



OFFICE OF PUBLIC ACCOUNTABILITY

Suite 401 DNA Building, 238 Archbishop Flores Street, Hagåtña, Guam 96910
Tel (671) 475-0390 · Fax (671) 472-7951 · Hotline: 47AUDIT (472-8348)
www.opaguam.org

Science is Fun and Awesome Learning Academy Charter School – FY 2022 Financial Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the Science is Fun and Awesome Learning Academy Charter School (SiFA) financial statements, report on compliance and internal control, and the auditor’s communication with those charged with governance for fiscal year (FY) 2022. Independent auditors Ernst & Young, LLP (EY) rendered an unmodified (clean) opinion on SiFA’s financial statements. However, auditors identified deficiencies in internal control that were considered material weaknesses. As a result, SiFA continues to end the fiscal year (FY) in a deficit net position. It ended FY 2022 in a deficit net position of \$1.22 million (M), a decrease of \$257 thousand (K) (or 17%) from FY 2021 \$1.48M restated amount.

SiFA Student Appropriation and Funding

Pursuant to Public Law 36-54, the cost per pupil was \$6,200 for FY 2022, with the maximum number of students allotted to SiFA by the General Fund not to exceed 350 students. Therefore, the number of enrolled students was multiplied by the FY 2022 Government of Guam General Appropriations Act approved the amount of \$6,200 per student enrolled. For FY 2022, a total of 343 students were enrolled, and SiFA was able to receive government appropriations totaling \$2.1M.

SiFA Commitments Under the PLEASE Contract

SiFA and contractor Eagle Land Holdings, LLC (Eagle) entered into the Partnership for Learning Support in Education Through Lease, Utilities, Supplies and Services (PLEASE) contract for five successive years, expiring in June 2023. Per this contract, Eagle is the sole provider of the facility, equipment, utilities, services, and supplies to SiFA in exchange for a \$2.4M annual payment. Eagle’s involvement in SiFA went beyond the contract as in FY 2021, SiFA’s Chairwoman, who held voting rights, is a sibling of the President of Operations of Eagle. Effective during School Year (SY) 2021-2022, the Chairwoman stepped down from this position.

In 2023, Eagle gave SiFA a discount of \$662K, which reduced SiFA’s previously recorded contract expenditures for SY 2020-2021. This reduction is attributed to the unused space of the school building and is reflected within the financial statements as other income.

Operations did not Provide Sufficient Cash Inflows

During FY 2022, SiFA’s operations were not able to provide a sufficient amount of cash inflows. Certain liabilities remain unpaid, including approximately \$2.4M for services under the PLEASE contract and the \$1.7K in unpaid cash advances owed to Eagle.

SiFA acknowledges that the annual commitment owed to Eagle under the PLEASE contract and its payroll-related expenses are expected to exceed annual GDOE appropriations leading to continued deficits. SiFA and Eagle are currently under negotiations negotiating to determine the

actual amount owed based on the contract. Both are seeking legal advice to assist in lowering the debt to reflect the actual amount owed to satisfy both parties.

In order to obtain sufficient cash to meet its obligations, SiFA plans to renegotiate the PLEASE contract, request forgiveness for past debts, request an increase in enrollment cap and appropriations from the Legislature, seek additional funding from local businesses, and apply for grants.

Revenues Increased by \$1M

SiFA's total revenues of \$4.9M for FY 2022 is an increase of \$1M, or 32%, compared to FY 2021 of \$3.7M. Government of Guam appropriations of \$2.1M comprised 43% of its total revenues. In FY 2022, SiFA recognized a discount on its lease contract amounting to \$1M, which contributed 21% of its total revenues. In addition, SiFA received grants for FY 2022 of \$828K from the Educational Stabilization Fund (ESF) Grant, American Rescue Plan (ARP), and Prugrãman i Pinilan i Famagu'on Guãhan. These provided students with After School Care, Summer Camp, Pandemic Protective Equipment, school supplies, and laptops.

Expenses Increased by \$2M

SiFA's FY 2022 total expenses of \$4.67M increased by \$2M, or 76%, from \$2.7M in FY 2021. SiFA's amortization expense is its largest expense at \$2.39M, or 51% of its total expenses. This is due to the adoption of GASB 87 recognition of the right-to-use asset. Salaries and wages remain their second largest expense at \$1.4M, or 30%, of the total expenses, which increased by \$512K from \$904K in FY 2021. Operations are the third largest expense at \$847K, or 18.2% of total expenses, which increased by \$771K compared to \$77K from FY 2021. This is attributed to the use of the ESF and ARP grants received for the year.

Report on Compliance and Internal Control

Auditors had identified deficiencies in internal control that were considered to be material weaknesses. First, management did not initially recognize a lease liability and an intangible right-to-use asset at year-end. Adjustments were identified to record a right-of-use asset, net of accumulated depreciation, of \$1.75M and a lease liability of \$3.16M as of FY 2022. Auditors recommend timely personnel training to ensure compliance with new and upcoming GASB Statements.

Lastly, auditors observed that SiFA's financial statement closing process did not include proper reconciliation of its accounts payable aging schedule to the general ledger and no proper reconciliation of the cash in bank balance to the adjusted book balance. Auditors recommended that management perform monthly reconciliation of supporting schedules to General Ledger balances.

For more details on SiFA's operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.sifalacs.com.