Note payable - current portion	78,400	74,600
Total current liabilities	986,446	952,859
Other Liabilities		
Resources held for others	-	15,801
Note payable - noncurrent portion	4,245,202	4,323,621
Total liabilities	5,231,648	5,292,281
Net Assets		
Unrestricted	11,268,209	9,441,771
Temporarily restricted	14,636	672,210
Total net assets	11,282,845	10,113,981
Total liabilities and net assets	\$ 16,514,493	\$ 15,406,262

See notes to financial statements

SEAGULL SCHOOLS, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010 with Summarized Comparative Totals for 2009

	Unrestricted	Temporarily Restricted	Total	
			2010	2009
Revenue and net assets released from restrictions:				
Tuition and fees	\$ 6,882,948	\$ 90,091	\$ 6,973,039	\$ 6,817,421
Contributions	208,849	666,000	874,849	1,169,793
Fundraising	12,067	-	12,067	62,863
Rental income	20,842	-	20,842	16,081
Investment income	6,739	-	6,739	32,771
Other income	116,221	-	116,221	34,568
Net assets released from restriction:				
Satisfaction of program restriction	<u>1,413,665</u>	<u>(1,413,665)</u>	<u>-</u>	<u>-</u>
 Total revenue and net assets released from restrict	<u>8,661,331</u>	<u>(657,574)</u>	<u>8,003,757</u>	<u>8,133,497</u>
Expenses:				
Program services	<u>6,228,638</u>	<u>-</u>	<u>6,228,638</u>	<u>6,080,983</u>
Supporting activities				
Management and general	483,782	-	483,782	474,629
Fundraising	<u>122,473</u>	<u>-</u>	<u>122,473</u>	<u>152,279</u>
 Total supporting activities	<u>606,255</u>	<u>-</u>	<u>606,255</u>	<u>626,908</u>
 Total expenses	<u>6,834,893</u>	<u>-</u>	<u>6,834,893</u>	<u>6,707,891</u>
 Change in net assets	1,826,438	(657,574)	1,168,864	1,425,606
Net assets, beginning of year	<u>9,441,771</u>	<u>672,210</u>	<u>10,113,981</u>	<u>8,688,375</u>
Net assets, end of year	<u>\$ 11,268,209</u>	<u>\$ 14,636</u>	<u>\$ 11,282,845</u>	<u>\$ 10,113,981</u>

See notes to financial statements

SEAGULL SCHOOLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010 with Summarized Comparative Totals for 2009

	Program Services	Supporting Activities			Total	
		Management and General	Fundraising	Total Supporting Activities	2010	2009
Personnel Expenses:						
Salaries and wages	\$ 3,655,713	\$ 324,952	\$ 81,238	\$ 406,190	\$4,061,903	\$4,001,879
Payroll taxes	330,820	29,406	7,352	36,758	367,578	381,005
Employee benefits	486,297	43,226	10,807	54,033	540,330	512,197
Total personnel expenses	<u>4,472,830</u>	<u>397,584</u>	<u>99,397</u>	<u>496,981</u>	<u>4,969,811</u>	<u>4,895,081</u>
Operating Expenses:						
Food	401,027	7,968	11,911	19,879	420,906	402,151
Depreciation and amortization	271,577	-	-	-	271,577	248,566
Occupancy	191,732	13,091	-	13,091	204,823	195,754
Interest expense	193,900	-	-	-	193,900	196,968
Contractual services	111,913	36,008	900	36,908	148,821	99,623
Office supplies	127,684	-	-	-	127,684	144,057
Utilities	110,718	2,068	-	2,068	112,786	106,978
Insurance	65,301	3,195	-	3,195	68,496	53,915
Equipment rental and maintenance	47,883	6,107	550	6,657	54,540	70,954
Bank fees	50,144	-	-	-	50,144	48,122
Repairs and maintenance	44,872	433	4,146	4,579	49,451	44,606
Bad debts	45,086	-	-	-	45,086	10,085
Advertising	21,397	-	-	-	21,397	17,157
Telephone	18,689	2,623	-	2,623	21,312	20,901
Employee recruitment and training	16,535	3,510	346	3,856	20,391	64,563
Taxes, licenses and fees	18,354	8	1,753	1,761	20,115	23,888
Travel	11,324	6,626	-	6,626	17,950	20,867
Meetings and conferences	8,199	4,533	322	4,855	13,054	10,654
Program activities	3,674	28	3,117	3,145	6,819	(875)
Administrative overhead	-	-	-	-	-	604
Miscellaneous	(4,201)	-	31	31	(4,170)	33,272
Total operating expenses	<u>1,755,808</u>	<u>86,198</u>	<u>23,076</u>	<u>109,274</u>	<u>1,865,082</u>	<u>1,812,810</u>
Total expenses	<u>\$ 6,228,638</u>	<u>\$ 483,782</u>	<u>\$ 122,473</u>	<u>\$ 606,255</u>	<u>\$6,834,893</u>	<u>\$6,707,891</u>

See notes to financial statements

SEAGULL SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
June 30, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,168,864	\$ 1,425,606
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	271,577	248,566
Changes in operating assets and liabilities:		
Grants receivable	51,782	14,000
Accounts receivable	(131,905)	(87,422)
Promise receivable	-	5,000
Prepaid expenses	(20,115)	(8,754)
Construction in progress	777,883	(295,406)
Accounts payable	11,748	199
Accrued expenses	(1,723)	(15,153)
Accrued payroll and related liabilities	27,021	(8,784)
Tuition deposits	3,433	92,466
Deferred revenue	(10,692)	43,061
Net cash provided by operating activities	2,147,873	1,413,379
Cash Flows From Investing Activities:		
Purchase of property and equipment	(3,148,157)	(267,163)
Net cash used by investing activities	(3,148,157)	(267,163)
Cash Flows From Financing Activities:		
Principal payments on long term debt	(74,619)	(75,187)
Net cash used by financing activities	(74,619)	(75,187)
Net (decrease)/increase in cash and cash equivalents	(1,074,903)	1,071,029
Cash and Cash Equivalents:		
Beginning of year	2,863,503	1,792,474
End of year	\$ 1,788,600	\$ 2,863,503
<i>Supplemental cash information</i>		
<i>Interest paid</i>	\$ 193,900	\$ 196,968

See notes to financial statements

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities

Seagull Schools, Inc. was incorporated in 1973 and operates five childcare centers, an elderly center, and an elementary after school program on the islands of Hawaii. The mission of the Schools is to respond to the education and care needs of Hawaii's diverse community by providing programs of the highest value.

The Schools receives the majority of its revenue from tuition, the federal government, and contribution from trusts and foundations.

Summary of Significant Accounting Policies

Basis of accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation

Financial statement presentation follows Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Schools. Under SFAS No. 117, the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents

For purposes of the financial statements, the School considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Comparative information

For comparative purposes, the financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2009 from which the summarized information was derived

Income tax status

Seagull Schools, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Seagull Schools, Inc.'s tax-exempt purpose is subject to taxation as unrelated business income. In addition, Seagull Schools, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Income tax status – (Continued)

Seagull Schools, Inc. adopted the provisions of ASC 740, *Income Taxes*, on July 1, 2009. As required by the uncertain tax position guidance in ASC 740, Seagull Schools, Inc. recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, Seagull Schools, Inc. applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open. As a result of the implementation of the uncertain tax position guidance in ASC 740, Seagull Schools, Inc. has not recognized additional liability for unrecognized tax benefits nor any interest and penalties as of June 30, 2010. Management does not anticipate that this will change significantly in the next twelve months.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Directly identifiable expenses are charged to programs and supporting activities. Expenses related to more than one functional service is charged to programs and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the School.

Property and equipment

Property and equipment are recorded at cost or estimated fair market value at the date of donation. Depreciation is calculated using the straight-line method based on the respective estimated useful lives, ranging from 3 to 7 years for furnishings, equipment, and vehicles, and 10 to 40 years for the buildings and improvements. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful lives of assets ranging from 5 to 40 years. Depreciation and amortization expense for 2010 and 2009 was \$271,577 and \$248,566.

Purchased or donated assets in excess of \$1,000 are capitalized. Expenditures for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Major renewals and improvements are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in the Statement of Activities and Changes in Net Assets.

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

1. Nature of Activities and Summary of Significant Accounting Policies – (Continued)

Long-Lived Assets

Long-lived assets held and used by the Schools are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or changes occur, an estimate of the future cash flows expected to result from the use of the assets and their eventual disposition is made. If the sum of such expected future cash flows (undisclosed and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized in an amount by which the assets' net book value exceed fair values.

Lease Commitments

Leases that transfer substantially all of the risks and benefits of ownership are considered capital leases. Other leases are classified as operating leases. Capital leases are amortized using the straight-line method over the lesser of their lease term or their estimated useful lives.

Recognition of government grant revenue

Government grants are received from the federal and state governments. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues on fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. These revenues are generally considered exchange transactions, and are recorded as revenues of the unrestricted net asset class.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

2. Cash

The School maintains its cash and cash equivalents at financial institutions in Hawaii. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000. Uninsured balances for the year ended June 30, 2010 and 2009 were \$1,195,000 and \$1,867,000.

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

3. Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. For the years ended June 30, 2010 and 2009, promise receivable balance was \$7,500, expected to be received in the subsequent fiscal year.

4. Property and equipment

Property and equipment consisted of the following asset categories as of June 30, 2010 and 2009:

	2010	2009
Buildings	\$13,039,216	\$11,085,795
Land	1,445,000	1,445,000
Improvements	1,369,421	297,535
Furniture and fixtures	430,202	340,615
Transportation	127,557	96,231
Machine equipment	102,289	100,352
Office equipment	91,997	91,997
	16,605,682	13,457,525
Less accumulated depreciation	2,331,440	2,059,863
	<u>\$14,274,242</u>	<u>\$11,397,662</u>

5. Notes Payable

In 2008, Seagull Schools, Inc. obtained a \$750,000 loan from the U.S. Department of Agriculture (USDA) and another \$750,000 loan from Bank of Hawaii, which was guaranteed by USDA. These two loans were obtained for the purchase of land in Kapolei. The first \$750,000 USDA loan bears a fixed rate of 4.5% per annum and expires on May 30, 2048. Monthly installments of principal and interest of \$3,375 are required. Second \$750,000 loan by Bank of Hawaii, guaranteed by USDA, bears a fixed rate of 5.67% per annum and expires on June 10, 2023. Monthly installments of principal and interest of \$6,196 are required.

In addition, in 2007, Seagull Schools, Inc. obtained a \$3,000,000 loan from U.S. Department of Agriculture for the construction of its Ewa School. This loan bears a fixed rate of 4.125% per annum and expires on June 30, 2048. Monthly installments of principal and interest of \$12,780 are required. The loan is collateralized by all of the School's assets including cash, deposit accounts, accounts receivable, inventory and fixed assets.

For the years ended June 30, 2010 and 2009, total interest expense was \$193,900 and \$196,968.

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

5. Notes Payable – (Continued)

Future annual principal payments of these notes are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 78,400
2012	82,300
2013	86,400
2014	90,700
2015	95,300
Thereafter	<u>3,890,502</u>
	4,323,602
Less current portion:	<u>78,400</u>
	<u>\$ 4,245,202</u>

6. Lease Commitments

Seagull Schools, Inc. leases facilities for its childcare center programs under operating leases. In addition to the monthly base rent for facilities, a pro-rata portion of facility operating expenses and general excise taxes are payable.

Total rent expense for the years ended June 30, 2010 and 2009 was \$204,823 and \$195,754, respectively.

Future minimum lease payments under the operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 49,752
2011	49,752
2012	49,752
2013	49,752
2014	49,752
Thereafter	<u>121,752</u>
	<u>\$ 370,512</u>

In addition, Seagull Schools leases facilities for its Kailua office under operating lease effective October 11, 2006 until October 11, 2021. Monthly base rent is \$2,862, adjusted annually for inflation for Honolulu consumer price index, not to exceed 7% in any given year, plus applicable taxes. Increase of \$1,000 per month is scheduled for March 1, 2009.

Furthermore, Seagull Schools, Inc. maintains an operating agreement with Mauna Lani Resort, Inc. (resort) covering the operations of a childcare center facility on the grounds of the resort on the Island of Hawaii. According to the agreement from 2002 until 2010, Seagull Schools, Inc. pays a percentage rent of 4% of gross tuition revenue per month with a minimum amount of \$500 plus applicable taxes. This agreement expires on December 31, 2010.

SEAGULL SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010 and 2009

6. Lease Commitments – (Continued)

The Schools lease its Kapolei facility to various organizations under short-term cancelable leases. Rental income from all leases for the years ended June 30, 2010 and 2009 was \$20,842 and \$16,081, as reflected as rental income on the Statements of Activities.

7. Pension Plan

The School participates in 401(k) defined contribution retirement plan. Employees become eligible after one year of employment and attainment of the age of 21. Eligible employees may contribute the maximum allowed by law to the plan. Under the plan, the School makes a contribution equal to 5% of the eligible employee's contribution for all eligible employees participating in the plan. Pension expense for the years ended June 30, 2010 and 2009 was \$90,479 and \$73,795 and is included in the employee benefits expense in the Statement of Functional Expenses.

8. Deferred revenues

Deferred revenues represent prepaid tuition fees collected during the fiscal year. For June 30, 2010 and 2009, the total deferred revenues are \$86,582 and \$97,274.

9. Net Assets

Temporarily restricted net assets

For the period ending June 30, 2010, Seagull Schools, Inc.'s donor restricted net assets are released and available for the following purposes:

Restriction	Released	Available
Ko'olina project	\$ 1,321,000	\$ -
Tuition aid	80,165	14,636
Kailua project	12,500	-
	\$ 1,413,665	\$ 14,636

10. Contingencies

A Complaint was filed on January 14, 2009, alleging negligence and gross negligence regarding an injury of a minor enrolled at Seagull Schools, Inc. on December 10, 2008. The Complaint sought compensatory, special, and punitive damages. As of June 30, 2010, the litigation was settled for \$16,500 which was paid by the School's general liability insurance carrier.

11. Subsequent Event

In preparing these financial statements, Seagull Schools, Inc. has evaluated events and transactions for potential recognition or disclosure through November 8, 2010, the date the financial statements were available to be issued.

**DECLARATION STATEMENT
APPLICANTS FOR GRANTS AND SUBSIDIES
CHAPTER 42F, HAWAII REVISED STATUTES**

The undersigned authorized representative of the applicant acknowledges that said applicant meets and will comply with all of the following standards for the award of grants and subsidies pursuant to section 42F-103, Hawaii Revised Statutes:

- (1) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant or subsidy is awarded;
- (2) Comply with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
- (3) Agree not to use state funds for entertainment or lobbying activities; and
- (4) Allow the state agency to which funds for the grant or subsidy were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant or subsidy.

In addition, a grant or subsidy may be made to an organization only if the organization:

- (1) Is incorporated under the laws of the State; and
- (2) Has bylaws or policies that describe the manner in which the activities or services for which a grant or subsidy is awarded shall be conducted or provided.

Further, a grant or subsidy may be awarded to a non-profit organization only if the organization:

- (1) Has been determined and designated to be a non-profit organization by the Internal Revenue Service; and
- (2) Has a governing board whose members have no material conflict of interest and serve without compensation.

For a grant or subsidy used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant or subsidy was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant or subsidy used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Seagull Schools, Inc.

(Typed Name of Individual or Organization)



(Signature)

1/10/11
(Date)

Charles E. Larson

(Typed Name)

Executive Director

(Title)

BYLAWS OF SEAGULL SCHOOLS. INC.

ARTICLE I

Name, Office and Seal

Section 1.01. NAME. The name of the corporation is Seagull Schools, Inc.

Section 1.02. PRINCIPAL PLACE OF BUSINESS. The initial principal place of business of the corporation is the Christ Presbyterian Church, 1300 Kailua Road, Kailua, Hawaii 96734. The board of directors may from time to time change the principal place of business to another place in Hawaii.

ARTICLE II

Section 2.01. MEMBERSHIP. (a) The initial members of the corporation shall consist of the petitioners listed in the charter of incorporation. (b) Any other person elected to membership of the corporation shall be a member.

ARTICLE III

Board of Directors

Section 3.01. POWERS. The activities, affairs and property of the corporation are managed, directed and controlled, and its powers exercised by, and vested in, the board of directors, except as otherwise provided by these bylaws.

Section 3.02. NUMBER, QUALIFICATIONS, TERMS OF OFFICE AND SELECTION OF DIRECTORS. (a) The board of directors, hereinafter referred to as the Board, consists of at least seven but no more than thirty directors, each of whom must be at least 18 years of age. (b) A director shall serve for a period of three years. Any director may be re-elected for any number of successive terms. (c) New directors shall be elected by the current directors at the annual meeting thereof as provided for in section 3.06 or at any other board meeting when there exists a vacancy on the Board.

Section 3.03. RESIGNATION. A director may resign at any time by delivering a written resignation to the president or the secretary of the corporation.

- Section 3.04. REMOVAL. A director may be removed at any time with the affirmative vote of a two-thirds majority of all the members of the Board present and voting at a meeting of the members, a notice of which, given pursuant to the requirements of Section 3.09, shall have specified the proposed removal. A director may also be removed pursuant to Section 3.15.
- Section 3.05. VACANCIES. Any time the number of directors for any reason becomes less than five, the vacancy or vacancies shall be filled within 30 days by the remaining directors, or as soon as possible thereafter. Any time the number of directors is at least five but not thirty, the remaining directors may fill the vacancy or vacancies at any time.
- Section 3.06. ANNUAL MEETING OF THE DIRECTORS. The annual meeting of the directors of the corporation shall be held at a location determined by the president.
- Section 3.07. OTHER MEETINGS. Regular meetings of the Board shall be held at least every other month. Special meetings shall be held at any time when called by order of the president or any three directors.
- Section 3.08. PLACE OF MEETING. Each meeting of the Board shall be held at the place specified in the notice of the meeting.
- Section 3.09. NOTICE. Notice of each meeting of the Board shall be provided to each director, not less than five nor more than twenty days before the day on which the meeting is to be held. Each notice shall state the purpose of the meeting, and the time and place of the meeting. Notice of any meetings of the Board need not be given to any director who waives the notice in writing or by telephone whether before or after the meeting, or if the director is present at the meeting. No notice need be given of any adjourned meeting.
- Section 3.10. QUORUM. The presence at any meeting of the Board, in person, of five directors is necessary and sufficient to constitute a quorum.
- Section 3.11. ADJOURNMENT. A majority of those directors present may by resolution adjourn the meeting from time to time for a period not exceeding 20 days in anyone case. At any duly adjourned meeting at which a quorum is present, any business may be transacted

which might have been transacted at the meeting as originally called.

Section 3.12. ORGANIZATION. At each meeting of the Board, the president shall act as the chairman of the meeting, or in the president's absence, the vice- president. The secretary, or in the secretary's absence, the person whom the chairman of the meeting shall appoint as secretary of the meeting, shall act as such.

Section 3.13. VOTING. At all meetings of the Board, except as otherwise expressly required by these bylaws, all matters shall be decided by the vote of the majority of the directors present at the meeting.

Section 3.14. ANNUAL REPORTS. The executive director shall present, at each annual meeting of the members of the Board, an annual report of the corporation's activities during the preceding fiscal year and such reports as may be required by all applicable statutes.

Section 3.15. ATTENDANCE. A director who misses three consecutive, properly noticed Board meetings, without a written explanation satisfactory to the Board may be removed by the affirmative vote of a majority of the directors present at a meeting of the Board, the notice of which has specified the proposed removal.

Section 3.16. ADVISORY COUNCIL. There shall be an advisory council to the Board composed of persons whom wish to serve Seagull Schools upon special assignment. Membership on the advisory council requires a two-thirds vote of the members of the Board present at the annual meeting. Members of the advisory council shall be entitled to receive notice of and to attend all meetings of the Board, but shall have no vote.

ARTICLE IV **Officers**

Section 4.01. TITLES. The officers of the corporation include the president, vice-president (the president elect), the secretary, and the treasurer. All officers shall be selected by the board of directors. A person may hold the offices of treasurer and secretary at the same time.

Section 4.02. TIME OF APPOINTMENT AND TERM OF OFFICE. All officers shall be appointed by the board of directors for a term of two years at the annual meeting . New officers shall be appointed bi-annually thereafter by the board of directors.

Section 4.03. RESIGNATIONS. Any officer may resign at any time by delivering a written resignation to the president or the secretary.

Section 4.04. REMOVAL. Any officer may be removed at any time, either with or without cause, by a vote of a majority of directors at a meeting the notice or waiver of notice of which specified the proposed removal.

Section 4.05. VACANCIES. Any vacancy in an office may be filled for the unexpired portion of the term by the board of directors or in the case of subordinate officers, by any committee, officer, or agent to whom the power to fill such vacancy has been delegated by the board of directors.

Section 4.06. PRESIDENT. The president shall preside at all meetings of the board of directors and the executive committee, and shall have such other powers and duties not inconsistent with these bylaws.

Section 4.07. VICE-PRESIDENT. The vice-president acts as president during the absence or incapacity of the president and shall perform such other powers and duties not inconsistent with these bylaws as may be assigned from time to time by the president. The vice-president shall serve as president upon the completion of the current president's term.

Section 4.08. SECRETARY. The secretary shall;

(1) Assure adequate care of all pertinent records and documents of the corporation; and

(2) Review and sign the approved minutes of all the meetings of the Board of directors.

Section 4.09. TREASURER. The treasurer shall;

- (1) Serve as chairperson of the business /finance committee;
- (2) Assure that policies and procedures for: (a) the care of moneys due and payable to the corporation; (b) depositing moneys received in the name of the corporation, and (c) disbursement of the monies of the corporation are in accordance with the directions of the Board and sound financial standards.
- (3) Assure that an independent financial audit of the corporation is completed annually for review by the board of directors.
- (4) In general, have such powers and perform such other duties, not inconsistent with these bylaws, as are incident to the officer of treasurer or as may be determined from time to time by the board of directors or the president.

ARTICLE V **Committees**

Section 5.01. EXECUTIVE COMMITTEE. The president, vice president, secretary, treasurer, and past president make up the executive committee, which serves at the request of the president.

Section 5.02. OTHER COMMITTEES. The Board will establish a business/finance committee, a nominating committee, and a strategic planning committee. The Board, from time to time, may establish other committees as needed. Any member of these committees may be removed, with or without cause, at any time by the Board.

ARTICLE VI **Loans and Contracts**

Section 6.01 LOANS. No loans or advances shall be contracted on behalf of the corporation, and no note or other evidence of indebtedness shall be issued in its name, unless and except as authorized by the Board.

Section 6.02 CONTRACTS. The president, vice-president, or any other officer authorized by the Board, may, in the name and on behalf of the corporation, enter into those contracts or execute and deliver

those instruments that are authorized by the Board. Any authorization may be general or confined to specific instances. Without such authorization of the Board, no officer or agent of the corporation may enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation.

ARTICLE VII

Compensation of and Contracts with Directors and Officers

Section 7.01. COMPENSATION OF DIRECTORS AND OFFICERS. The directors of the corporation shall serve as such without compensation and directors shall have no material conflict of interest.

Section 7.02 CONTRACT WITH DIRECTORS AND OFFICERS. No director or officer of the corporation shall be interested, directly or indirectly, in any transaction relating to the operations conducted by it, nor in any contract transaction relating to the furnishing of services or supplies to it, unless:

(1) Each such transaction is authorized by a unanimous vote of the Board at a meeting at which the presence of such a director is not necessary for the authorization.

(2) Not less than five days nor more than 20 days before the Board considers the transaction, the fact and nature of the interest has been fully disclosed in writing to all member of the board of directors.

ARTICLE VIII

Indemnification of Directors and Officers

Section 8.01. INDEMNIFICATION. A person (and the heirs, executors, and administrators of the person) who is made or who is threatened to be made a party to any action, suit or proceeding by reason of the fact that the person is or was a director or officer of the corporation shall be indemnified by the corporation against any and all liability and the reasonable expenses, including attorney's fees and disbursements, incurred by the person (or the heirs,

executors, or administrators of the person) in connection with the defense or settlement of such action, suit or proceeding, or in connection with any appearance therein, except in relation to matters as to which it shall be adjudged in such action, suit, or proceeding that the director or officer is liable for negligence or misconduct in the performance of duties.

ARTICLE IX **Amendment of Bylaws**

Section 9.01. AMENDMENT OF BYLAWS. Except as otherwise provided in Section 9.02 below, these bylaws may be amended or repealed and a new bylaw or bylaws may be enacted at any regular or special meeting of the Board by two-thirds (2/3) vote of those present provided that notice of the proposed amendment has been submitted in writing and shall have been included in the notice of the meeting at least two (2) weeks prior to the meeting.

Section 9.02 Any proposed amendment by the board of directors to these Bylaws that impacts the rights, interests or make-up of the membership of the corporation as defined in Article II shall also require the affirmative vote of two-thirds of the membership within 30 days of passage of such bylaw by the board, or the bylaw shall be deemed rejected.

ARTICLE X **Miscellaneous**

Section 10.01.FISCAL YEAR. The fiscal year of the corporation is the period from July 1 of one year to June 30 of the following year.

Biography of Executive Director of Seagull Schools

Chuck Larson is the co-founder and Executive Director of Seagull Schools. He has a Bachelor's Degree in Primary Education and a M.Ed. in teaching exceptional children. He is a past member of the Kailua-Waimanalo Community Education Coalition, the Honolulu County Commission on the Status of Women and the State Committee to develop new licensing regulations for infant/toddler care. He is also a past president of the Waimanalo Methodist Church and a past secretary for the Polynesian Voyaging Society. He is the current president of the Hawai'i Intergenerational Network and is also a member of the Childcare Business Coalition. In 2007 he received the prestigious KOA Award for Entrepreneur of the Year, and in 2008 was appointed by Governor Lingle to serve on the Early Learning Council.