



## **Financial Highlights**

### **Science is Fun and Awesome Learning Academy Charter School Financial Audit Fiscal Year 2023**

December 30, 2025

The Office of Public Accountability has released the Science is Fun and Awesome Learning Academy Charter School (SiFA) financial statements, report on compliance and internal control, and auditor's communication with those charged with governance for fiscal year (FY) 2023. Independent auditors Ernst & Young, LLP rendered an unmodified (clean) opinion on SiFA's financial statements. However, the auditors identified four material weaknesses and two significant deficiencies in SiFA's internal control over financial reporting.

SiFA ended FY 2023 with a net position of \$330,890, a decrease from FY 2022's \$509,424. SiFA previously noted a negative net position of \$1,221,382 for FY 2022. However, the beginning net position for FY 2022 was restated to correct an error resulting from SiFA management's misinterpretation of its lease agreement with Eagle Land Holdings, LLC (Eagle).

#### **Student Appropriation and Funding**

Pursuant to Public Law 35-99, SiFA's cost per pupil was \$7,000 per enrollee, with a funding cap of 350 students for School Year 2022-2023, consistent with SiFA's staffing capacity at the time. As of September 30, 2023, actual enrollment totaled 420 students, exceeding the authorized funding cap.

#### **\$3.1M Decrease in Revenues and \$2.62M Decrease in Expenses**

SiFA recorded total revenues of \$1.87 million (M) for FY 2023, a \$3.05M decrease from FY 2022's \$4.92M. Government of Guam appropriations of \$1.86M accounted for nearly all of SiFA's total FY 2023 revenues.

SiFA previously received Educational Stabilization Fund (ESF) funding in FY 2021, which provided donated school supplies, books, technology, and pandemic-related equipment. In FY 2022, SiFA recorded approximately \$828,517 in grant-in-kind items and related supplies and materials through American Rescue Plan and ESF II funding. No comparable grant-funded resources were received in FY 2023, as these federal relief programs concluded.

Total expenses for FY 2023 were \$2.05M, a decrease by \$2.62M, or 56%, from FY 2022's \$4.67M. Salaries remained SiFA's largest expense at \$1.49M, or 73%, of its total FY 2023 expenses.

#### **Report on Compliance and Internal Control**

Auditors identified **four material weaknesses** and **two significant deficiencies** in SiFA's internal control over financial reporting. These findings primarily relate to weaknesses in financial closing procedures, reconciliations, lease accounting, receivables management, and segregation of duties. SiFA management has acknowledged and is implementing corrective actions for all six findings.

**1. Finding No. 2023-001, Financial Closing and Accrual Process**

Auditors determined that SiFA's financial statement closing process did not ensure the timely and accurate recognition of obligations. Specifically, accounts payable aging schedules did not reconcile to the general ledger, and accruals were not consistently recorded in the proper accounting period. As a result, an audit adjustment was proposed to recognize audit fee expenses to correct the understated accrual which resulted from delayed recognition.

Auditors recommended that management perform monthly reconciliations of supporting schedules to the general ledger and implement procedures for identifying and recording accruals.

**2. Finding No. 2023-002, Lease Accounting and Reconciliation**

Auditors noted that SiFA did not properly reconcile its lease amortization schedule to the lease asset, lease liability, and amortization expense balances in the general ledger in accordance with GASB Statement No. 87. The lack of reconciliation resulted in misstatements in lease-related accounts.

Auditors recommended monthly reconciliation of lease schedules to the general ledger.

**3. Finding No. 2023-003, Bank Reconciliation Review**

Auditors found that SiFA did not perform a proper review of bank reconciliations. A prior-year adjustment was improperly included as an uncleared deposit in transit, indicating that reconciling items were not sufficiently reviewed for validity.

This deficiency resulted in an audit adjustment to correct the bank reconciliation. Auditors recommended timely and accurate reviews of bank reconciliations.

**4. Finding No. 2023-004, Allowance for Doubtful Accounts**

SiFA does not have a formal policy for establishing or reviewing an allowance for doubtful accounts in accordance with GASB Statement Nos. 34 and 62. As a result, receivables were reported without an allowance, despite collectability risks. Auditors proposed a material adjustment to recognize an allowance for doubtful accounts.

Auditors recommended that management establish and document a formal allowance policy that outlines the methodology and criteria for evaluating the collectability of receivables.

**5. Finding No. 2023-005, Beginning Net Position Reconciliation**

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

Auditors recommended timely reconciliation of beginning net position balances to the prior year's audited financial statements as part of the year-end closing process.

## **6. Finding No. 2023-006, Segregation of Duties**

Due to limited staffing, auditors observed that the Business and Accounting Officer was responsible for both preparing and reviewing bank reconciliations, journal entries, and subledger schedules without the involvement of an independent reviewer or approver, resulting in inadequate segregation of duties.

Auditors recommended implementing independent review and approval procedures and compensating controls based on staffing availability.

## **Contractual Disputes and Management's Financial Recovery Strategy**

During the year ended September 30, 2023, SiFA's operations continued to incur an excess of expenditures over revenues, and the FY 2022 and FY 2023 financial statements were restated to reflect its current interpretation of the P.L.E.A.S.E. contract. These circumstances contributed to substantial doubt about SiFA's ability to continue as a going concern within one year after the issuance of the financial statements.

A key factor in these challenges was SiFA's contract with Eagle which ended on June 30, 2023. Although SiFA attempted to negotiate a new lease agreement, it was unable to meet the Department of Administration's (DOA) reimbursement requirements because Eagle did not provide the required monthly invoices. As a result, SiFA was unable to submit lease reimbursement requests to DOA from July 2023 through May 2025. During this period, SiFA also assumed direct responsibility for operational expenses, such as utilities, healthcare insurance, and supplies, which should have been included under the Eagle lease contract.

SiFA intends to dispute any asserted liability arising from the P.L.E.A.S.E. contract. Based on its legal interpretation of the agreement, SiFA maintains that the amount claimed is not the amount owed and resulted from a misinterpretation of contract terms. SiFA asserted that the agreement represented a \$2.4M lump-sum payment for a five-year term rather than \$2.4M per year. Accordingly, SiFA determined that no liability exists and that an overpayment had been made, necessitating a restatement of the FY 2022 and FY 2023 audited financial statements.

To mitigate potential financial challenges and ensure the fulfillment of its obligations, management has developed a plan to generate sufficient cash flows, which includes the following key actions:

- Obtained the support letter from the Guam Charter Schools Council that states their commitment and ability to fully support SiFA through the fundings received from the government of Guam.
- 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.

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