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### Science is Fun and Awesome Learning Academy Charter School – FY 2020 Financial Highlights

January 28, 2021

Hagåtña, Guam – The Office of Public Accountability (OPA) released the Science is Fun and Awesome (SiFA) Learning Academy Charter School’s financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2020. Independent auditors Ernst & Young LLP rendered an unmodified (clean) opinion on SiFA’s financial statements, with substantial doubt on SiFA’s ability to continue as a going concern.

School Year 2018–2019 was SiFA’s first year of operations making FY 2020 the second year OPA has overseen SiFA’s financial audit. As of FY 2020, SiFA closed with a decrease in net position (net loss) of \$1.4 million (M) contributing to a negative total net position of \$2.6M.

#### Revenues and Going Concern

For School Year 2019–2020, SiFA was authorized to receive \$6,150 per enrollee with a budget for 350 students. Although SiFA’s current enrollment increased from 233 students in FY 2019 to 309 students in FY 2020, the number of enrollees below the 350 cap plus the FY 2019 budget cut contributed to the overall deficit.



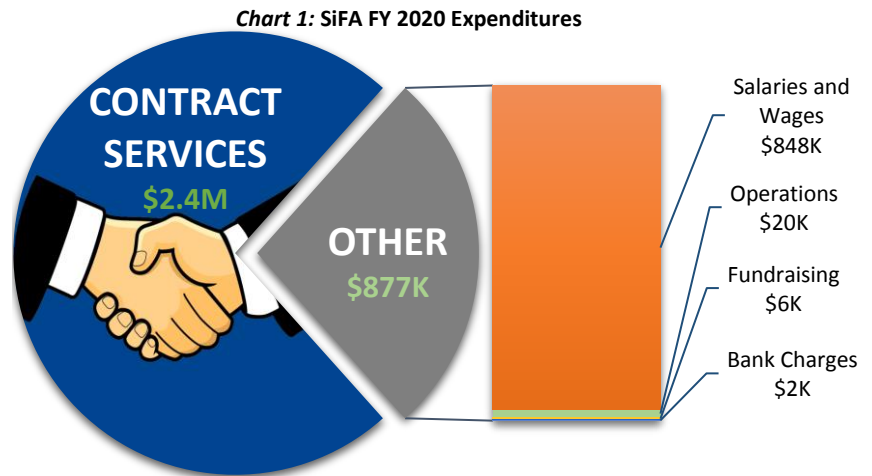
In FY 2020, SiFA’s total revenues increased by \$500 thousand (K) to \$1.9M. However, its operations did not provide for a sufficient amount of cash inflows, resulting in substantial doubt about SiFA’s ability to continue as a going concern and meet its obligations. As a result, SiFA management developed plans to alleviate doubt, which include requesting for additional funding from the Guam Legislature through the Guam Charter Schools Council, requesting to increase the enrollment cap from 350 to 550 students, offering after-school programs, applying for grants, and renegotiating the Partnership for Learning Support in Education Through Lease, Utilities, Supplies and Services (PLEASE) contract.

#### COVID-19 Impact Uncertain

In January 2020, the World Health Organization (WHO) declared the outbreak of the novel coronavirus (COVID-19), and in March 2020, officially declared COVID-19 a pandemic. SiFA was unable to initiate many programs they had planned and discussed in FY 2019 due to the pandemic. Without the programs, SiFA was unable to apply for additional federal grants to help provide funding for its operations. Due to continued uncertainties surrounding the extent and duration of the COVID-19 pandemic and its impact on Guam’s tourism-based economy, SiFA is unable to reasonably estimate the future impact on its financial statements.

## Expenditures

SiFA's operating expenditures for FY 2020 totaled \$3.3M, an increase of \$770K compared to \$2.5M in FY 2019. Total expenditures were comprised of \$2.4M (or 73%) in contract services and \$877K (or 27%) in salaries and wages as well as other support services. SiFA retains an independent contractor under a PLEASE contract where the contractor provides for SiFA's facility, fixed assets and related equipment, utilities, services, and supplies. The PLEASE contract's terms include a \$2.4M annual fee for five successive years expiring in June 2023. In FY 2019, the contractor had agreed to discount the annual fee. However, in FY 2020, the annual fee remained at \$2.4M as the largest expense.



SiFA disclosed related party transactions. SiFA's interim Chief Operating Officer (COO) concurrently holds the position of Senior Vice President for the independent contractor. However, the COO is compensated by the contractor and not by SiFA. As of FY 2020, SiFA has \$2.6M of unpaid liabilities to the independent contractor.

## Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses or significant deficiencies in SiFA's Report on Internal Control over Financial Reporting and Compliance. The auditors issued a Management Letter that identified two deficiencies regarding incomplete student registration documents and Human Resource (HR) employee listing. The auditors recommended that SiFA consistently apply and enforce its student enrollment policy by ensuring that all required registration documents are submitted. They also recommended that the HR Department perform a periodic review of the employee listing.

For more details on SiFA's operations, see the Management Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) and <https://www.sifalacs.com/>.