

Financial Statements

**Science is Fun and Awesome Learning Academy
Charter School**
(A Non-Profit Organization)

*Year ended September 30, 2023
with Report of Independent Auditors*



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Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Financial Statements

Year ended September 30, 2023

Contents

Report of Independent Auditors	1
Management's Discussion and Analysis.....	4

Audited Financial Statements

Governmental Funds Balance Sheet/Statement of Net Position.....	10
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	11
Statement of Fiduciary Net Position.....	12
Statement of Changes in Fiduciary Net Position.....	12
Notes to Financial Statements	13

Required Supplementary Information

Budgetary Comparison Schedule – Governmental Funds	25
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26
Schedule of Findings and Responses	28



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Report of Independent Auditors

The Board of Trustees and Management
Science is Fun and Awesome Learning Academy Charter School

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the government activities, business-type activities and fiduciary activities of Science is Fun and Awesome Learning Academy Charter School (SiFA), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise SiFA's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities and fiduciary activities of SiFA at September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SiFA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restatement of Financial Statements

As discussed in Note 10 to the financial statements, management identified a correction of an error caused by a misinterpretation of the lease agreement with their major vendor. As a result, the financial statements have been restated to correct the beginning fund balance/net position. Our opinion is not modified in respect to this matter.

SiFA's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that SiFA will continue as a going concern. As discussed in Note 11 to the financial statements, SiFA's operations continued to incur an excess of expenditures over revenues and has restated the basic financial statements to correct an error related to its lease contract. Although these may indicate that substantial doubt exists about SiFA's ability to continue as a going concern, management included the evaluation of the events and conditions and management's plans to alleviate doubt regarding these matters, which are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SiFA's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SiFA's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements, continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SiFA's ability to continue as a going concern for a reasonable period of time.

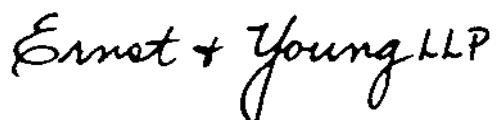
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, and the Budgetary Comparison Schedule – Government Funds on page 25 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 GAAS, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we also have issued our report dated December 4, 2025 on our consideration of SiFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of SiFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SiFA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is fluid and cursive, with "Ernst & Young" on the top line and "LLP" on the bottom line.

December 4, 2025

Science is Fun and Awesome Learning Academy
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Management's Discussion and Analysis

As management of Science is Fun and Awesome Learning Academy Charter School (SiFA), we offer readers of the financial statements this narrative overview and analysis of the financial activities of SiFA for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the information presented within the body of the audited financial report.

A. Financial Highlights

Our basic financial statements provide these insights into the results of this fiscal year's operations.

- The assets of SiFA exceeded its liabilities at the close of fiscal year by \$330,890 (***net position***).
- Enrollment at the end of School Year 2022 - 2023 is 420 students which is more than the 350 students as authorized by P.L. 35-99.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SiFA's basic financial statements. SiFA's basic financial statements are comprised of two components: (1) government-wide financial statements (2) notes to the basic financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of SiFA's finances, in a manner similar to a private sector business.

The Statement of Net Position presents information on SiFA's net position and how it has changed. Net position is the difference between SiFA's total assets and total liabilities. Measuring net position is one way to gauge SiFA's financial condition.

The Statement of Activities presents information on how SiFA's net position changed during the fiscal year. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

B. Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a charter school's financial position. In the case of SiFA, the assets exceeded its liabilities by \$330,890 at the close of the fiscal year.

Although SiFA had been allocated a budget for 350 students for FY 2022-2023, current enrollment is 420 as of September 30, 2023.

Figure 1 provides a summary of SiFA's net position as of September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u> (Restated)
Capital assets	\$ ---	\$ 394,511
Cash	62,353	46,486
Accounts receivable, net	313,670	1,003,500
Other current assets	<u>42,292</u>	<u>31,282</u>
Total assets	<u>\$418,315</u>	<u>\$1,475,779</u>
Lease liability – due in one year	\$ ---	\$ 29,667
Accounts payable	16,355	888,562
Accrued expenses and other current liabilities	25,876	2,932
Unearned Revenue	<u>45,194</u>	<u>45,194</u>
Total liabilities	<u>87,425</u>	<u>966,355</u>
Total net position	<u>\$330,890</u>	<u>\$ 509,424</u>

**Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)**

Management's Discussion and Analysis, continued

B. Government-Wide Financial Analysis, continued

P.L. 35-99 states that in School Year 2022-2023, the School is authorized to receive Seven Thousand (\$7,000) per enrollee not to exceed three hundred fifty (350) students.

Figure 2 provides a summary and analysis of SiFA's revenues and expenses for the years ended September 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u> (Restated)
REVENUE		
Appropriation – Students	\$1,860,505	\$2,105,334
Grant - In-kind	---	828,209
Other Income	<u>7,868</u>	<u>1,989,720</u>
Total revenue	<u>1,868,373</u>	<u>4,923,263</u>
EXPENSES		
Bank Charges & Fees	774	442
Contract Services	54,191	---
Lease Expenditure	3,657	---
Amortization Expense	394,511	2,393,040
Interest	3,332	9,805
Operations	104,704	847,207
Salaries & Wages	<u>1,485,738</u>	<u>1,415,561</u>
Total expenses	<u>2,046,907</u>	<u>4,666,055</u>
Change in net position	(178,534)	257,208
Net position at beginning of the year, as restated	<u>509,424</u>	<u>252,216</u>
Net position at end of the year	<u>\$ 330,890</u>	<u>\$ 509,424</u>

C. Governmental Fund Budget Analysis and Highlights

Financial Analysis of the Government's Fund

Prior to the start of SiFA's fiscal year, the Board of the Academy adopted an annual budget that is submitted to the Guam Academy Charter School Council. The Council, in turn, submits the budget from the charter schools to the Legislature. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the Academy's budget.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

C. Governmental Fund Budget Analysis and Highlights, continued

Financial Analysis of the Government's Fund, continued

For Fiscal Year 2023, SiFA submitted a budget request based on the full enrollment cap of 500 students; however, appropriations were approved at \$7,000 per enrollee using a funding cap of 350 students, which aligned with SiFA's staffing capacity at the time. During the same fiscal year, SiFA recorded a provision for doubtful receivables totaling \$589,495 related to reimbursements expected from the Department of Administration (DOA). This adjustment was made to reflect uncertainty regarding the collectability of the outstanding balance and resulted in a reduction to both reported revenue and accounts receivable. The provision ensures that the financial statements more accurately reflect realizable amounts consistent with audit standards and GASB reporting requirements.

SiFA received an Educational Stabilization Fund Grant beginning in Fiscal Year 2021, which provided donated school supplies, books, technology, and pandemic-related equipment. In Fiscal Year 2022, the School recorded approximately \$828,517 in grant-in-kind items and related supplies and materials through ARP and ESF II funding. No similar grant-funded resources were received in Fiscal Year 2023, as these federal relief programs concluded. As a result, grant-in-kind revenue and related supplies and materials decreased from \$828,517 in FY2022 to \$0 in FY2023.

Contractual services constitute a significant part of the budget. SiFA previously operated under a P.L.E.A.S.E. contract with Eagle Land Holdings, LLC, which covered a fully furnished facility along with utilities, services, and supplies. This arrangement allowed the School to focus its resources on instruction rather than operational costs. Our current facility can accommodate 570 students. However, when the contract ended on June 30, 2023, SiFA began paying these operational expenses directly. As a result, contractual service costs increased during Fiscal Year 2023 to approximately \$54,191, reflecting payments for utilities, healthcare insurance, and supplies that had previously been included under the lease agreement.

In addition, SiFA completed a restatement of Fiscal Years 2022 and 2023 to reflect the corrected interpretation of the P.L.E.A.S.E. contract. The restatement confirmed that the contract represented a total obligation of \$2.4 million over five years rather than \$2.4 million per year, demonstrating that SiFA had overpaid Eagle rather than owing additional amounts as previously claimed by the landlord.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

D. Future Outlook

The SIFA contract with Eagle Land Holdings, LLC ended on June 30, 2023. During the latter half of 2023, SIFA attempted to negotiate a new lease agreement with Eagle Land Holdings, LLC and requested that Eagle provide the monthly invoices required by the Department of Administration (DOA) for proper reimbursement of lease payments. However, due to Eagle's failure to provide the required invoices, SIFA was unable to submit any lease payment reimbursement requests to the DOA for the period from July 2023 to May 2025. In addition, SIFA began paying its operational expenses—such as utilities, healthcare insurance, and supplies—on its own, even though these costs should have been included under the lease contract with Eagle Land Holdings, LLC.

In 2024, Eagle Land Holdings, LLC filed an Unlawful Detainer suit against SIFA that was dismissed by the courts on March 14, 2025.

On May 5, 2025, Eagle Land Holdings, LLC filed a second Unlawful Detainer action against SIFA. On May 28, 2025, SIFA filed a Motion to Dismiss. The court permitted the parties to resolve the matter out of court. SIFA LACS vacated the Tiyan campus on June 30, 2025, and on August 7, 2025, the court dismissed the action.

SIFA, together with the Charter Council Chair, has been actively seeking viable locations through the procurement process, with a Request for Information (RFI) issued on August 8, 2025, to uphold SIFA's commitment to its mission. Upon receipt of approval to proceed from the Attorney General's Office for our bid packet, the process advanced to the Invitation for Bid (IFB) phase, entering Phase 1 on September 17, 2025, and moving to Phase 2 on October 28, 2025.

SIFA management acknowledge the challenges related to the current facility lease under the P.L.E.A.S.E. contract with Eagle Land Holdings present concerns to stakeholders, parents and students. SIFA affirms its commitment to address this concern that include collaboration with the Guam Charter School Council to secure funding and identify and approve a facility for the school in accordance with the applicable rules and regulations.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

D. Future Outlook, continued

SIFA will assert its legal or contractual rights to dispute any liability from the P.L.E.A.S.E. contract. Based on its legal interpretation of the P.L.E.A.S.E. contract, SIFA asserts that the amount claimed is not owed, as the agreement was intended as a \$2.4 million lump-sum payment for a five-year term. This position that no liability exists and that an overpayment was made has been formally asserted to the auditors, and a restatement was completed for the FY22 and FY23 audits to reflect this. SIFA's interpretation of the contract terms stands, and the same will be used to dispute any claim against SIFA related to the P.L.E.A.S.E. contract. However, to mitigate potential financial challenges and ensure the fulfillment of SIFA's obligations, management has formulated a strategic plan to generate sufficient cash flows. This plan includes the following key actions:

- Initiating a claim against the P.L.E.A.S.E. contract vendor for the recovery of funds.
- Proposing an increase in the current enrollment cap.
- Applying for relevant grant opportunities.
- Engaging with local businesses to secure additional funding and establish collaborative partnerships.
- Incorporating revenue-generating initiatives such as the Immersion Program, After School Program, and other similar offerings.

**Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)**

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash	\$ 62,353	\$ ---	\$ 62,353
Accounts receivable, net	313,670	---	313,670
Other current assets	<u>42,292</u>	<u>---</u>	<u>42,292</u>
 Total assets	 <u>\$418,315</u>	 <u>---</u>	 <u>\$418,315</u>
Liabilities and Fund Balance/Net Position:			
Accounts payable	\$ 16,355	\$ ---	\$ 16,355
Accrued expenses and other current liabilities	25,876	---	25,876
Unearned revenues	<u>45,194</u>	<u>---</u>	<u>45,194</u>
 Total liabilities	 <u>87,425</u>	 <u>---</u>	 <u>87,425</u>
Fund balances unassigned, as restated	<u>330,890</u>	<u>(330,890)</u>	
 Total liabilities and fund balances	 <u>\$418,315</u>		
Net position			
Unrestricted		<u>330,890</u>	<u>330,890</u>
 Total net position	 <u>\$ ---</u>		 <u>\$330,890</u>

**Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)**

**Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balance/Statement of Activities**

Year ended September 30, 2023

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Expenditures/expenses:			
Instructional services:			
Salaries	\$1,485,738	\$ ---	\$1,485,738
Amortization expense	394,511	---	394,511
Contract services	54,191	---	54,191
Lease expenditure	3,657	---	3,657
Interest	3,332	---	3,332
Support services:			
Operations	104,704	---	104,704
Bank charges	<u>774</u>	<u>---</u>	<u>774</u>
Total expenditures/expenses	<u>\$2,046,907</u>	<u>\$ ---</u>	<u>\$2,046,907</u>
General revenues:			
Appropriations	\$1,860,505	\$ ---	\$1,860,505
Other income	<u>7,868</u>	<u>---</u>	<u>7,868</u>
Total general revenues	<u>1,868,373</u>	<u>---</u>	<u>1,868,373</u>
Excess of expenditures over revenues	<u>(178,534)</u>	<u>178,534</u>	<u>---</u>
Decrease in net position	(178,534)	(178,534)	(178,534)
Fund balance/net position:			
Beginning of year, as restated	<u>509,424</u>	<u>---</u>	<u>509,424</u>
End of year	<u>\$ 330,890</u>	<u>\$ ---</u>	<u>\$ 330,890</u>

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Statement of Fiduciary Net Position

September 30, 2023

Assets	
Cash	<u>\$2,933</u>
Total assets	<u>\$2,933</u>
Net position	
Restricted for student activities	<u>\$2,933</u>
Total net position	<u>\$2,933</u>

Statement of Changes in Fiduciary Net Position

Year ended September 30, 2023

Addition	
Student activity fund raising	<u>\$27,116</u>
Deductions	
Student activity expenses	<u>31,553</u>
Net change in fiduciary net position	(4,437)
Fiduciary net position at beginning of year	<u>7,370</u>
Fiduciary net position at end of year	<u>\$ 2,933</u>

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements

Year ended September 30, 2023

1. Organizations

Science is Fun and Awesome Learning Academy Charter School, (SiFA) is a non-profit public benefit corporation designed to enrich student learning in all content areas with a special emphasis in science, technology, engineering, art and math. SiFA was incorporated under the laws of Guam on October 7, 2017. SiFA began student enrollment during May 2018.

SiFA is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 Guam Code Annotated (GCA) §12102. SiFA is governed by a Board of Trustees. The Trustees are elected or selected pursuant to the Charter granted by the Guam Academy Charter Schools Act of 2009 (GACS). The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending SiFA and one member must be from the general public.

SiFA retains a contractor, Eagle Land Holdings, LLC (Eagle), under the Partnership for Learning Support in Education Through Lease, Utilities, Supplies and Services (PLEASE) contract for five successive years, which expired in June 2023 with no extensions and/or renewals. Under the terms of agreement, Eagle is the sole provider of the facility, fixed assets and related equipment, utilities, services, and supplies to SiFA. In return, SiFA is obligated to pay monthly contract dues invoiced by Eagle.

SiFA is subject to independent oversight by the Guam Academy Charter School Council (the Council). The Council is tasked with monitoring SiFA's operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements. SiFA follows the governmental reporting model as used by local education agencies because of the authority of the Council to terminate or revoke the charter with all assets reverting back to the Government of Guam Department of Education (GDOE).

2. Summary of Significant Accounting Policies

The financial statements of SiFA are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

SiFA is a special-purpose government that is engaged in governmental activities. Therefore, the financial statements are prepared in the same manner as general-purpose governments.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

SiFA's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about SiFA. These statements include the financial activities of the overall entity. These statements distinguish between the governmental and business-type activities of SiFA. Governmental activities generally are financed through appropriations from the Government of Guam and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements

SiFA uses a governmental fund to report on its financial position and results of operations. The operations of the governmental fund are accounted for with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for Governmental funds. SiFA presents a balance sheets and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheets is then reconciled to the ending governmental net position.

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statement of activities for the year ended September 30, 2023 is as follows:

Net change in fund balances – governmental funds	\$178,534
Adjustments	---
Change in net position of governmental activities	<u>\$178,534</u>

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which SiFA gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements, continued

The governmental fund financial statements of SiFA are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Net Position and Fund Balance

Net position in the government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

The unassigned fund balance has not been assigned to another fund or restricted, committed or assigned to specific purposes within the General Fund.

Budgets

Pursuant to the Guam Academy Charter Schools Act of 2009, the Board of Trustees adopts an annual budget. The annual budget must be submitted to the Council every fiscal year. The Council must submit the budget to the Superintendent of Education of the GDOE which in turn incorporates such as part of its budget submitted to the Guam Legislature. Following the appropriation of GDOE’s operating budget for the fiscal year, the amount approved by the Guam Legislature for the operation of SiFA shall be available for expenditure by SiFA’s Board of Trustees.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash

For the purpose of presentation in the Governmental Funds balance sheet/statement of net position, cash consists of cash balances deposited in banks.

Funding

SiFA receives financial support in monthly allotments from the General Fund of the Government of Guam via the Guam Department of Administration (DOA) to finance administrative and general expenses on a reimbursable basis. Such expenses mainly consist of contract dues under the PLEASE contract, salaries and wages, and other miscellaneous operational expenses. The actual amounts remitted to SiFA are determined by the DOA's Internal Auditors through the validation of submitted invoices.

Pursuant to Public Law 36-107 and 36-54, the cost per pupil was \$7,000 for the fiscal year ended September 30, 2023. The maximum number of students to be funded by the General Fund shall not exceed 350 students during Fiscal Year (FY) 2023. In FY2023, the number of enrolled students was multiplied by the FY2023 Government of Guam General Appropriations Act approved amount of \$7,000 per student enrollee. For the fiscal year ended September 30, 2023, a total of 420 students were enrolled in SiFA. SiFA received government appropriations for the fiscal year ended September 30, 2023 totaling \$2,450,000.

Fundraising and Donations

SiFA participates in various fundraising activities during the year. Revenues received from these fundraising activities are recognized as fundraising income. In addition, SiFA receives cash donations from private individuals and businesses that are recognized as donations when received.

Income Taxes

SiFA is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Guam Territorial Income Tax Law. Therefore, SiFA has made no provision for income taxes in the accompanying financial statements. A Return of Organization Exempt from Income Tax is filed by SiFA. Forms 990 filed by SiFA are subject to examination by the Government of Guam Department of Revenue and Taxation for up to three years from the extended due date of each return.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

In addition to assets, the statement of financial position, will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. SiFA has no items that qualify for reporting under this category.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position, will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (addition of net position) until then. SiFA has no items that qualify for reporting under this category.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures 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.

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of GASB Statement No. 91 did not have an effect on SiFA's financial statements.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of GASB Statement No. 94 did not have an effect on SiFA's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 did not have an effect on the SiFA's financial statements.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of GASB Statement No. 99 did not have an effect on SiFA's financial statements.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal years ending September 30, 2025.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal years ending September 30, 2025.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position. The requirement for presentation of major component unit information will improve comparability. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability. GASB Statement No. 103 will be effective for fiscal years ending September 30, 2026.

In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. GASB Statement No. 104 will be effective for fiscal years ending September 30, 2026.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

SiFA is currently evaluating the effects the above upcoming accounting pronouncements might have on its financial statements.

3. Economic Dependency

SiFA receives approximately 100% of its annual revenue from the Guam Legislature under the Guam Academy Charter School Act under a five-year charter agreement. Under such agreement, the Council will review SiFA every five years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of agreement or if SiFA fails to meet the goals and student academic achievement expectations.

4. Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, SiFA's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. SiFA does not have a depository policy for custodial credit risk.

SiFA maintains two bank accounts with a financial institution. SiFA at times maintains cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). SiFA has not made any provisions as it has not incurred any losses due to exceeding insured amounts. All of SiFA's bank balances were fully insured as of September 30, 2023.

5. Capital Assets, net

The following is a summary of the changes in lease assets for the year ended September 30, 2023:

	<u>Beginning Balance</u> <u>October 1, 2022</u> <i>(As restated)</i>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2023</u>
Lease assets:				
Buildings and facilities	\$394,511	\$ ---	\$ ---	\$394,511
Less accumulated amortization	---	<u>394,511</u>	---	<u>(394,511)</u>
Lease assets, net	<u>\$394,511</u>	\$ ---	\$ ---	\$ ---

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

6. Lease

SiFA leases a school campus which includes classrooms and administrative offices with Eagle. The lease agreement also includes provision of fixed assets and related equipment, utilities and services and supplies to SiFA. The lease contact was effective on June 1, 2018 for a term of 5 years with no extensions and/or renewals.

During fiscal year 2023, management determined that the lease agreement with Eagle had been previously misinterpreted. The agreement had been interpreted and recorded as requiring annual payments of \$2.4 million. Management now interprets the lease agreement as a lump sum obligation of \$2.4 million amortized over a five-year lease term. As a result of this adjustment, the beginning balances as of October 1, 2022 were restated to reflect management interpretation of the lease agreement.

As of October 1, 2022, SiFA recognized an accounts receivable of \$2,181,865 due to excess payments made on its lease. SiFA has also established a full allowance for this receivable. During the year, SiFA made a payment that led to an overpayment of \$284,264 to Eagle. As of September 30, 2023, SiFA recorded an accounts receivable from Eagle totaling \$2,466,129, for which a full allowance has been provided.

Eagle periodically provides unsecured, non-interest-bearing cash advances to SiFA. As of September 30, 2023, SiFA recorded \$14,387 as a result of this cash advances and is reflected as a component of accrued expenses and other current liabilities in the accompanying statement of net position.

7. Long-term Liability

The following is a summary of the changes in long-term liability for the year ended September 30, 2023:

	<u>Beginning Balance</u> <u>October 1, 2022</u> <i>(As restated)</i>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u> <u>September 30, 2023</u>	<u>Current</u>	<u>Non-current</u>
Lease liability	\$29,667	\$---	\$(29,667)	\$---	\$---	\$---

8. Risk and Uncertainties

SiFA is exposed to various risks of loss related to student or employee injury for which SiFA carries workers compensation insurance. SiFA maintains workmen's compensation insurance to provide for claims arising from these risks through the terms of the PLEASE contract with Eagle.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

9. Subsequent Events

SiFA has evaluated subsequent events through December 4, 2025 which is the date the financial statements were available to be issued. SiFA officially vacated its original Tiyan campus in July 2025 and has entered into a lease agreement with Guam Community College (GCC) to utilize its facilities for face-to-face instruction beginning with the 2025–2026 school year. The lease commenced on September 1, 2025, and is effective through December 31, 2025. Thereafter, the agreement may be extended on a month-to-month basis upon mutual consent of both parties while SiFA continues its search for a permanent campus. Under the lease agreement, SiFA is required to pay GCC a rental rate of \$1,500 per classroom per month, with usage ranging from 10 to 13 classrooms (totaling \$15,000 to \$19,500 per month). The full four-month rental obligation, based on the initial number of classrooms provided (up to 13), is payable in advance, with any additional classrooms thereafter compensated separately, not to exceed the cap of 13 classrooms.

10. Restatement of Financial Statements

During fiscal year 2023, management determined that the lease agreement with Eagle had been previously misinterpreted. The agreement had been interpreted and recorded as requiring annual payments of \$2.4 million. Management now interprets the lease agreement as a lump sum obligation of \$2.4 million amortized over a five-year lease term. As a result of this adjustment, the beginning balances as of October 1, 2022 were restated to reflect management interpretation of the lease agreement.

As of October 1, 2022, SiFA recognized an accounts receivable of \$2,181,865 due to excess payments made on its lease. SiFA has also established a full allowance for this receivable. The restatement also had reduced depreciable capital assets, net and lease liability by \$1,400,269 and \$3,131,075, respectively, and increased beginning net position by \$1,730,806, resulting in a restated beginning net position of \$509,424. Following is the summary of the financial statement line items impacted by this restatement:

	<u>As previously Reported</u>	<u>Correction of an error</u>	<u>As restated</u>
Fund balance/net (deficit) position at the beginning of the year	(1,221,382)	1,730,806	509,424

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Notes to Financial Statements, continued

11. Going concern

During the year ended September 30, 2023, SiFA's operations continued to incur an excess of expenditures over revenues and it has restated the basic financial statements to reflect its current interpretation of the lease contract. Had the restatement not been made, SiFA would have reported a negative fund balance or net position.

Because of the conditions and events described in the aforementioned paragraph, there is substantial doubt about SiFA's ability to continue as a going concern within one year after the date that the financial statements are issued.

To alleviate doubt, management has developed plans to obtain sufficient cash flows to meet the SiFA's obligations. The plans include:

- Obtained the support letter from Guam Charter Schools Council (GACSC) that states their commitment and ability to fully support SiFA through the fundings received from the Government of Guam;
- Requested an increase in the enrollment cap;
- Applied for additional grants; and,
- Requested an additional funding from local businesses

Based on the items above, management has determined that the actions it has taken and the plans it has developed are sufficient to mitigate the uncertainty. Management believes the going concern basis remains appropriate, and there is no need to adopt the liquidation basis of accounting. The liquidation is considered imminent when:

1. The party or parties with the authority to approve a liquidation plan do so, and the likelihood is remote that (1) the plan will be blocked and (2) the entity will return to liquidation
2. Other forces such as involuntary bankruptcy impose a plan for liquidation, and the likelihood that the entity will return from liquidation is remote.

Management has determined that none of these considerations are present as a result of its evaluation of going concern matters.

Required Supplementary Information

**Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)**

**Budgetary Comparison Schedule – Government Funds
(Unaudited)**

Year ended September 30, 2023

	Year Ended September 30, 2023			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures:				
Salaries and benefits	\$ 1,608,446	\$ 1,586,746	\$ 1,485,738	\$ 101,008
Contract Services	---	---	54,191	(54,191)
Lease expenditure	1,688,054	798,864	3,657	795,207
Amortization Expense	---	---	394,511	(394,511)
Supplies & Materials	---	---	---	---
Operations	---	---	104,704	(104,704)
Provision for credit losses	---	---	---	---
Miscellaneous	50,500	41,390	---	41,390
Utilities	---	---	---	---
Workman's Compensation	---	---	---	---
Bank Charges	---	---	774	(774)
Interest Expense	---	---	3,332	(3,332)
Total Expenditures	<u>3,347,000</u>	<u>2,427,000</u>	<u>2,046,907</u>	<u>380,093</u>
General revenues:				
Appropriation - students	3,375,000	2,450,000	1,860,505	589,495
Grant	---	---	---	---
Other income	---	---	7,868	7,868
Fund Raising revenue	---	---	---	---
	<u>3,375,000</u>	<u>2,450,000</u>	<u>1,868,373</u>	<u>597,363</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>28,000</u>	<u>23,000</u>	<u>(178,534)</u>	<u>(977,456)</u>
Increase (decrease) in net position	<u>28,000</u>	<u>23,000</u>	<u>(178,534)</u>	<u>(977,456)</u>
Fund balance/net position:				
Beginning of year	(<u>1,221,382</u>)	(<u>1,221,382</u>)	509,424	---
End of year	\$(<u>1,193,382</u>)	\$(<u>1,198,382</u>)	\$ <u>330,890</u>	\$(<u>977,456</u>)



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Report of Independent Auditors 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 Trustees and Management
Science is Fun and Awesome Learning Academy Charter School

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, general fund and fiduciary activities of Science is Fun and Awesome Learning Academy Charter School (SiFA) (a non-profit organization), which collectively comprise SiFA's basic financial statements, and have issued our report thereon dated December 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SiFA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SiFA's internal control. Accordingly, we do not express an opinion on the effectiveness of SiFA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *schedule of findings and responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying *schedule of findings and responses* as items 2023-001, 2023-002, 2023-003, and 2023-004 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *schedule of findings and responses* as items 2023-005 and 2023-006 to be significant deficiencies.

SiFA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the SiFA's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. SiFA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SiFA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

December 4, 2025

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses

Finding No.: 2023-001

Criteria

GASB Statement No. 34 highlights the importance of strong internal controls over financial reporting. Effective internal controls help prevent errors and misstatements, ensuring that subledgers and the general ledger are aligned, and that financial reports are reliable.

Condition

SiFA's financial statement closing process does not ensure timely and accurate recognition of obligations. The accounts payable aging schedule did not reconcile with the accounts payable balance. Accruals were not consistently recorded on a timely basis. Specifically, we proposed an adjustment to recognize audit fee expense, as the original accrual was understated due to delayed recognition.

Cause

We observed that SiFA's financial statement closing process did not include robust reconciliation or procedures of its accounts payable aging schedule to the general ledger and to ensure that all obligations are captured in the proper accounting period.

Effect or potential effect

We have identified material uncorrected adjustments to the financial statements. SiFA was unable to provide complete reconciliations to support accounts payable balances. Weaknesses in accrual recognition and reconciliation increase the risk of misstating expenses and liabilities.

Recommendation

We recommend management to perform monthly reconciliation of supporting schedules to General Ledger balances to ensure compliance with the requirements under GASB Statement No. 34, and to implement procedures to ensure accruals are identified and recorded in the proper accounting period.

View of responsible officials

SiFA recognizes Finding No. 2023-001 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2023-002

Criteria

SiFA should maintain lease schedules to account for adjustments related to GASB Statement No. 87.

Condition

The lease amortization schedule did not reconcile with the lease asset, lease liability, and amortization expense balances.

Cause

We observed that SiFA's financial statement closing process did not include proper reconciliation of its lease amortization schedule to the general ledger.

Effect or potential effect

This resulted to misstatements in lease assets, lease liability and amortization expense balances.

Recommendation

We recommend management to conduct monthly reconciliation of supporting schedules to the general ledger balances.

View of responsible officials

SiFA recognizes Finding No. 2023-002 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2023-003

Criteria

SiFA should maintain and perform a proper review of their bank reconciliations to ensure transactions are correct and to properly identify valid reconciling items.

Condition

A prior year adjustment was included as a bank reconciling item classified as an uncleared deposit in transit in the bank reconciliation.

Cause

SiFA did not perform a proper review of the bank reconciliation to ensure that transactions are valid reconciling items.

Effect or potential effect

We have identified an adjustment to the financial statements to correct for the current year bank reconciling item.

Recommendation

We recommend management to perform accurate reviews of the bank reconciliations in a timely manner.

View of responsible officials

SiFA recognizes Finding No. 2023-003 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2023-004

Criteria

Under GASB Statement No. 34 and GASB Statement No. 62, receivables should be reported at amounts that are reasonably expected to be collected. This requires entities to establish and apply an allowance methodology that considers collectability, historical trends, and aging of receivables. Effective internal controls over financial reporting include policies and procedures to ensure receivables are fairly stated.

Condition

SiFA does not have a formal policy for establishing or reviewing an allowance for doubtful accounts. As a result, no allowance was recorded against accounts receivable as of year-end. During our audit, we proposed a material adjustment to recognize an allowance, given the risk that certain receivables may not be collectible.

Cause

Management has not developed or implemented policies and procedures for evaluating the collectability of receivables. The absence of a structured methodology led to the omission of a necessary allowance adjustment.

Effect or potential effect

Without appropriate policies, there is a significant risk that receivables will continue to be overstated and that material misstatements may not be prevented, or detected and corrected, on a timely basis.

Recommendation

We recommend that management establish and document a formal allowance policy that outlines the methodology and criteria for evaluating the collectability of receivables. Implementing such a policy will help ensure receivables are fairly stated and potential credit losses are appropriately recognized on a timely basis.

View of responsible officials

SiFA recognizes Finding No. 2023-004 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2023-005

Criteria

GASB Statement No. 34 requires that beginning net position agree to the prior year's audited ending net position to ensure accuracy and consistency of financial reporting. Reconciliations are a key internal control to prevent errors in the financial statements.

Condition

SiFA's beginning net position did not agree to the prior year's audited ending net position, resulting in an unreconciled variance. An audit adjustment was proposed to correct the misstatement.

Cause

Management did not perform a timely reconciliation of the beginning net position to the prior year's audited balance.

Effect or potential effect

Without proper reconciliation, errors in beginning balances may go undetected, increasing the risk of misstatement in the financial statements.

Recommendation

We recommend management perform timely reconciliations of beginning net position balances to the prior year's audited financial statements as part of the year-end closing process. This will help ensure accuracy and consistency in financial reporting.

View of responsible officials

SiFA recognizes Finding No. 2023-005 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.

Science is Fun and Awesome Learning Academy
Charter School
(A Non-Profit Organization)

Schedule of Findings and Responses, continued

Finding No.: 2023-006

Criteria

Effective internal controls require segregation of duties such that no single individual has control over all aspects of a financial transaction. Adequate review and approval processes reduce the risk of errors and irregularities going undetected.

Condition

We noted that the Business and Accounting Officer both prepares and reviews bank reconciliations, journal entries, and subledger schedules, with no independent reviewer or approver involved.

Cause

The entity has limited staffing, resulting in a lack of segregation of duties within the accounting and business function.

Effect or potential effect

The absence of independent review increases the risk that errors or irregularities in reconciliations, journal entries, and schedules may not be detected or corrected in a timely manner.

Recommendation

We recommend management implement a segregation of duties plan that introduces independent review and approval of bank reconciliations, journal entries, and key schedules. Where staffing limitations exist, compensating controls should be established to reduce the risk of undetected errors.

View of responsible officials

SiFA recognizes Finding No. 2023-006 and the recommendations for compliance. SiFA is in the process of implementing the related policy and procedures to address this matter and ensure compliance is met for the current fiscal year.