



OFFICE OF PUBLIC ACCOUNTABILITY

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Science is Fun and Awesome Learning Academy Charter School – FY 2019 Financial Highlights

March 31, 2020

Hagåtña, Guam – The Office of Public Accountability (OPA) has 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) 2019. Independent auditors Ernst & Young LLP rendered an unmodified (clean) opinion on SiFA’s financial statements, with an emphasis on SiFA’s ability to continue as a going concern.

FY 2019 was the first year OPA has overseen SiFA’s financial audit. SiFA is a non-profit, public benefit organization designed to enrich student learning in all content areas with a special emphasis in science, technology, engineering, and math. SiFA was incorporated in October 2017, with student enrollment beginning in May 2018, making the 2018–2019 school year its first year of operations. As of FY 2019, SiFA closed with a negative net position of \$1.2 million (M).

Revenues and Going Concern

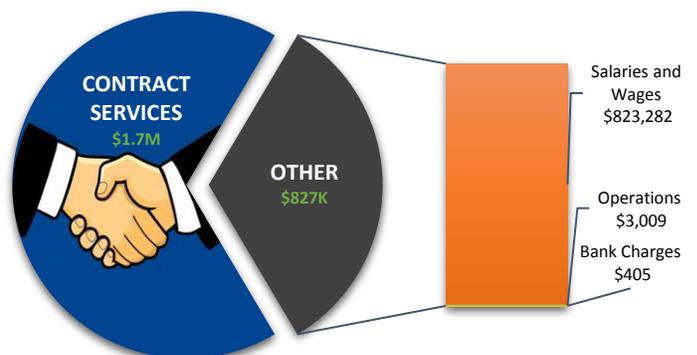


SiFA enrolled 233 students, which multiplied by the approved amount of \$6,088 per student enrollee amounted to total revenues of \$1.4M for FY 2019. However, SiFA’s operations did not provide for a sufficient amount of cash inflows resulting in substantial doubt about SiFA’s ability to continue as a going concern and meet its obligations. As a result, SiFA management has developed plans to alleviate doubt, which include requesting for additional funding from the 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.

Expenditures

SiFA’s operating expenditures for FY 2019 totaled \$2.5M. Of the total expenditures, contract services comprised of \$1.7M (or 67%), while salaries and wages as well as other support services comprised of \$827 thousand (K) (or 33%). 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. This allows SiFA to concentrate on providing quality education to its students without having to worry about facility and operational costs. The PLEASE contract’s terms

Chart 1: SiFA FY 2019 Expenditures





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include a \$2.4M annual fee for five successive years expiring in June 2023. However, the contractor agreed to discount the annual fee by \$720K for FY 2019.

We commend SiFA for disclosing certain 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 2019, SiFA has \$1.3M 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 one deficiency regarding incomplete student registration documents. The auditors recommended that SiFA's current student enrollment policy be updated to include follow-up procedures for reviewing and obtaining pending registration documents.

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