

Rennae Meno <rennae@guamlegislature.org>

M&C Fwd: SiFA Learning Academy Charter School FY 2019 Financial Audit Reports

1 message

Speaker's Office <speaker@guamlegislature.org>
To: Clerks Office <clerks@guamlegislature.org>
Cc: Rennae Meno <rennae@guamlegislature.org>

03-31-20	1:31 PM	03-31-20	SiFA Learning Academy School Charter School FY 2019 Financial Audit Reports.*	Office of Public Accountability





Sinseru yan Minagåhet,

Office of the Speaker • Tina Rose Muña Barnes
Committee on Public Accountability, Human Resources & the Guam Buildup

35th Guam Legislature
I Mina'trentai Singko na Liheslaturan Guåhan

Guam Congress Building | 163 Chalan Santo Papa | Hagatna, GU 96910
T: (671) 477-2520/1
speaker@guamlegislature.org

This e-mail message is intended only for the use of the individual or entity named above and may contain confidential and privileged information. If you are not the intended recipient, any disclosure, copying, distribu transmission is strictly PROHIBITED. If you have received this transmission in error, please immediately notify us by replying to speaker@guamlegislature.org and delete the message immediately. Thank you ver

Gumai pribilehu yan konfedensia este siha na mensåhi. Solo espesiåtmente para hågu ma entensioña pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'setbe, pat mandespåtcha. Yang fabot ago' guatu gi I numa'huyong gi as speaker@guamlegislature.org yan despues destrosa todu siha I kopian mensåhi. Si Yu'os ma'åse'.

---------- Forwarded message ---------
From: **Ira Palero** <ipalero@guamopa.com>
Date: Tue, Mar 31, 2020 at 1:31 PM
Subject: SiFA Learning Academy Charter School FY 2019 Financial Audit Reports
To:
Cc: Benjamin Cruz <bjcruz@guamopa.com>

Hafa Adai,

Transmitted electronically are the Science is Fun and Awesome (SiFA) Learning Academy Charter School FY 2019 Financial Highlights, Financial Statements, Report on Compliance and Inte Letter to Those Charged with Governance. These reports may also be found at http://www.opaguam.org.

--

Best Regards,

Ira Palero, CPA

Auditor I | ***Office of Public Accountability - Guam***

w: www.opaguam.org

p: (671) 475-0390 ext. 215

f: (671) 472-7951

This email and any attachments are for the sole use of the intended recipients and contain information that may be confidential or legally privileged. If you have received this email in error, please notify the sender by reply email and c distribution, or use of this communication by someone other than the intended recipient is prohibited.

5 attachments

SiFA FY 2019 Financial Highlights.pdf
614K

Science is Fun and Awesome (SiFA) 2019 FS PDF FINAL (secured).pdf
2303K

Science is Fun and Awesome (SiFA) 2019 Compliance Report PDF FINAL (secured).pdf
45K

Science is Fun and Awesome (SiFA) 2019 ML PDF FINAL (secured).pdf

37K

Science is Fun and Awesome (SiFA) 2019 Required Communications PDF FINAL (secured).pdf
3253K

Doc. No. 35GL-20-1685.*

OFFICE OF PUBLIC ACCOUNTABILITY

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

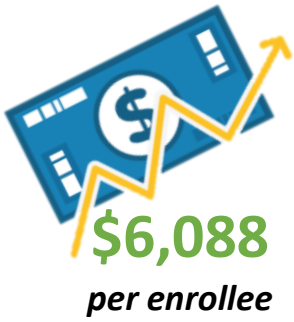
Science is Fun and Awesome Learning Academy Charter School – FY 2019 Financial Highlights

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

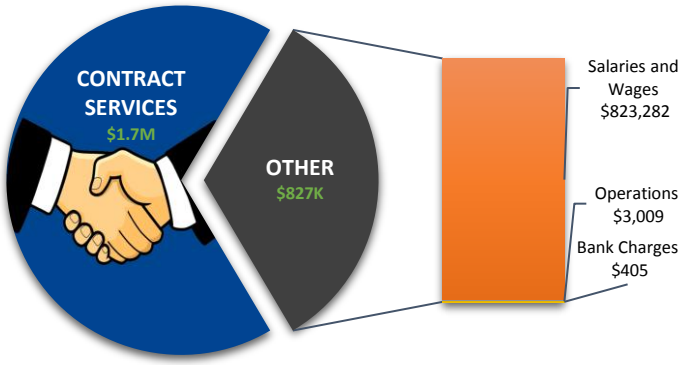


SiFA enrolled 233 students, which multiplied by the approved amount of $6,088 per student enrollee amounted to total revenues of $1.4M for FY 2019. However, SiFA's operations did not provide for a sufficient amount of cash inflows resulting in substantial doubt about SiFA's ability to continue as a going 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**



Doc. No. 35GL-20-1685.*

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.

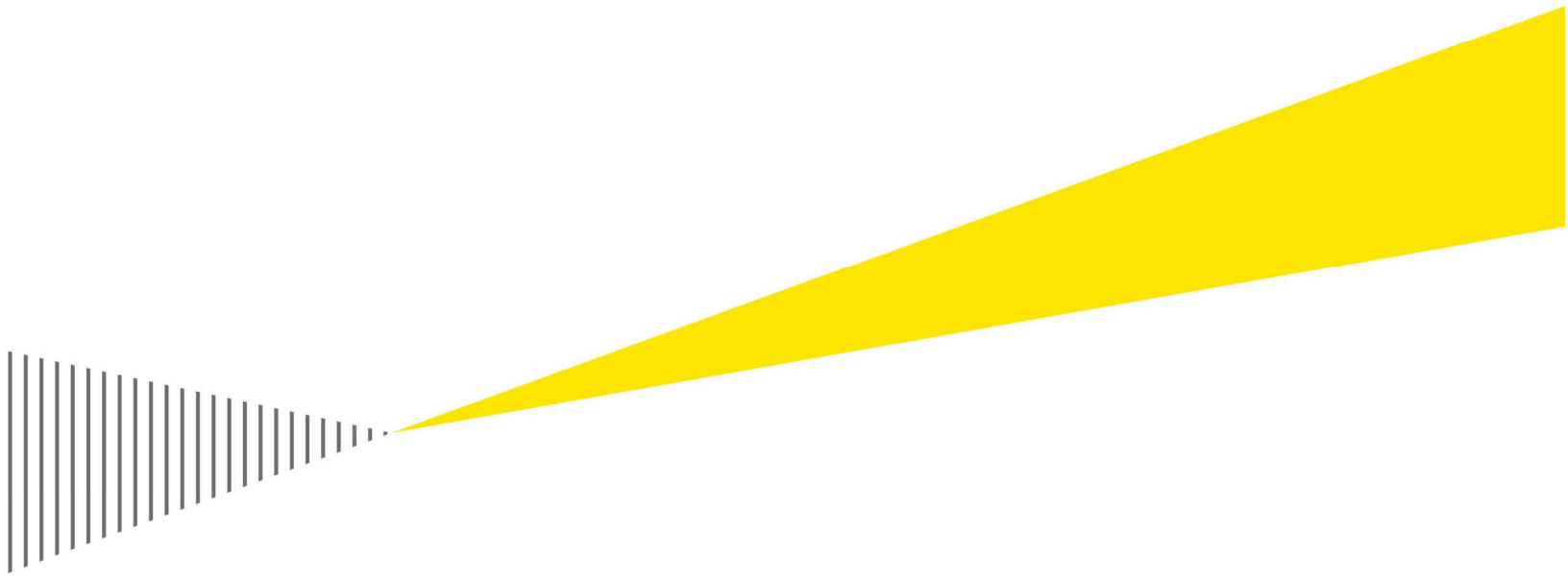
For more details on SiFA's operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and http://sifalacs.sifapacific.org/.

Financial Statements

Science is Fun and Awesome Learning Academy Charter School

(A Non-Profit Organization)

Year ended September 30, 2019
with Report of Independent Auditors



Building a better working world

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

Financial Statements

Year ended September 30, 2019

Contents

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

Audited Financial Statements

Governmental Funds Balance Sheet/Statement of Net Position 32
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities 33
Statement of Fiduciary Net Position 34
Notes to Financial Statements 35

Required Supplementary Information

Budgetary Comparison Schedule – Governmental Funds 44

Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

Building a better working world

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Science is Fun and Awesome Learning Academy Charter School (SiFA), as of and for the year ended September 30, 2019, and the related notes to the financial statements which collectively comprise Science is Fun and Awesome Learning Academy Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

A member firm of Ernst & Young Global Limited

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of Science is Fun and Awesome Learning Academy Charter School, as of September 30, 2019, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Science is Fun and Awesome Learning Academy'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 7 to the financial statements, SiFA has a working capital deficiency and has stated that substantial doubt exists about SiFA's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters also are described in Note 7. 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4 through 31 and budgetary comparison information on page 44 be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States, 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 have also issued our report dated March 27, 2020, on our consideration of Science is Fun and Awesome Learning Academy Charter School'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 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 Science is Fun and Awesome Learning Academy Charter School'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 Science is Fun and Awesome Learning Academy Charter School's internal control over financial reporting and compliance.

Ernst & Young LLP

March 27, 2020

Management's Discussion and Analysis, continued

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, 2019. We encourage readers to consider the information presented here in conjunction with the information presented within the body of the audited financial report.

A. School Activities and Highlights

Financial Highlights

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

- The liabilities of SiFA exceeded its assets at the close of fiscal year by $1,200,935 ***(net position).***

- Enrollment at the end of School Year 2018-2019 is 233 students which is lesser than the 350 students as authorized by P.L. 34-116

School's Overview

- SiFA is a STEAM-based middle school. The school offers the following subject areas: Science, Mathematics, ELA, ICT, Social Studies, Physical Education, Robotics and Electives (Band and Family Consumer Science). Apart from academic offerings, the school has the following student organizations: STUCO, NJHS, Math Counts, Robotics Club, etc. to a name a few.

- SiFA first opened in the 2018-2019 school year with 16 teachers. The teachers have degrees ranging from Associate's Degrees to Master's Degree. More than half of the faculty have less than 5 years of teaching experience and do not hold degrees in education. Professional Development is crucial in improving their teaching techniques and understanding of effective pedagogy. Professional development for the faculty, will also contribute to an increase in academic performance in areas that baseline data show as needing improvement. ACT Aspire results from 2018-2019 indicate weaknesses in Math, Reading, and Science.

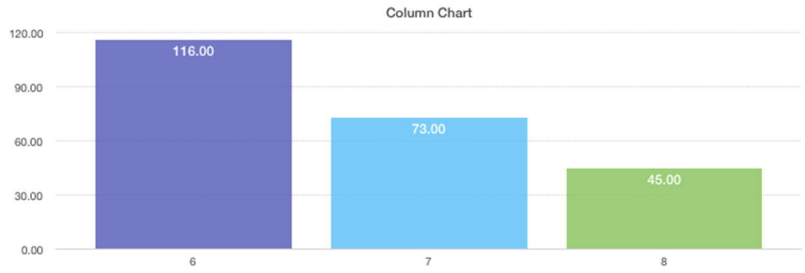
    - Two faculty members hold Masters Degrees
    - Three faculty members hold a Bachelors Degree in Education
    - Two faculty members hold an Associates Degree in Early Childhood.
    - Ten faculty hold degrees in other field of studies.

A. School Activities and Highlights, continued

Student Profile

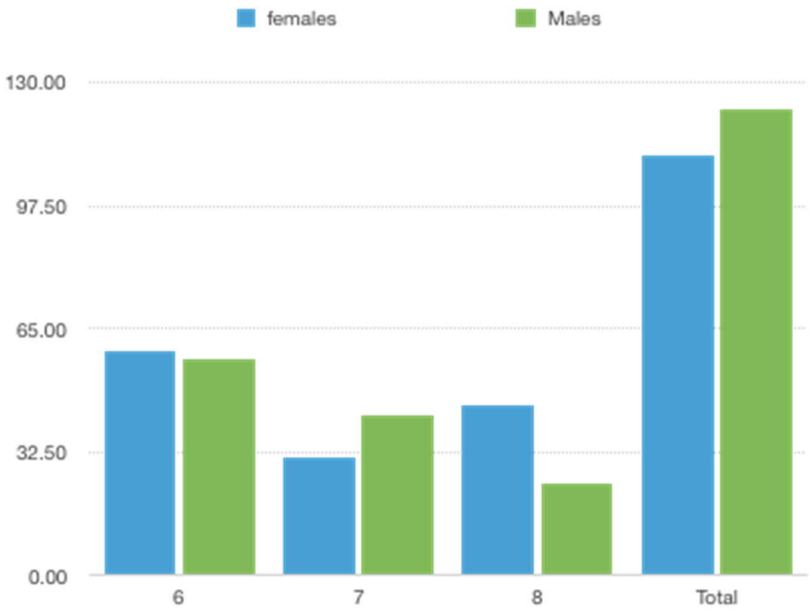
Enrollment as of October 7, 2019

Grade	Number of students
6	116
7	73
8	45
Total	234



Gender Enrollment as of October 7, 2019

Grade	Females	Males
6	59	57
7	31	42
8	45	24
Total	111	123



A. School Activities and Highlights, continued

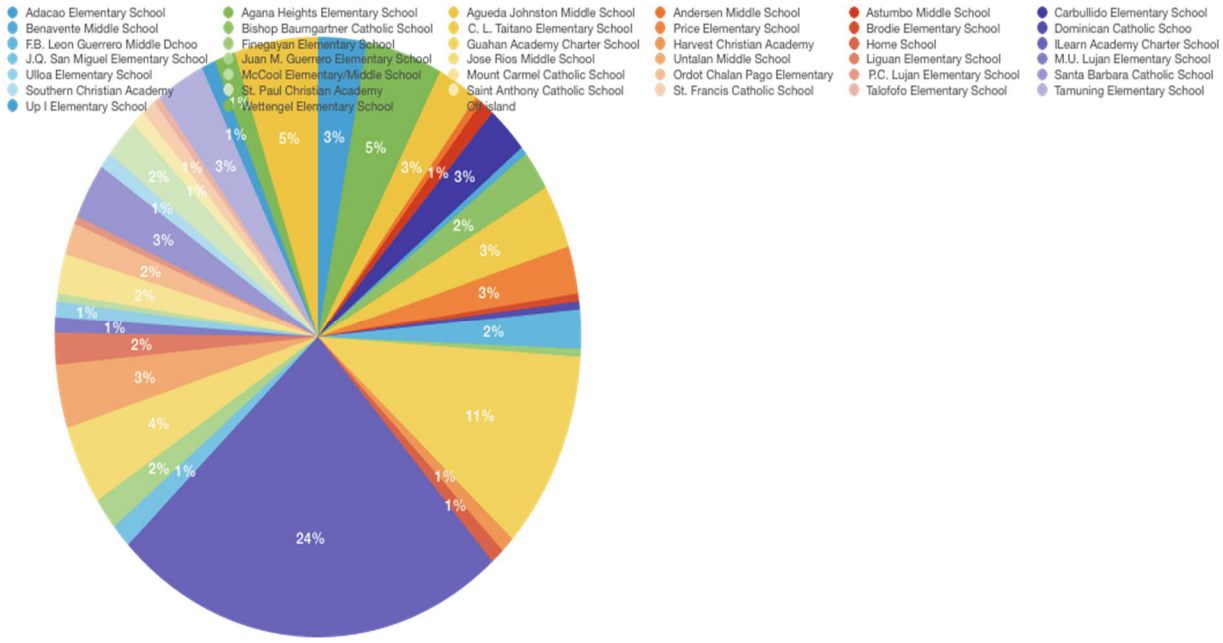
Previous School Enrollment as of October 7, 2019

School	
Adacao Elementary School	7
Agana Heights Elementary School	11
Agueda Johnston Middle School	6
Andersen Middle School	1
Astumbo Middle School	2
Carbullido Elementary School	6
Benavente Middle School	1
Bishop Baumgartner Catholic School	5
C. L. Taitano Elementary School	8
Price Elementary School	6
Brodie Elementary School	1
Dominican Catholic School	1
F.B. Leon Guerrero Middle School	5
Finegayan Elementary School	1
Guahan Academy Charter School	25
Harvest Christian Academy	2
Home School	2
iLearn Academy Charter School	57
J.Q. San Miguel Elementary School	3
Juan M. Guerrero Elementary School	4
Jose Rios Middle School	10
Untalan Middle School	8
Liguan Elementary School	4
M.U. Lujan Elementary School	2
Ulloa Elementary School	2
McCool Elementary/Middle School	1

A. School Activities and Highlights, continued

Previous School Enrollment as of October 7, 2019, continued

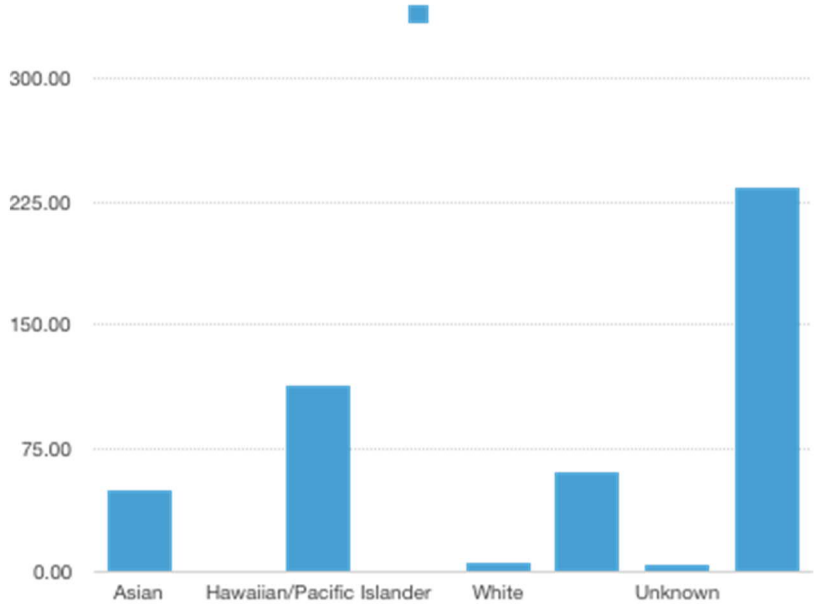
School	
Mount Carmel Catholic School	5
Ordot Chalan Pago Elementary	4
P.C. Lujan Elementary School	1
Santa Barbara Catholic School	7
Southern Christian Academy	2
Saint Paul Christian School	5
Saint Anthony Catholic School	2
St. Francis Catholic School	2
Talofofo Elementary School	1
Tamuning Elementary School	7
Up I Elementary School	2
Wettengel Elementary School	3
Off island	12



A. School Activities and Highlights, continued

Ethnicity Enrollment as of October 7, 2019

Ethnicity	
Asian	50
Black/African American	0
Hawaiian/Pacific Islander	113
Hispanic/Latino	0
White	6
Others	60
Unknown	5
	234



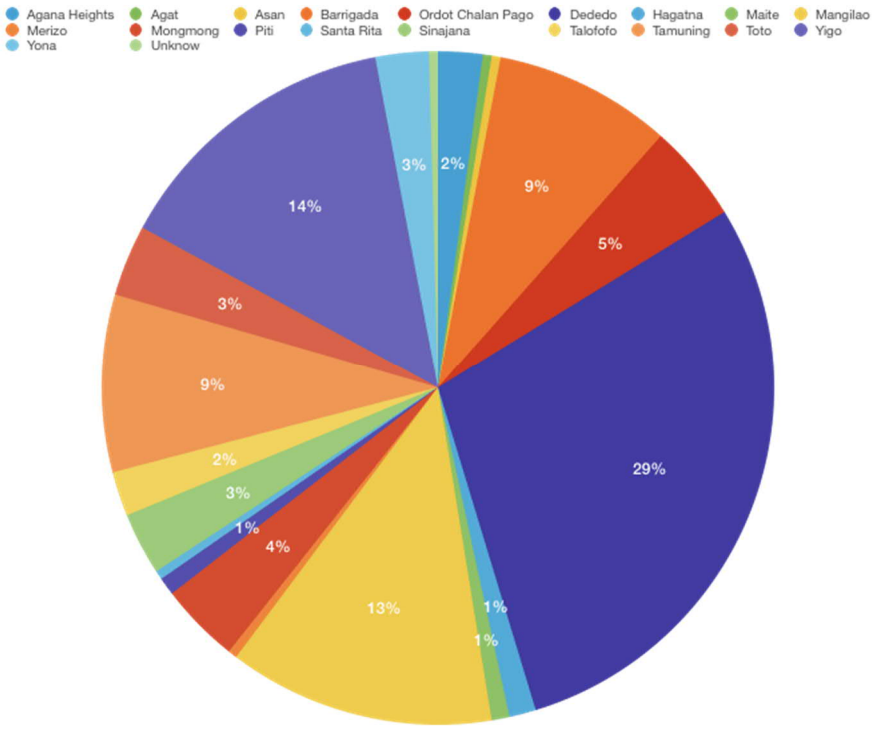
A. School Activities and Highlights, continued

Village Enrollment as of October 7, 2019

Village	
Agana Heights	5
Agat	1
Asan	1
Barrigada	20
Ordot Chalan Pago	11
Dededo	68
Hagatna	3
Maite	2
Mangilao	30
Merizo	1
Mongmong	9
Piti	2
Santa Rita	1
Sinajana	7
Talofofo	5
Tamuning	20
Toto	8
Yigo	33
Yona	6
Unknown	1

A. School Activities and Highlights, continued

Village Enrollment as of October 7, 2019

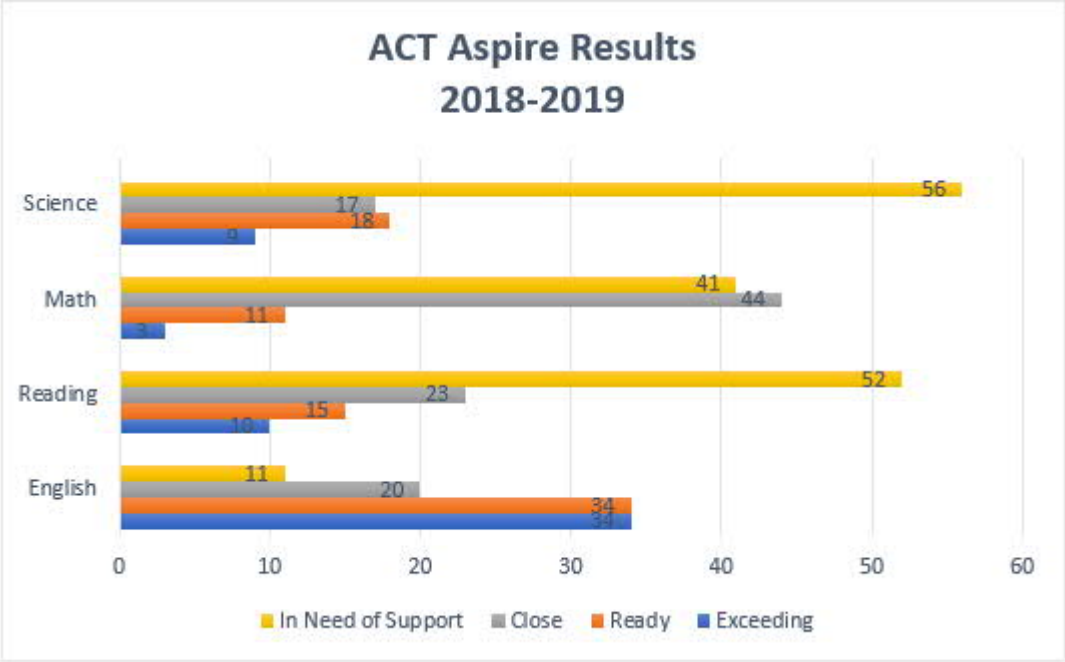


Student Performance

- The school adheres to the ACT Aspire district wide assessment at the end of the school year. ACT Aspire results from the academic year 2018 – 2019 are as follows:
  - Reading: 10%Exceeding; 15% Ready; 23% Close; 52% In Need of Support
  - Math: 3% Exceeding; 11% Ready; 44%% Close; 41% in Need of Support
  - Science: 9% Exceeding; 18% Ready; 17% Close; 56% In Need of Support
  - English: 34% Exceeding; 34% Ready; 20% Close; 11% In Need of Support

A. School Activities and Highlights, continued

Student Performance, continued



- Marks Analysis for 1st Quarter SY 2019 – 2020

SUBJECT	GRADE 6	GRADE 7	GRADE 8
MATH	14.4 % (FAIL) 85.6 % (PASS)	10.5 % (FAIL) 89.5 % (PASS)	16 % (FAIL) 84 % (PASS)
SCIENCE	0.8 % (FAIL) 99.2 % (PASS)	9.2 % (FAIL) 90.8 % (PASS)	4 % (FAIL) 96 % (PASS)
ELA	1.7 % (FAIL) 98.3 % (PASS)	0 % (FAIL) 100 % (PASS)	0 % (FAIL) 100 % (PASS)

- Marks Analysis for 2nd Quarter SY 2019 – 2020

SUBJECT	GRADE 6	GRADE 7	GRADE 8
MATH	8.5 % (FAIL) 91.5 % (PASS)	13.2 % (FAIL) 86.8 % (PASS)	20 % (FAIL) 80 % (PASS)
SCIENCE	5.1 % (FAIL) 94.9 % (PASS)	9.2 % (FAIL) 90.8 % (PASS)	4 % (FAIL) 96 % (PASS)
ELA	5.1 % (FAIL) 94.9 % (PASS)	0 % (FAIL) 100 % (PASS)	0 % (FAIL) 100 % (PASS)

A. School Activities and Highlights, continued

Student Performance, continued

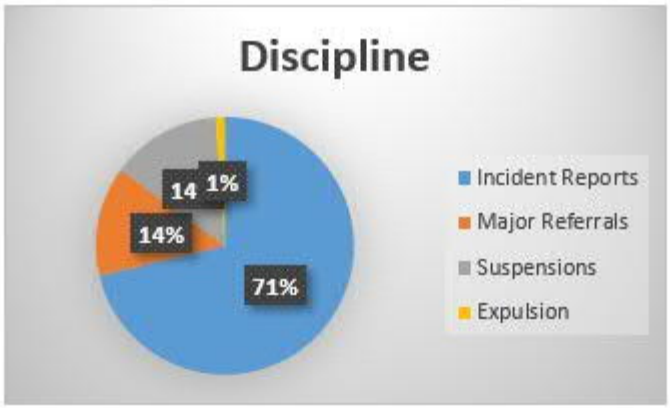
- First Annual School Intramurals SY 2018 – 2019 (March -April 2019)

- In-school Activities: Spelling Bee, Math Kangaroo, Science Exhibit and Fair, NHD Exhibit, School-wide STEAM lessons, Winter Wonderland Production, Spring Festival (Band and Performing Arts Recital), Recycle Fashion Show and Cooking Demonstration (FCS), Educational Field Trips (War Museum, Guam Museum, Plaza de España), Tobacco Demonstration (Health), Coral Reef Project and Demonstration (Science), Forestry Demonstration (Science), Erosion Display (Science)

Discipline Report: 1st Quarter SY 2019 - 2020

The office of the Vice-Principal took in a total of 43 Incident Reports, 6 Major Referrals, 6 Suspensions, and 2 Expulsions during first quarter.

Incident Reports	Major Referrals	Suspensions	Expulsion
43	6	6	2



A. School Activities and Highlights, continued

Professional Development Activities

PROFESSIONAL DEVELOPMENT ACTIVITIES Oct – Dec 2018				
DATE	**ACTIVITY**	**FACILITATOR**	**VENUE**	**LEARNING EXPECTATIONS**
OCTOBER				
1	Effective leadership development for educators in STEM academics	Mr. John Cruikshank		Effective leadership development for educators in STEM academics
2	STEM Curriculum for the 21st educator	Mr. John Cruikshank		STEM Curriculum for the 21st educator
3	Grant writing and proposal workshop	Mr. John Cruikshank		Grant writing and proposal workshop
4	Developing collaboration among academic leaders in Micronesia	Mr. John Cruikshank		Developing collaboration among academic leaders in Micronesia

A. School Activities and Highlights, continued

Professional Development Activities, continued

PROFESSIONAL DEVELOPMENT ACTIVITIES Jan – Jun 2019				
JANUARY				
17	safeTALK		DOA Training room, ITC	Applied suicide intervention training
24 to 25	ASIST Training		GMH Classroom, 4th floor	Suicide first aid
FEBRUARY				
7	US DOL Overview of OFCCP and Affirmative Action	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	
19	DOL Occupational Safety and Health Administration	Mr. Jesse Pangelinan	DOL Bell Tower Bldg.	OSHA standards and guidelines
21	DOL Disability Law in the Workplace	Mr. Harold Parker	DOL Bell Tower Bldg.	Reasonable accommodation for disabled employees
26	DOL Guam's Wage & Hour Provisions	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	Guam's wage & hourly salary scale
28	DOL Fair Employment Practices EEOC	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	Guidelines to fair employment practices
MARCH				
1	Assistive Technology	Multiple speakers	Westin Hotel	Disability law and reasonable accommodation
	Conference (GSAT)			
12	Occupational Safety and Health Administration	Mr. Jesse Pangelinan	DOL Bell Tower Bldg.	OSHA standards and guidelines
28 to 29	Guam Association of School Counselors Conference	Multiple speakers		American school counseling association model

A. School Activities and Highlights, continued

Professional Development Activities, continued

PROFESSIONAL DEVELOPMENT ACTIVITIES Jan – Jun 2019, continued				
DATE	**ACTIVITY**	**FACILITATOR**	**VENUE**	**LEARNING EXPECTATIONS**
APRIL				
9	DOL Occupational Safety and Health Administration	Mr. Jesse Pangelinan	DOL Bell Tower Bldg.	OSHA standards and guidelines
2	DOL Fair Chances Hiring Process Act	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	Guidelines for employer on proper hiring methods
7	SHRM Guam & Federal Law	Mr. Keith Sonderling	Dusit Thani Hotel	Proposed 541 Salary rule change and PAID program
16	DOL Harassment in the Workplace Process Act	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	Guidelines for employer on types of harassment

PROFESSIONAL DEVELOPMENT ACTIVITIES Jul- Dec 2019				
DATE	**ACTIVITY**	**FACILITATOR**	**VENUE**	**LEARNING EXPECTATIONS**
JULY				
9	DOL Marijuana in the Workplace	Atty. Vince Camacho	DOL Bell Tower Bldg.	Guidelines for the employer on the Marijuana law
16	DOL Electrical Hazard Training	Mr. Jesse Pangelinan	DOL Bell Tower Bldg.	
25	DOL Safety Awareness	Mr. Jesse Pangelinan	DOL Bell Tower Bldg.	
AUGUST				
1	Missions/Vision/Goals of SIFA	Dr. Jay Sunga	SIFA Project Room	
	Protocols on school activities	Dr. Charles Deita	SIFA Project Room	

A. School Activities and Highlights, continued

Professional Development Activities, continued

PROFESSIONAL DEVELOPMENT ACTIVITIES Jul- Dec 2019, continued				
DATE	**ACTIVITY**	**FACILITATOR**	**VENUE**	**LEARNING EXPECTATIONS**
AUGUST				
2	Organizational structure Policies & procedures Employee manual	Ms. Maria Ravela	SIFA Project Room	
	Employee Equal Opportunity	Mr. Jeffrey Sablan	SIFA Project Room	
5	Quality management	Dr. Charles Deita	SIFA Project Room	
	Writeshop of Strategic			
	& Operational Plans			
	Accreditations Plans			
6	First Aid training	Ms. Ernalyn Puno	DOE Training Room	First Aid training for staff and faculty
	Student Handbook	Ms. Sherrene Mantanona	SIFA Project Room	
7	Teaching strategies and Pedagogy	Dr. Jay Sunga	SIFA Project Room	
	Lesson Planning	Mr. Jared Ramos	SIFA Project Room	
8	5 Characteristics of a Leader	Dr. Paul Pineda	SIFA Project Room	Lecture on types of Leadership

A. School Activities and Highlights, continued

Professional Development Activities, continued

PROFESSIONAL DEVELOPMENT ACTIVITIES Jul- Dec 2019, continued				
DATE	**ACTIVITY**	**FACILITATOR**	**VENUE**	**LEARNING EXPECTATIONS**
AUGUST				
8	Plotting of Activities and Budget	Ms. Rochelle Yusi	SIFA Project Room	
9	Technology Integration	Mr. Leo Lintag	SIFA Project Room	
	Assessment			
9	SHRM Guam Chapter Conference	Multiple speakers	Dusit Thani Hotel	The work, worker and the workplace
10	DOL EEOC Conference	Ms. Glory Gervacio-Saure	DOL Bell Tower Bldg.	Updates on Equal employment trends and guidance
SEPTEMBER				
8 to 18	School of Rock Science Workshop		San Diego, CA.	Scientific ocean drilling
18 to 19	IEP Workshop	Mr. David Bateman	Lotte Hotel Guam	Developing and implementing specially designed
		Ms. Jenifer Cline		instruction for students with disabilities.
24	DOL Fair Chances Hiring Process Act	Mr. Jeffrey Sablan	DOL Bell Tower Bldg.	Guidelines for employer on proper hiring methods

A. School Activities and Highlights, continued

Other Accomplishments

"Going Further" Award National Geographic Bee

Special Award World War II National History Day Competition – University of Maryland

Special Environmental Award National History Day

Top Ten – National Geography Bee

1st Place	• National History Day Documentary • Pacific Territories Geography Bee • 8th Grade Math Kangaroo Group • 8th grade Math Kangaroo Individual
2nd Place	• First Lego League Competition • 6th Grade Math Kangaroo Group • 6th Grade Math Kangaroo Individual
3rd Place	• National History Day Website
4th Place	• Math Counts Chapter Competition • Math Counts State Competition
29th Place	• National Geographic Bee

A. School Activities and Highlights, continued

Other Accomplishments

Congratulations to SIFA Manta Rays for winning 2nd place out of 22 schools and 175 participants in the recent First Lego League 2019.



SIFA Manta Rays participate in the Island Ideas Youth Expo 2019 at the Pacific Island Club entitled
"The Power of "I"- Inspire, Initiate, Innovate". This conference promotes awareness on the importance of Tourism on Guam.



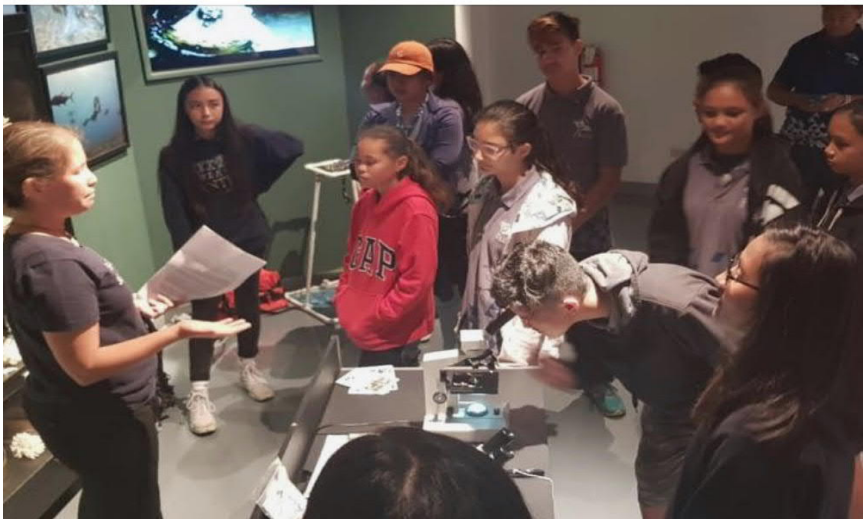
A. School Activities and Highlights, continued

Other Accomplishments

Guam Forestry personnel giving a talk on the issue of wildfires on Guam to SIFA 6th graders



SIFA students at the B(reef)ly Our Coral Reef Exhibit,Guam Museum guided by Adrienne Loerzel (NOAA).



A. School Activities and Highlights, continued

Other Accomplishments

SIFA students practicing coral reef monitoring procedures.



Congratulations to SIFA Manta Rays for ranking 4th out of 100 competitors, with 13 teams and 48 non-team individual competitors in the recent MATH COUNTS Competition Series held at Guam Pacific Star on February 16, 2019. The team will advance to the State Competition on March 9, 2019 at the same venue.



A. School Activities and Highlights, continued

Other Accomplishments



· April 2 ·

Congratulations to the following students who participated in the NHD competition held on March 23, 2019 at the University of Guam:

Napu Blas
Topic: Guam's Endemic Birds: Endangered by Snakes Saved by American Zoos
-Special Award- Environment and Historic Preservation
-3rd place Individual Website

Ryan Perez
Topic: Guam Reparations: The Legislative Languish
-1st place individual documentary

Layla Espinal
Topic: The Spanish Conquest
Individual exhibit

Congratulations to Napu Blas, Galvin Escalona, Ryan Perez, and Everett Singleton for ranking 4th in the recent MATH COUNTS STATE Competition held at the Guam Pacific Star on March 9, 2019.



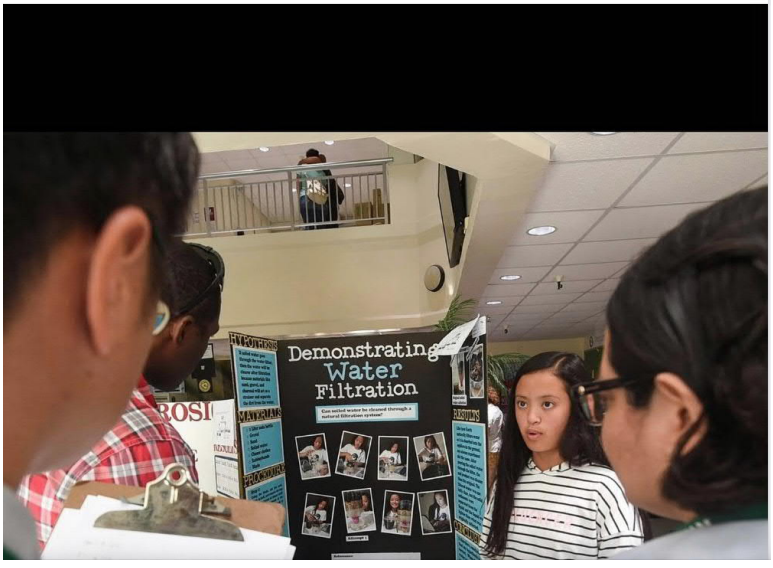
A. School Activities and Highlights, continued

Other Accomplishments

Congratulations to Ryan Perez who will advance to the National History Day competition at the University of Maryland, College Park on June 9-13, 2019.



SIFA LACS 7th grader Jordyn Zacarias represents at the UOG Islandwide Science Fair. 💙
#sifalacs
#guampdn
#scienceisfunandawesome



A. School Activities and Highlights, continued

Other Accomplishments

Napu Blas representing SIFA LACS and the pacific region for the National Geographic GeoBee at the National Geographic Society Headquarters in Washington,DC.



Napu Blas during the 2019 Geo Championships at Washington, DC.



A. School Activities and Highlights, continued

Other Accomplishments

SIFA LACS 1st Promotional Ceremony 2019



SIFA LACS congratulates Ryan Perez for winning the World War II History Prize on the 2019 National History Day Contest held at the University of Maryland in College Park, Maryland on June 9-13, 2019.



A. School Activities and Highlights, continued

Other Accomplishments

Administrators, Faculty members and Non-teaching staff attend the 1st Day of Professional Development for SY 2019-2020.



B. 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.

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.

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.

C. 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 liabilities exceeded assets by $1,200,935 at the close of the fiscal year.

C. Government-Wide Financial Analysis, continued

Figure 1 provides a summary of SiFA's net position as of September 30, 2019 and 2018:

Net Position
Figure 1

	2019	Unaudited 2018
Cash	$ 5,560	$ 47
Accounts Receivable	289,801	---
Receivables from Employees - AFLAC	685	---
Receivables from Employees - Calvos	681	310
Total Assets	$ 296,727	$ 357
Accounts Payable	$ 259,392	$ ---
Accruals	1,073,564	---
Loan Account - Eagle Land Holdings, LLC	164,706	113,100
Total Liabilities	$ 1,497,662	$ 113,100
Unrestricted	$(1,200,935)	$(112,743)
Total Net Position	$(1,200,935)	$(112,743)

C. Government-Wide Financial Analysis, continued

SiFA opened its door on August 2018. However, budget appropriation only started on Financial Year beginning October 01, 2018. Staffing expenses prior to October 01, 2018 contributed to the overall deficit of the school.

Figure 2 provides a summary and analysis of SiFA's revenues and expenses for the years ended September 30, 2019 and 2018 as follows:

Statement of Activities
Figure 2

	2019	Unaudited 2018
REVENUE		
Appropriation - Students	$ 1,418,504	$ ---
Total Revenue	$ 1,418,504	$ ---
EXPENSES		
Bank Charges & Fees	$ 405	$ 75
Contract Services	1,680,000	---
Employee Benefits	30,506	4,312
Employee Recruitment Expenses	14,035	1,012
Payroll Taxes	55,016	7,591
Professional Services	2,948	523
Salaries and Wages	723,725	99,229
Taxes & Licenses	61	---
Total Expenses	$ 2,506,696	$ 112,742
Change in Net Position	$(1,088,192)	$ ---
Net Position at Beginning of the Year	112,742	---
Net Position at end of the Year	$(1,200,934)	$(112,742)

P.L. 34-116 states that in School Year 2018-2019, the School is authorized to receive Six Thousand Eighty Eight Dollars ($6,088) per enrollee not to exceed three hundred fifty (350) students. SIFA only have total of 233 enrollees. Facilities have been provided to accommodate the full cap of 350 enrollees.

D. 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.

	GOVERNMENT FUND 2019		
	ORIGINAL	ACTUAL	VARIANCE
REVENUE			
Local Govt. Appropriations	$ 2,275,000	$ 1,418,504	$ 856,496
EXPENSES			
Salaries, Wages, & Benefits	$ 1,448,000	$ 792,776	$ 655,224
Employee Benefits	134,344	30,507	103,837
Professional Development	35,000	---	35,000
Contractual Service - PLEASE Contract	813,100	1,680,000	(866,900)
Professional Services	---	2,948	(2,948)
Supplies & Materials	29,750	---	29,750
Equipment	96,333	---	96,333
Miscellaneous	115,240	61	115,179
Utilities	84,000	---	84,000
Workers Compensation	5,000	---	5,000
Bank Charges	5,000	405	4,595
Extended Learning	60,000	---	60,000
TOTAL EXPENSES	$ 2,825,767	$ 2,506,697	$ 319,070

For Fiscal Year 2019, SiFA submitted a budget request for the full cap of 350 enrollees and based on the current appropriation of $6,500.00. Due to budget cut, appropriation was reduced to $6,088.00 per enrollee. Being new in the academe, SiFA's total enrollees for the school year 2018-2019 only reached 233 enrollees. SiFA anticipated 350 enrollees and provided facility and staff to accommodate the needs of 350 enrollees. Our staffing pattern could accommodate 300 – 350 enrollees.

D. Governmental Fund Budget Analysis and Highlights

Financial Analysis of the Government's Fund, continued

Contractual Services constitute a significant part of the budget. We have a PLEASE contract with Eagle Land Holdings, LLC wherein they will provide a fully furnished facility, utilities, services and supplies. This allows SIFA to concentrate in providing quality education to its students without having to worry about facility and operational costs. Our current facility could accommodate 500 to 550 students.

Going Concerns

SiFA has developed plan of actions to obtain sufficient cash flows to meet its obligations. The plans shall include the following:

a. Request for additional funding to the Legislature through the Guam Charter Schools Council;
b. Request to increase enrollment cap from 350 to 550;
c. Offer after school programs;
d. Apply for grants; and
e. Renegotiate the PLEASE contract with the vendor

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

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash	$ 5,560	$ ---	$ 5,560
Accounts receivable	289,802	---	289,802
Other current assets	1,366	---	1,366
Total assets	$ 296,728	$ ---	$ 296,728
Liabilities:			
Due to related party	$ 1,306,392	$ ---	$ 1,306,392
Accrued expenses	26,565	---	26,565
Advances from related party	164,706	---	164,706
Total liabilities	1,497,663	---	1,497,663
Fund balance: unassigned	(1,200,935)	1,200,935	---
Total liabilities and fund balances	$ 296,728		
Net position:			
Unrestricted		(1,200,935)	(1,200,935)
Total liabilities and net position		$ ---	$ 296,728

See accompanying notes.

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, 2019

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:			
Instructional services:			
Contract services	$ 1,680,000	$ ---	$ 1,680,000
Salaries and wages	823,282	---	823,282
Support services:			
Operations	3,009	---	3,009
Bank charges	405	---	405
Total expenditures/expenses	2,506,696	---	2,506,696
General revenues:			
Appropriations	1,418,504	---	1,418,504
Deficiency of revenues under expenditures	(1,088,192)	1,088,192	
Change in net position		(1,088,192)	(1,088,192)
Fund balance/net position:			
Beginning of year	(112,743)	---	(112,743)
End of year	$(1,200,935)	$ ---	$(1,200,935)

See accompanying notes.

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

Statement of Fiduciary Net Position

Year ended September 30, 2019

	Agency Funds
Assets:	
Cash	$ 3,414
Total asset	$ 3,414
Liability:	
Others	$ 3,414
Total liability	$ 3,414

See accompanying notes.

Notes to Financial Statements

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 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 an independent 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 expiring in June 2023. 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.

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.

In accordance with Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), 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.

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.

2. Summary of Significant Accounting Policies, continued

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 sheet and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

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.

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.

2. Summary of Significant Accounting Policies, continued

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

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 Government of Guam's Department of Education (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.

Cash

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

Agency Funds

Agency funds represent the cash assets of various school clubs held by SiFA in a purely custodial capacity.

2. Summary of Significant Accounting Policies, continued

Funding

SiFA receives financial support in monthly allotments from the General Fund of the Government of Guam via the GDOE 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 GDOE's Internal Auditors through the validation of submitted invoices.

Pursuant to Guam Public Law 34-116, the cost per pupil was $6,088 for the fiscal year ending September 30, 2019. Student enrollment is not to exceed 350 students during Fiscal Year 2019. The number of enrolled students was multiplied by the FY 2019 Government of Guam General Appropriations Act approved amount of $6,088 per student enrollee. For the fiscal year ended September 30, 2019, 233 students were enrolled in SiFA. SiFA received government appropriations totaling $1,418,504 for the fiscal year ended September 30, 2019.

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.

Capital Assets

Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by SiFA as assets with an initial cost of more than $500 or the anticipated life or useful value of said property is more than one year. Donated property and equipment are valued at the estimated fair market value as of the date received.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives.

2. Summary of Significant Accounting Policies, continued

Deferred Outflows of Resources

In addition to assets, the statements 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 statements 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 November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of this statement did not have a material effect on the accompanying financial statements.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2022.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. 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. More comparable reporting will improve the usefulness of information for users of state and local government financial statements. This Statement addresses a variety of topics and includes specific provisions about leases; reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan; applicability of Statement no. 73 and 84 for postemployment benefits, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition; reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. GASB Statement No. 92 will be effective for fiscal year ending September 30, 2020.

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 Department of Education 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. Related Party Transactions

SiFA's interim Chief Operating Officer receives no compensation from SiFA. However, SiFA's interim Chief Operating Officer is a paid employee of Eagle and holds the position of Senior Vice President of Operations of Eagle.

Pursuant to the terms and conditions of the PLEASE Contract, Eagle is the sole provider of the facility, equipment, utilities, services, and supplies to SiFA in exchange for annual compensation totaling $2.4 million. The agreement expires in June 2023 unless otherwise terminated by the parties.

On February 10, 2020, Eagle agreed to discount the $2.4 million current fiscal year 2019 fees by $720,000. Accordingly, SiFA recorded contract service fee of $1,680,00 for the year ending September 30, 2019. For the year ending September 30, 2019, amounts paid to Eagle totaled $376,608. At September 30, 2019, SiFA recorded $1,306,392 payable to Eagle.

Future commitments under the Eagle contract is as follows:

Year ending September 30,	
2020	$2,400,000
2021	2,400,000
2022	2,400,000
2023	2,400,000
	$9,600,000

Eagle periodically provides unsecured, non-interest-bearing cash advances to SiFA. As of September 30, 2019, SiFA recorded $164,706 due to Eagle as a result of these cash advances.

5. 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 one bank account 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 balance was fully insured as of September 30, 2019.

6. Risk Management

SiFA is exposed to various risks of loss related to student or employee injury. Workers compensation insurance is provided through the terms of SiFA's PLEASE contract with Eagle.

7. Going Concern

During the year ended September 30, 2019, SiFA's operations did not provide for a sufficient amount of cash inflows. Accordingly, as of the audit report date, certain liabilities remain unpaid including approximately $1.3 million owed to Eagle for services under the PLEASE contract and $165 thousand in unpaid cash advances owed to Eagle. As of September 30, 2019 SiFA, recorded a deficit net position of approximately $1.2 million.

SiFA acknowledges that the annual $2.4 million commitment owed to Eagle under the PLEASE contract plus payroll related expenses is expected to exceed annual GDOE appropriations leading to continued deficits.

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 and to meet its obligations as they become due 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:

- Request for additional funding to the Legislature through the Guam Charter Schools council;
- Request to increase enrollment cap from 350 to 550;
- Offer after school programs;
- Apply for grants; and
- Renegotiate the PLEASE contract with the vendor

8. Subsequent Events

SiFA has evaluated subsequent events through March 27, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Information

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

Budgetary Comparison Schedule – Governmental Funds

Year ended September 30, 2019

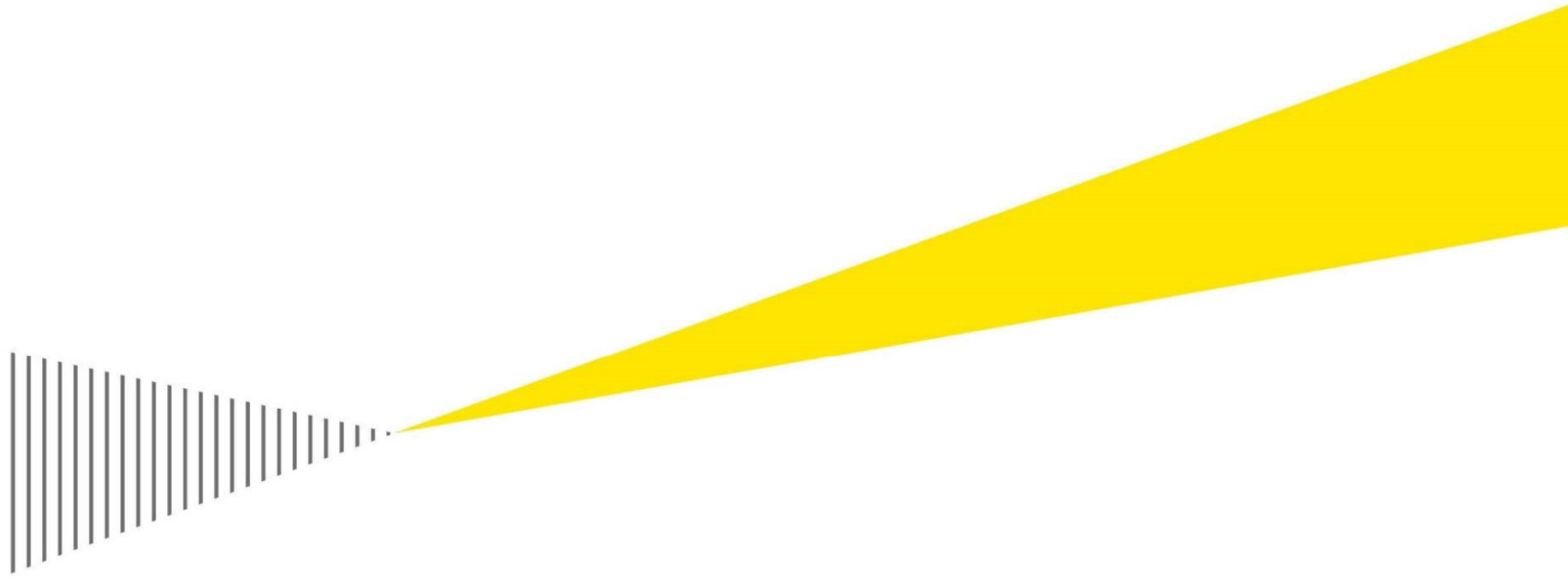
	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Expenditures:				
Salaries and wages	$ 1,448,000	$ 783,750	$ 823,282	$(39,532)
Employee benefits	134,344	64,890	---	64,890
Professional development / travel	35,000	---	---	---
Contractual service	813,100	30,300	2,948	27,352
Office Space Rental	---	1,122,122	1,680,000	(557,878)
Supplies & Materials	29,750	37,100	---	37,100
Equipment	96,333	40,000	---	40,000
Miscellaneous	115,240	25,338	61	25,277
Utilities	84,000	49,000	---	49,000
Workers Compensation	5,000	---	---	---
Bank charges	5,000	---	405	(405)
Extended learning	60,000	---	---	---
Total expenditures	2,825,767	2,152,500	2,506,696	(354,196)
General revenues:				
Appropriation - students	2,275,000	2,130,800	1,418,504	(712,296)
Excess of expenditures over revenues	(550,767)	(21,700)	(1,088,192)	(1,066,492)
Decrease in net position	(550,767)	(21,700)	(1,088,192)	(1,066,492)
Fund balance/net position:				
Beginning of year	(112,743)	(112,743)	(112,743)	---
End of year	$(663,510)	$(134,443)	$(1,200,935)	$(1,066,492)

Compliance and Internal Control

Science is Fun and Awesome Learning Academy Charter School

(A Non-Profit Organization)

Year ended September 30, 2019



Building a better working world

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

Report on Compliance and Internal Control

Year ended September 30, 2019

Contents

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*.....1

Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

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
Science is Fun and Awesome Learning Academy Charter School

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of Science is Fun and Awesome Learning Academy Charter School (a non-profit organization), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Science is Fun and Awesome Learning Academy Charter School's basic financial statements, and have issued our report thereon dated March 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Science is Fun and Awesome Learning Academy Charter School's internal control over financial reporting (internal control) to determine the 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 Science is Fun and Awesome Learning Academy Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Science is Fun and Awesome Learning Academy Charter School's internal control.

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 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A member firm of Ernst & Young Global Limited

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Science is Fun and Awesome Learning Academy Charter School'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 determination of financial statement amounts. 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on 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

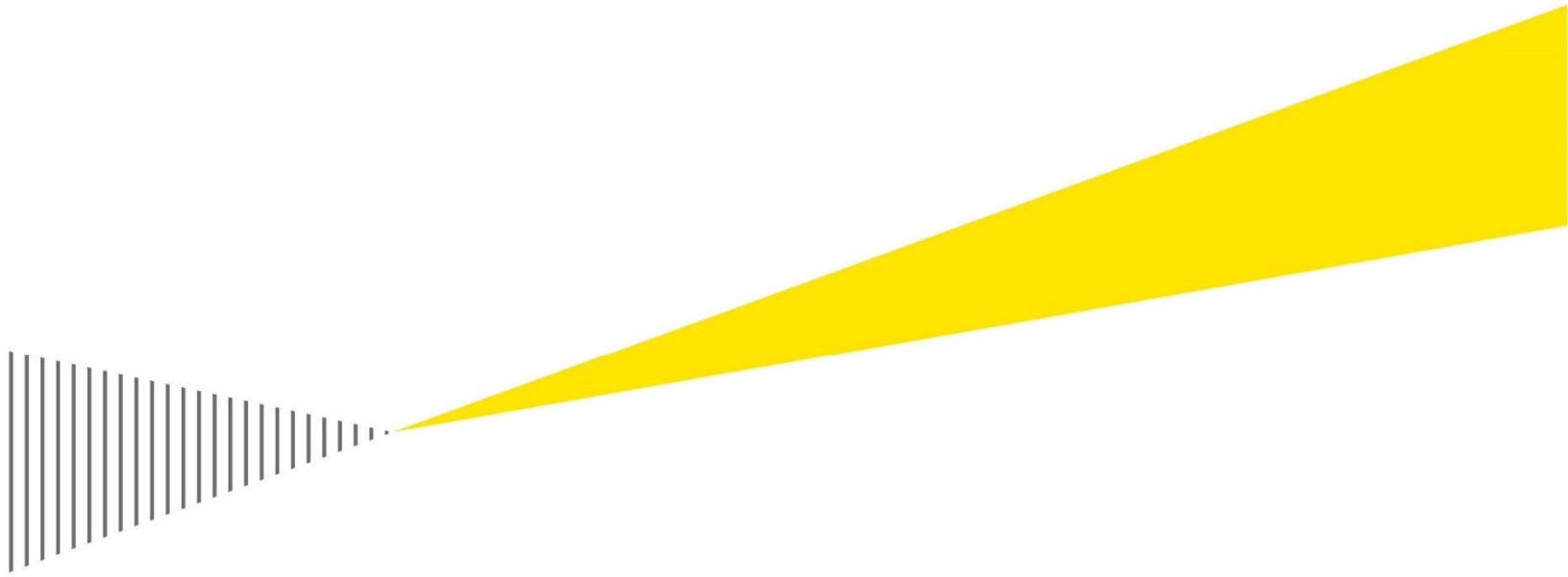
March 27, 2020

Management Letter

Science is Fun and Awesome Learning Academy Charter School

(A Non-Profit Organization)

Year ended September 30, 2019



Building a better working world

Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

March 27, 2020

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

In planning and performing our audit of the financial statements of the Science is Fun and Awesome Learning Academy Charter School (SiFA) as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

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 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. A significant deficiency is a deficiency, or 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.

During our audit, we noted the following deficiencies in internal control (as described above):

Student Registration Documents

Observation:

During our testing of the validity of SiFA's monthly student enrollment reports submitted with the allotment requests, we noted that several student folders did not contain all of the required registration documents. We further noted that SiFA currently allows the submission of the remaining required documents at a later time.

Student Registration Documents, continued

Recommendation:

To ensure that all required registration documents are submitted, we recommend that SiFA's current student enrollment policy be updated to include follow-up procedures for reviewing and obtaining pending registration documents.

****

This communication is intended solely for the information and use of management, the Board of Trustees and others within SiFA and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions, at your convenience.

Very truly yours,

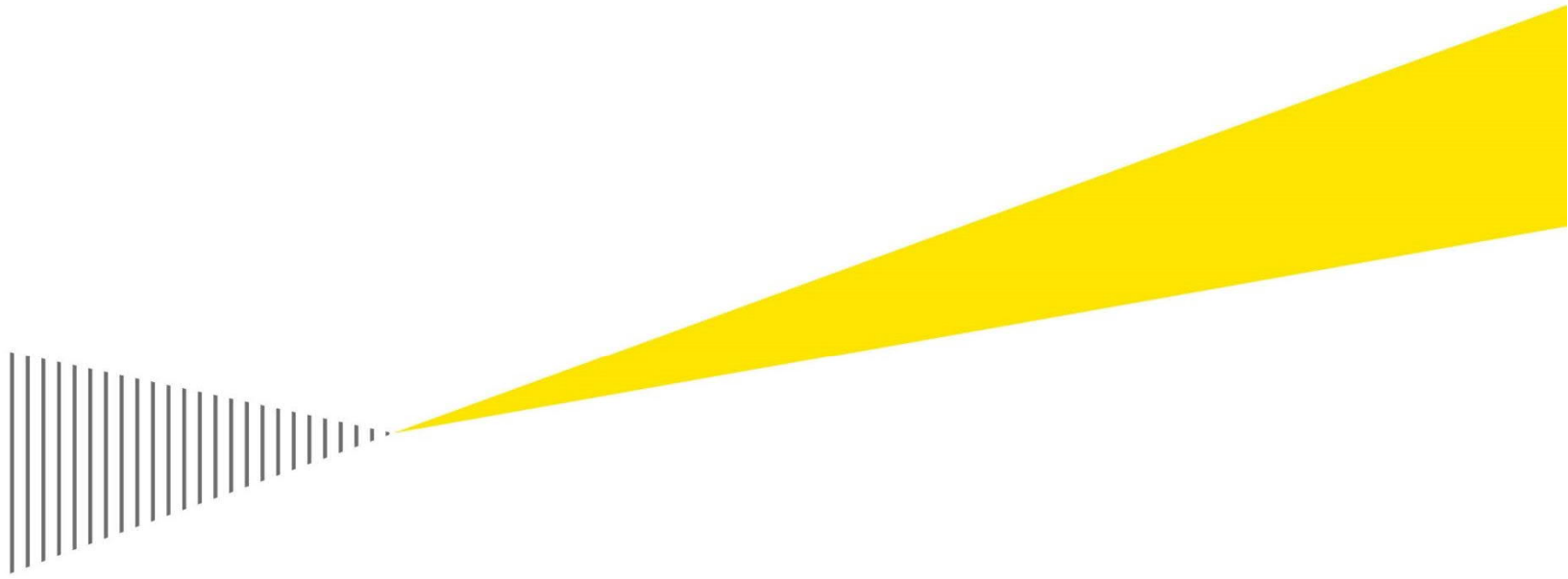
Ernst & Young LLP

The Auditor's Communication With Those Charged With Governance

Science is Fun and Awesome Learning Academy Charter School

(A Non-Profit Organization)

Fiscal Year ended September 30, 2019



Building a better working world

Ernst & Young LLP
231 Ypao Road
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

Tel: +1 671 649 3700
Fax: +1 671 649 3920
ey.com

March 27, 2020

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

We have performed an audit of the financial statements of the Science is Fun and Awesome Learning Academy Charter School (SiFA), as of and for the fiscal year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and have issued our report thereon dated March 27, 2020.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

This report is intended solely for the information and use of the Board of Trustees and management. It is not intended to be and should not be used by anyone other than these specified parties.

REQUIRED COMMUNICATIONS

Overview of the planned scope and timing of the audit

Our audit scope and timing is consistent with the plan communicated in our engagement letter dated September 20, 2019 and at our audit planning meeting with management.

Auditor's responsibility under professional standards, including discussion of the type of auditor's report we are issuing and if there are any events or conditions that cause us to conclude that there is substantial doubt about the entity's ability to continue as a going concern

The financial statements are the responsibility of management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States, as established by the American Institute of Certified Public Accountants, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the

A member firm of Ernst & Young Global Limited

purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

An audit also includes the evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the evaluation of the overall presentation of the financial statements.

Our responsibilities are included in our audit engagement letter.

Sensitive accounting estimates

A discussion of sensitive accounting estimates has been included in footnote 2 of the financial statements.

We determined that those charged with governance are informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

Management's judgment is called upon in:

- Preparing budgets that are used to administer and monitor SiFA's operations. These budgets include determining how existing financial resources will be used in SiFA's operations.
- Determining the adequacy of the allowance for accounts receivable.
- Determining the assumptions used in measuring significant accounting estimates for financial accounting purposes.

Our views about the qualitative aspects of the entity's significant accounting practices

Management has not selected or changed any significant accounting policies or changed the application of those policies in the current year.

We are not aware of any significant accounting policies used by SiFA in controversial or emerging areas or for which there is a lack of authoritative guidance.

We are not aware of any significant unusual transactions recorded by SiFA.

A discussion of significant accounting policies has been included in footnote 2 of the financial statements.

Uncorrected misstatements, related to accounts and disclosures, considered by management to be immaterial

Refer to the "Schedule of Uncorrected Misstatements" in Appendix A.

Material corrected misstatements, related to accounts and disclosures

Refer to "Schedule of Corrected Misstatements" in Appendix B.

Fraud and illegal acts

We are not aware of any matters that require communication.

Independence matters

We are not aware of any matters that in our professional judgment would impair our independence.

Representations from management

We have obtained from management a representations letter related to the audit and a copy of the management representations letter is included in Appendix C.

Changes to the terms of the audit with no reasonable justification for the change

We are not aware of any matters that require communication.

Significant findings and issues arising during the audit relating to related parties

We are not aware of any matters that require communication.

Significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management

We are not aware of any matters that require communication.

Significant difficulties encountered during the audit

There were no serious difficulties encountered in dealing with management in performing the audit.

Disagreements with management

There were no material disagreements with the Organization's management on financial accounting and reporting matters during the audit.

Management's consultations with other accountants

We are not aware of any consultations made by management with other accountants or specialists.

AICPA ethics ruling regarding third-party service providers

Our responsibilities are included in our audit engagement letter.

Other findings or issues regarding the oversight of the financial reporting process

There are no other findings or issues arising from the audit that are, in our judgment, significant and relevant to those charged with governance regarding the oversight of the financial reporting process.

****

This report is intended solely for the information and use of the Board of Trustees and management. It is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Ernst + Young LLP

Appendices

A – Schedule of Uncorrected Misstatements

B – Schedule of Corrected Misstatements

C – Management Representations Letter

Communication schedule for uncorrected misstatements

Entity: SIFA Learning Academy Charter School | Period Ended: 30-Sep-2019 | Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
Factual misstatements:												
SAD 01	N0120	To properly accrue Feb. 2019 Salaries & Wages for Ramos, J. and Lintag, L. paid subsequent to fiscal year end.										
		Salaries & Wages							7,317			
		Accrued Expenses			(7,317)							
Projected misstatements:												
		None identified										
Judgmental misstatements:												
		None identified										
Total of uncorrected misstatements before income tax			0	0	(7,317)	0	0	0	7,317		0	
Total of uncorrected misstatements			0	0	(7,317)	0	0	0	7,317		0	
Financial statement amounts			296,728	0	(1,497,663)	0	1,200,935		(1,088,192)		(112,743)	
Effect of uncorrected misstatements on F/S amounts			0.0%	0.0%	0.5%	0.0%	0.0%		-0.7%		0.0%	
		Memo: Total of non-taxable items (marked 'X' above)							*0*		*0*	
		Uncorrected misstatements before income tax						-0.7%	7,317		0	
		Less: Tax effect of misstatements at current year marginal rate						*0%*	*0*		*0*	
		Uncorrected misstatements in income tax							*0*		*0*	
		Cumulative effect of uncorrected misstatements after tax but before turnaround						-0.7%	7,317		0	

Turnaround effect of prior period uncorrected misstatements	After tax	Memo: Before tax
All factual and projected misstatements:	0	0
Judgmental misstatements (Note 3):	0	0

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

EY

Communication schedule for uncorrected misstatements

Entity: SIFA Learning Academy Charter School Period Ended: 30-Sep-2019 Currency: USD

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)								Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period			
		(misstatements are recorded as journal entries with a description)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable	Prior period Debit/(Credit)	Non taxable
		Cumulative effect of uncorrected misstatements, after turnaround effect						-0.7%	7,317			
		Current year income before tax							(1,088,192)			
		Current year income after tax							*(1,088,192)*			

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Charles Deita, Chief Operating Officer

Analiza Gayeta, Business & Accounting Officer

Communication schedule for corrected misstatements

Entity: SiFA Learning Academy Charter School **Period ended:** 30-Sep-2019 **Currency:** USD

Corrected misstatements			Analysis of misstatements Debit/(Credit)							
No.	W/P ref.	Account	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	
		(misstatements are recorded as journal entries with a description)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Non taxable
AJE 01	N0140	To properly recognize student club funds cash balance held by the Academy at fiscal year end.								
		Petty Cash	3,414							
		Student Club Funds			(3,414)					
Total of corrected misstatements before income tax			3,414	0	(3,414)	0	0	0	0	
Financial statement amounts			296,728	0	(1,497,663)	0	1,200,935		(1,088,192)	
Effect of corrected misstatements on F/S amounts			1.2%	0.0%	0.2%	0.0%	0.0%		0.0%	

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Charles Deita, Chief Operating Officer

Analiza Gayeta, Business & Accounting Officer

C – Management Representations Letter

OFFICE OF THE CHIEF OPERATING OFFICER

SIFA:A02-00-LE17
SY 2019-2020

March 27, 2020

Ernst & Young LLP
231 Ypao Road,
Suite 201 Ernst & Young Building
Tamuning, Guam 96913

In connection with your audit of the financial statements of Science is Fun and Awesome Learning Academy Charter School (the Academy) as of September 30, 2019 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of Science is Fun and Awesome Learning Academy Charter School and the changes in financial position and cash flows, where applicable, thereof in conformity with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief:

Management's responsibilities

We have fulfilled our responsibilities, as set forth in the terms of the audit engagement agreement dated September 20, 2019, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with U.S. generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding year.

We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. We have provided you with:

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

- Unrestricted access to persons within the Organization from whom you determined it necessary to obtain evidence

Ernst & Young LLP assisted in drafting the format of the financial statement footnotes and the formatting of the various fund financial statements that appear in the Academy's financial statements in accordance with standards of the Governmental Accounting Standards Board. Management accepts responsibility for the fund financial statements that appear in the Academy's financial statements as our own and have prepared the source documents for all transactions and have maintained accounting control.

We have made available to your representatives all financial records and related data.

The financial statements properly classify all funds and activities.

Required supplementary information (MD&A) and other schedules are measured and presented within prescribed guidelines.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

Governmental entities

We recognize that we are responsible for the Academy's compliance with laws, regulations, and provisions of contracts that are applicable to it. We have identified and disclosed to your representatives, all laws and regulations that have direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

Uncorrected misstatements

We believe that the effects of any uncorrected misstatements, summarized in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit.

Internal control

There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

We are not aware of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting. There have been no significant changes in internal control since September 30, 2019.

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

Minutes and contracts

- The dates of meetings of shareholders, directors, committees of directors and important management committees from the date of incorporation, October 9, 2017, to the date of this letter are as follows:

- January 25, 2019
- June 6, 2019
- July 11, 2019
- September 10, 2019
- October 17, 2019

We have made available to you all minutes of the meetings of shareholders, directors and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

We also have made available to you all significant contracts, including amendments, and agreements and have communicated to you all significant oral agreements. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance, including all covenants, conditions or other requirements of all outstanding debt.

Significant assumptions

Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and supportable.

Ownership and pledging of assets

Except for properties capitalized under capital leases, the Academy has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged except as disclosed in the financial statements. All assets to which the Academy has satisfactory title appear in the statement of net position (except assets leased to others under sales-type, direct financing or leveraged leases).

Receivables and revenues

Receivables represent valid claims against the debtors indicated and do not include amounts for goods shipped or services provided subsequent to the statement of net position date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the

OFFICE OF THE CHIEF OPERATING OFFICER

statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.

We have disclosed to you all sales terms (both expressed and implied), including all rights of return or price adjustments and warranty provisions. We have made available to you all significant contracts, communications (either written or oral), and other relevant information pertaining to arrangements with our customers, including distributors and resellers.

Fair value measurements

We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or other third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as of the measurement date in accordance with the requirements of GASB Statement No. 72—as amended. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72—as amended.

Related party relationships and transactions

We have made available to you the names of all related parties and all relationships and transactions with related parties.

The substance of transactions with related parties as defined in GASB Statement No. 56—as amended, has been considered and appropriate adjustments or disclosures are made in the basic financial statements, and information concerning these transactions and amounts have been made available to you.

Side agreements and other arrangements

There have been no side agreements or other arrangements (either written or oral) that have not been disclosed to you.

Arrangements with financial institutions

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements have been properly recorded or disclosed in the financial statements.

Events of default under debt agreements

No events of default have occurred with respect to any of the Academy's debt agreements.

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

Contingent liabilities

There are no unasserted claims or assessments, including those our lawyers have advised us of that are probable of assertion and must be disclosed in accordance with GASB Statement No. 62—as amended.

There have been no violations or possible violations of laws or regulations in any jurisdiction whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

There have been no internal investigations or communications from regulatory agencies or government representatives concerning investigations or allegations of noncompliance with laws or regulations in any jurisdiction, noncompliance with or deficiencies in financial reporting practices, or other matters that could have a material effect on the financial statements.

There are no other liabilities or gain or loss contingencies considered material, individually or in the aggregate, that are required to be accrued or disclosed by GASB Statement No. 62—as amended, nor are there any accruals for loss contingencies included in the statements of net position or gain contingencies reflected in earnings that are not in conformity with the provisions of GASB Statement No. 62—as amended.

We have not consulted legal counsel concerning litigation, claims or assessments.

Oral or written guarantees

There are no oral or written guarantees including guarantees of the debt of others.

Purchase commitments

At September 30, 2019 the Academy had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at that date.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2019 as a result of being a party to futures or forwards contracts, short sales or hedge transactions.

Required supplementary information

We acknowledge our responsibility for the required supplementary information on management's discussion and analysis and budgetary comparison information for the general fund, which have been measured and presented in conformity with the guidelines established by the Governmental Accounting Standards Board in its applicable GASB Statement.

There are no significant assumptions or interpretations underlying the measurement or presentation of the information.

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

Effects of new accounting principles

As discussed in Note 2, we have not completed the process of evaluating the effects that will result from adopting the amendments to the following codification provided in Governmental Accounting Standards Board (GASB):

- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 89
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92

The Academy is therefore unable to disclose the effects that adopting the amendments in the aforementioned GASB Statements will have on its financial position and the changes in its financial position when such statements are adopted.

Fraud

We acknowledge our responsibility for the design, implementation and maintenance of programs and internal control to prevent and detect fraud.

We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Academy's internal control over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees where the fraud could have a material effect on the financial statements.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed to you all allegations of financial improprieties, including fraud or suspected fraud, coming to our attention (regardless of the source or form and including, without limitation, allegations by "whistle-blowers") where such allegations could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Academy.

Independence

We are not aware of any capital lease, material cooperative arrangement or other business relationship between the Academy and Ernst & Young LLP or any other member firm of the global Ernst & Young organization.

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

We are not aware of any reason that Ernst & Young LLP would not be considered to be independent for purposes of the Academy's audit.

Conflicts of interest

There are no instances where any officer or employee of the Academy has an interest in a company with which the Academy does business that would be considered a "conflict of interest." Such an interest would be contrary to Academy policy.

Other representations

- We have identified and disclosed to you all provisions of laws and regulations that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.
- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (net investment in capital assets; restricted; and unrestricted), and classifications of fund balance (nonspendable fund balance, and restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.
- Provisions for uncollectible receivables have been properly identified and recorded.
- Interfund, internal and intra-entity activity and balances have been appropriately classified and reported.
- Special and extraordinary items are appropriately classified and reported.
- Risk disclosures associated with deposits and investment securities and derivatives transactions are presented in accordance with GASB requirements.

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

- Investments, derivative transactions, and land and other real estate held by endowments are properly valued.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available is appropriately disclosed and net position was properly recognized under the policy.
- We are following either our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or are following paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.
- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.
- We have disclosed the names of all governments with which we have a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77.
- We have disclosed tax abatements entered into by other governments that affect our revenues, including the names of the governments that entered into the agreements, the specified taxes being abated and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.
- We have accurately tracked the cash receipts and cash disbursements for amounts held as agency funds.

Going concern

The Academy's ability to continue as a going concern was evaluated and appropriate disclosures are made in the financial statements as necessary under GASB requirements.

Subsequent events

Subsequent to September 30, 2019, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Academy's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Academy.

****

We understand that your audit was conducted in accordance with auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller

C – Management Representations Letter, continued

OFFICE OF THE CHIEF OPERATING OFFICER

General of the United States, and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Academy as a whole and that your tests of the accounting records and other auditing procedures were limited to those that you considered necessary for that purpose.

Very truly yours,

Charles Deita, Chief Operating Officer

Analiza Gayeta, Business & Accounting Officer