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**M&C Fwd: iLearn Academy Charter School FY 2019 Financial Audit Reports**

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 Cc: Rennae Meno <rennae@guamlegislature.org>

Tue, Mar 24, 2020 at 5:09 PM

03-24-20	1:01 PM	03-24-20	iLearn Academy Charter School FY 2019 Financial Highlights, Financial Statements, Report on Compliance and Internal Control, Management Letter, and Letter to Those Charged with Governance.*	Office of Public Accountability	35GL-20-1677
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*Sinseru yan Minagâhet,*

**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*

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Gumai pribilehu yan konfendensia este siha na mensáhi. Solo espesiatmente para hágu ma entsionhá pat ma aturisa para unrisibi. Sen prubidu kumu ti un ma aturisa para manribisa, na'serbe, pat mandespácha. Yanggen lachi rinisibu-mu nu este na mensáhi , put fábot ago' guatu gi I numa'huoyng gi as [speaker@guamlegislature.org](mailto:speaker@guamlegislature.org) yan despues destrosa todú siha I kopian mensáhi. Si Yu'os ma'áse'.

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From: **Andriana Quitugua** <[aquitugua@guamopa.com](mailto:aquitugua@guamopa.com)>  
 Date: Tue, Mar 24, 2020 at 1:01 PM  
 Subject: iLearn Academy Charter School FY 2019 Financial Audit Reports  
 To:  
 Cc: Clariza Roque <[croque@guamopa.com](mailto:croque@guamopa.com)>

Hafa Adai,

Transmitted electronically are the iLearn Academy Charter School FY 2019 Financial Highlights, Financial Statements, Report on Compliance and Internal Control, Management Letter, and Letter to Those Charged with Governance. These reports may also be found at <http://www.opaguam.org>.

Best Regards,

**Andriana U.C. Quitugua, CFE**  
 Auditor  
 Office of Public Accountability  
[www.opaguam.org](http://www.opaguam.org)  
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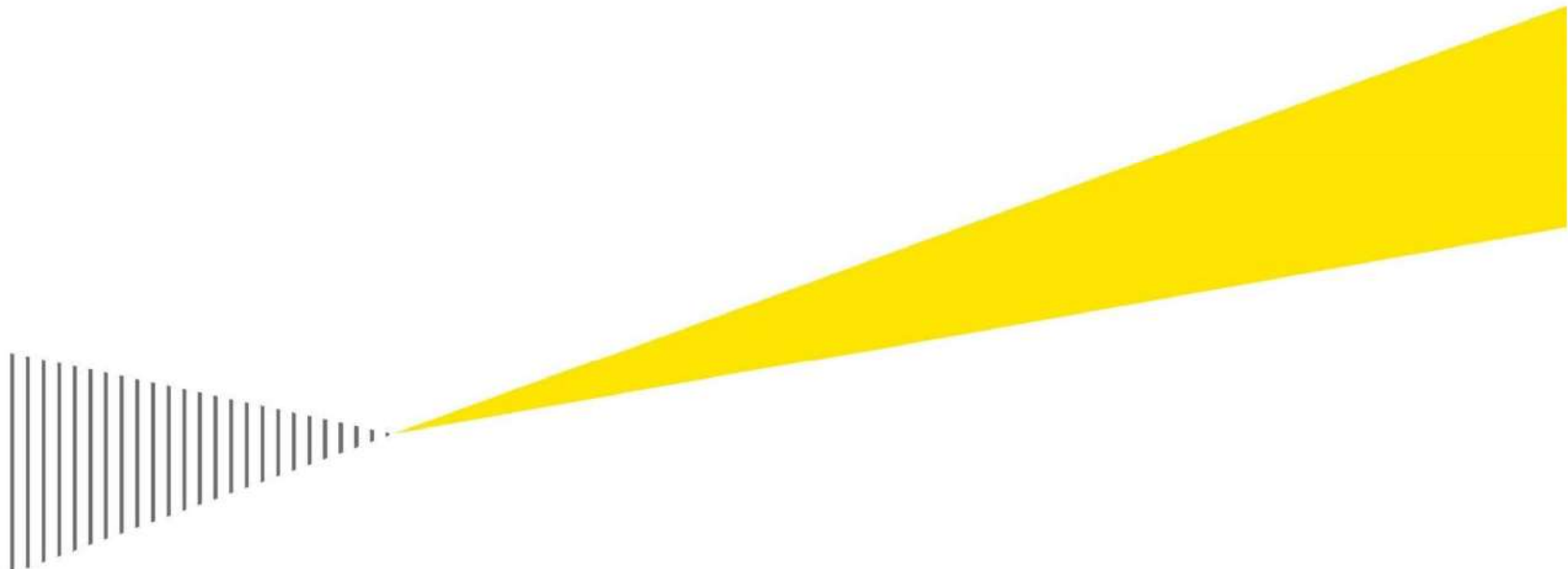
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*Compliance and Internal Control*

**iLearn Academy Charter School, Inc.**  
(A Non-Profit Organization)

*Year ended September 30, 2019*

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**Building a better  
working world**

iLearn Academy Charter School, Inc.  
(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



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees  
iLearn Academy Charter School, Inc.

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 iLearn Academy Charter School, Inc. (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 iLearn Academy Charter School, Inc.'s basic financial statements, and have issued our report thereon dated March 20, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered iLearn Academy Charter School, Inc.'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 iLearn Academy Charter School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of iLearn Academy Charter School, Inc.'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.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether iLearn Academy Charter School, Inc.'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.

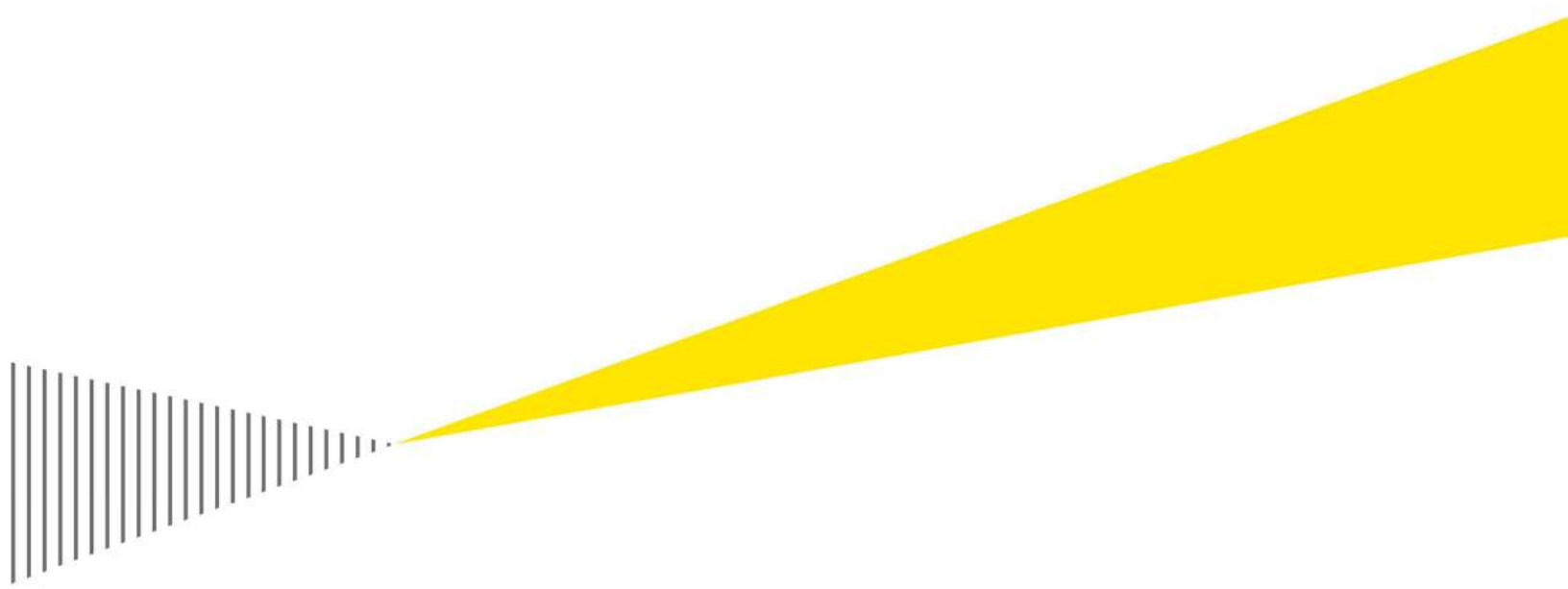
*Ernst + Young LLP*

March 20, 2020

*Financial Statements*

**iLearn Academy Charter School, Inc.**  
(A Non-Profit Organization)

*Years ended September 30, 2019 and 2018  
with Report of Independent Auditors*



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Financial Statements

Years ended September 30, 2019 and 2018

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## Report of Independent Auditors

The Board of Trustees of  
iLearn Academy Charter School, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of iLearn Academy Charter School, Inc., as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements which collectively comprise iLearn Academy Charter School, Inc.'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 audits. 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 opinion.



## ***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 iLearn Academy Charter School, Inc., as of September 30, 2019 and 2018, and the respective changes in financial position for the years then ended in conformity with U.S. generally accepted accounting principles.

## ***Other Matters***

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 20 and budgetary comparison information on page 33 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 20, 2020, on our consideration of iLearn Academy Charter School, Inc.'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 iLearn Academy Charter School, Inc.'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 iLearn Academy Charter School, Inc.'s internal control over financial reporting and compliance.

*Ernst + Young LLP*

March 20, 2020

iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management’s Discussion and Analysis

As management of iLearn Academy Charter School (the “School”), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the School 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 year’s operations.

- The liabilities of the School exceeded its assets at the close of fiscal year by \$ 74,965 (net position). The School’s substantial deficit from the prior year still has an ongoing effect on the financial statements even when we closed the current fiscal year on a positive balance.
- Enrollment at close of fiscal year is 622, invoicing at 620 as authorized by P.L. 34-116, Chapter II, Section 2.

*By the end of School Year (SY) 2018-19, iLearn Academy Charter School’s (iLearn’s) enrollment was five hundred forty-eight (548) student scholars with one hundred thirty-six (136) students pre-enrolled for the following school year. iLearn started the SY2019-20 with an enrollment of six hundred twenty-two (622) students with iLearn absorbing the cost of the two students above the government appropriations. (source: End of Year Report SY2019)*

Table 1. STUDENT DEMOGRAPHICS END OF SCHOOL YEAR 2018-19

<i>As of May 16, 2019</i>							
<i>Grade Level</i>		<i>Gender</i>	<i>#</i>	<i>%</i>	<i>Ethnicity</i>	<i>#</i>	<i>%</i>
K5	121	Male	56	46%	Chamorro	148	27%
		Female	65	54%	Filipino	307	56%
1	119	Male	59	50%	Micronesian*	49	9%
		Female	60	50%	Asian**	22	4%
2	88	Male	45	51%	Caucasian	11	2%
		Female	43	49%	Black	5	1%
3	96	Male	54	56%	Other***	6	1%
		Female	42	44%			
4	63	Male	35	56%			
		Female	28	44%			
5	61	Male	29	48%			
		Female	32	52%			
<b>TOTAL</b>	<b>548</b>	Male	278	51%	<b>TOTAL</b>	<b>548</b>	<b>100%</b>
		Female	270	49%			

\*Micronesian = Chuukese, Palauan, Pohnpeian, Yapese, Kosraean, RMI    \*\*Asian = Japanese, Chinese, Korean, Vietnamese, Indian  
\*\*\*Other = Hawaiian, Samoan



iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Financial Highlights, continued*

Table 2. STUDENT DEMOGRAPHICS BEGINNING OF SCHOOL YEAR 2019-20

<i>As of September 30, 2019</i>							
<i>Grade Level</i>		<i>Gender</i>	<i>#</i>	<i>%</i>	<i>Ethnicity</i>	<i>#</i>	<i>%</i>
K5	114	Male	53	46%	Chamorro	171	27%
		Female	61	54%	Filipino	348	56%
1	124	Male	60	48%	Micronesian*	55	9%
		Female	64	52%	Asian**	24	4%
2	127	Male	65	51%	Caucasian	12	2%
		Female	62	49%	Black	6	1%
3	93	Male	50	54%	Other***	6	1%
		Female	43	46%			
4	100	Male	54	54%			
		Female	46	46%			
5	64	Male	34	53%			
		Female	30	47%			
<b>TOTAL</b>	<b>622</b>	Male	316	51%	<b>TOTAL</b>	<b>622</b>	<b>100%</b>
		Female	306	49%			

\*Micronesian = Chuukese, Palauan, Pohnpeian, Yapese, Kosraean, RMI \*\*Asian = Japanese, Chinese, Korean, Vietnamese, Indian

\*\*\*Other = Hawaiian, Samoa

iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance*

The goal of iLearn Academy Charter School is that 75% of its students would perform at “Readiness” or “Exceeding” levels. Although, iLearn students have yet to achieve these goals, there is an indication of a slow but upward progression from the previous school year. As a result, iLearn incorporated additional professional development and more collaboration with teachers to help improve the programs and identify the needs of our student scholars. In turn, iLearn adopted a science curriculum, Amplify Science, to help improve reading and writing performance as well as provide a real-world-problem-solving learning platform.

**Graph 5.1. SY18-19 ACT Aspire Comparative Results: iLearn versus National Average.**

<b>Measure</b>	<b>Grade</b>	<b>English</b>	<b>Reading</b>	<b>Math</b>
<b>ACT Aspire Benchmark</b>	<b>3</b>	<b>413</b>	<b>413</b>	<b>413</b>
<b>iLearn</b>	<b>3</b>	<b>414</b>	<b>410</b>	<b>410</b>
<b>iLearn Readiness Level</b>	<b>3</b>	<b>Ready</b>	<b>In Need</b>	<b>Close</b>
<b>National Average</b>	<b>3</b>	<b>417</b>	<b>413</b>	<b>413</b>
<b>National Average Readiness Level</b>	<b>3</b>	<b>Ready</b>	<b>Ready</b>	<b>Ready</b>
<b>ACT Aspire Benchmark</b>	<b>4</b>	<b>417</b>	<b>417</b>	<b>416</b>
<b>iLearn</b>	<b>4</b>	<b>418</b>	<b>412</b>	<b>414</b>
<b>iLearn Readiness Level</b>	<b>4</b>	<b>Ready</b>	<b>Close</b>	<b>Close</b>
<b>National Average</b>	<b>4</b>	<b>420</b>	<b>416</b>	<b>416</b>
<b>National Average Readiness Level</b>	<b>4</b>	<b>Ready</b>	<b>Close</b>	<b>Ready</b>
<b>ACT Aspire Benchmark</b>	<b>5</b>	<b>419</b>	<b>420</b>	<b>418</b>
<b>iLearn</b>	<b>5</b>	<b>420</b>	<b>416</b>	<b>415</b>
<b>iLearn Readiness Level</b>	<b>5</b>	<b>Ready</b>	<b>Close</b>	<b>Close</b>
<b>National Average</b>	<b>5</b>	<b>423</b>	<b>417</b>	<b>418</b>
<b>National Average Readiness Level</b>	<b>5</b>	<b>Ready</b>	<b>Close</b>	<b>Ready</b>

The data above demonstrates iLearn’s performance against the national average. In all grade levels, iLearn’s scholars scored a few points above the ACT Aspire Benchmark for English. In all grade levels, iLearn’s scholars scored a few points below the ACT Aspire Benchmark for Math. In all grade levels, iLearn’s scholars scored below the Benchmark for Reading.

While reading scores are not at the desired level, there is evidence that the majority of our scholars have improved their skills at a personal level. This is shown through the collection of data from Achieve 3000. This data is provided in Graphs 7-11.



iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 5.2. ACT Aspire Three Year Data Trend**

<b>ACT Aspire Trend Data 3-5 Years Schoolwide English Scores Average Score</b>				
Grade	2016	2017	2018	2019
3	415R	414R	414R	414R
4	418R	418R	419R	418R
5	418C	421R	420R	420R

<b>ACT Aspire Trend Data 3-5 Years Schoolwide Writing Scores Average Score</b>				
Grade	2016	2017	2018	2019
3	421C	N/A	*	
4	422C	N/A	*	
5	422C	N/A	*	

<b>ACT Aspire Trend Data 3-5 Years Schoolwide Reading Scores Average Score</b>				
Grade	2016	2017	2018	2019
3	411C	409S	410S	410S
4	412C	413C	413C	412C
5	413S	416C	415C	416C

<b>ACT Aspire Trend Data 3-5 Years Schoolwide Mathematics Scores Average Score</b>				
Grade	2016	2017	2018	2019
3	411C	411C	410C	410C
4	413C	414C	415C	414C
5	412C	415C	415C	415C

<b>KEY</b>	
<b>E</b>	Exceeding
<b>R</b>	Ready
<b>C</b>	Close
<b>S</b>	In Need of Support
<b>*</b>	Pending Results

The above data demonstrates iLearn’s four-year performance. It takes three points of data to demonstrate trends and with a fourth point of data, the results clearly shows iLearn is steadily progressing towards its academic goals.

It is iLearn’s desire to eventually compile a STEM composite score to help indicate a more comprehensive evaluation of our overall program. In order to obtain this score, the subtests for English, Writing, Reading, Math, and Science need to be taken. iLearn initially took the Writing subtest as we had purchased our own assessments in 2016. In 2017, iLearn joined GDOE in the state-wide assessment but only three subtests were taken. We have collaborated with GDOE and they will be including the science subtest in the spring of 2020 and the writing subtest in the spring of 2021.

iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

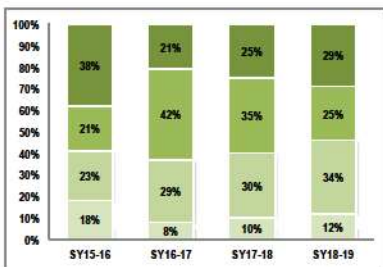
A. School Activities and Highlights, continued

Student Academic Performance, continued

Graph 5.3 ACT Aspire percentage by grade level.

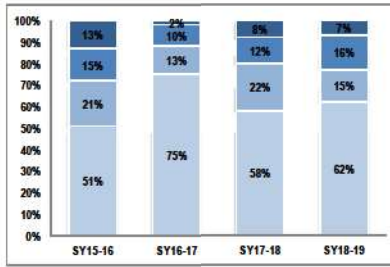
ACT Aspire Assessment Results  
Percentages by Year

ACT Aspire Assessment Results  
3rd Grade English



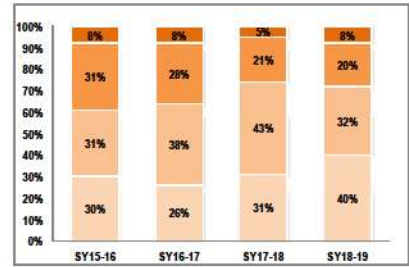
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	18%	23%	21%	38%	100%
SY16-17	8%	29%	42%	21%	100%
SY17-18	10%	30%	35%	25%	100%
SY18-19	12%	34%	25%	29%	100%

ACT Aspire Assessment Results  
3rd Grade Reading



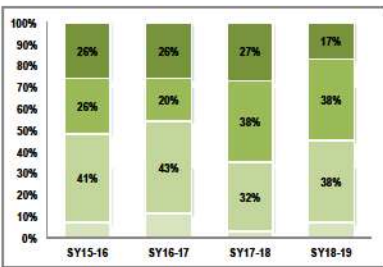
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	51%	21%	15%	13%	100%
SY16-17	75%	13%	10%	2%	100%
SY17-18	58%	22%	12%	8%	100%
SY18-19	62%	15%	16%	7%	100%

ACT Aspire Assessment Results  
3rd Grade Math



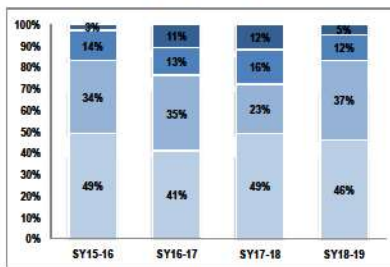
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	30%	31%	31%	8%	100%
SY16-17	26%	38%	28%	8%	100%
SY17-18	31%	43%	21%	5%	100%
SY18-19	40%	32%	20%	8%	100%

ACT Aspire Assessment Results  
4th Grade English



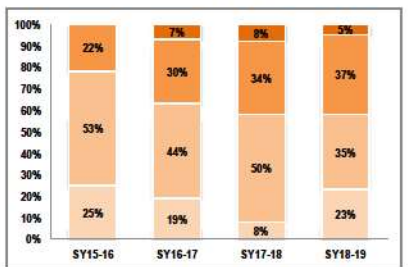
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	41%	26%	26%	7%	100%
SY16-17	43%	20%	26%	11%	100%
SY17-18	32%	38%	27%	3%	100%
SY18-19	38%	38%	17%	7%	100%

ACT Aspire Assessment Results  
4th Grade Reading



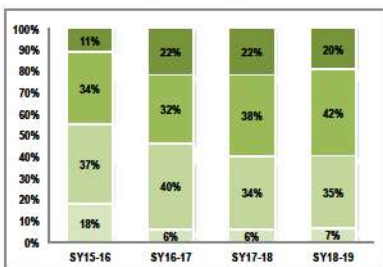
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	49%	34%	14%	3%	100%
SY16-17	41%	35%	13%	11%	100%
SY17-18	49%	23%	16%	12%	100%
SY18-19	46%	37%	12%	5%	100%

ACT Aspire Assessment Results  
4th Grade Math



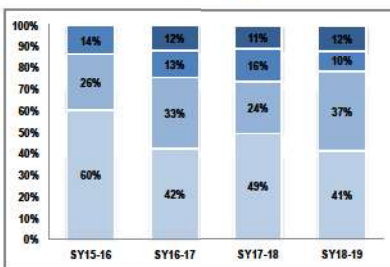
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	25%	53%	22%	8%	100%
SY16-17	19%	44%	30%	7%	100%
SY17-18	8%	50%	34%	8%	100%
SY18-19	23%	35%	37%	5%	100%

ACT Aspire Assessment Results  
5th Grade English



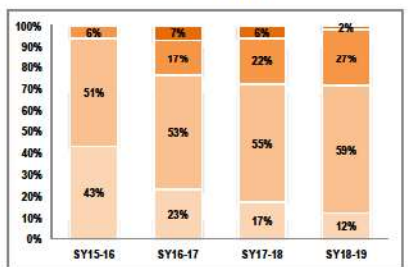
School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	18%	37%	34%	11%	100%
SY16-17	6%	40%	32%	22%	100%
SY17-18	6%	34%	38%	22%	100%
SY18-19	7%	35%	42%	20%	100%

ACT Aspire Assessment Results  
5th Grade Reading



School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	60%	26%	14%	3%	100%
SY16-17	42%	33%	13%	12%	100%
SY17-18	49%	24%	16%	11%	100%
SY18-19	41%	37%	10%	12%	100%

ACT Aspire Assessment Results  
5th Grade Math



School Year	In Need	Close	Ready	Exceeding	Total
SY15-16	43%	51%	6%	2%	100%
SY16-17	23%	53%	17%	7%	100%
SY17-18	17%	55%	22%	6%	100%
SY18-19	12%	59%	27%	2%	100%



iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management’s Discussion and Analysis, continued

A. School Activities and Highlights, continued

Student Academic Performance, continued

Graph 6. Kindergarten diagnostic year-round results

KINDERGARTEN			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Letter Fluency</b>			
Proficient	44%	54%	66%
Approaching	13%	21%	19%
Below	44%	26%	15%
<b>Phonemic Awareness</b>			
Proficient		21%	26%
Approaching		38%	39%
Below		41%	35%
<b>Phonological Awareness</b>			
Proficient		23%	36%
Approaching		10%	31%
Below		67%	33%
<b>Spelling</b>			
Proficient		29%	21%
Approaching		21%	16%
Below		50%	63%

FIRST GRADE			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Phonemic Awareness</b>			
Proficient	28%	67%	60%
Approaching	43%	23%	27%
Below	28%	9%	13%
<b>Phonological Awareness</b>			
Proficient	33%	73%	74%
Approaching	15%	9%	8%
Below	52%	18%	18%
<b>Word Fluency</b>			
Proficient	45%	46%	53%
Approaching	18%	13%	22%
Below	37%	41%	25%
<b>Spelling</b>			
Proficient	42%	57%	69%
Approaching	33%	20%	18%
Below	26%	23%	13%
<b>Oral Fluency</b>			
Proficient			87%
Approaching			9%
Below			4%
<b>CLOZE</b>			
Proficient			22%
Approaching			41%
Below			37%

SECOND GRADE			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Reading Comprehension</b>			
Proficient	6%	11%	11%
Approaching	17%	29%	47%
Below	77%	61%	42%
<b>Oral Fluency</b>			
Proficient	55%	62%	67%
Approaching	19%	14%	12%
Below	26%	24%	21%
<b>CLOZE</b>			
Proficient	71%	77%	82%
Approaching	9%	7%	5%
Below	20%	17%	13%
<b>Spelling</b>			
Proficient	19%	27%	33%
Approaching	32%	30%	33%
Below	49%	44%	34%

THIRD GRADE			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Reading Comprehension</b>			
Proficient	7%	15%	16%
Approaching	21%	30%	31%
Below	72%	55%	53%
<b>Oral Fluency</b>			
Proficient	59%	59%	61%
Approaching	12%	24%	17%
Below	29%	17%	22%
<b>CLOZE</b>			
Proficient	67%	68%	66%
Approaching	9%	11%	11%
Below	24%	21%	23%
<b>Spelling</b>			
Proficient	49%	56%	49%
Approaching	27%	22%	22%
Below	24%	22%	29%

FOURTH GRADE			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Reading Comprehension</b>			
Proficient	12%	19%	23%
Approaching	25%	28%	34%
Below	63%	53%	43%
<b>Oral Fluency</b>			
Proficient	68%	68%	65%
Approaching	18%	21%	23%
Below	14%	11%	12%
<b>CLOZE</b>			
Proficient	83%	83%	77%
Approaching	13%	11%	17%
Below	4%	6%	6%
<b>Spelling</b>			
Proficient	51%	41%	74%
Approaching	31%	40%	20%
Below	18%	19%	6%

FIFTH GRADE			
Proficiency Percentage	Proficiency Percentage		
	Fall	Winter	Spring
<b>Reading Comprehension</b>			
Proficient	2%	8%	4%
Approaching	30%	29%	41%
Below	68%	63%	55%
<b>Oral Fluency</b>			
Proficient	88%	86%	96%
Approaching	3%	7%	2%
Below	8%	7%	2%
<b>CLOZE</b>			
Proficient	77%	80%	76%
Approaching	14%	12%	15%
Below	9%	8%	9%
<b>Spelling</b>			
Proficient	83%	87%	58%
Approaching	10%	10%	33%
Below	7%	3%	9%

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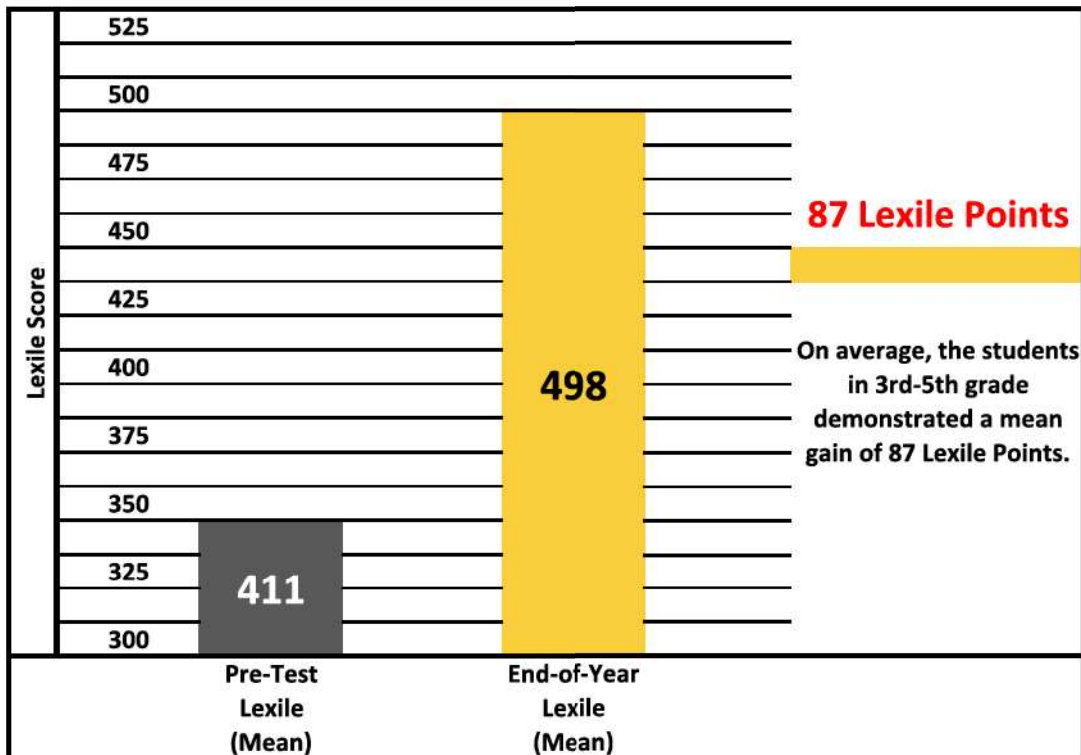
Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 7. Achieve 3000 (Differentiated Reading Program)**

<b>Lexile Gains: Pre-Test to End-of-Year</b>				
	3rd	4th	5th	Total
Overall Lexile Growth Total:	8410	6010	4315	18735
<b>Overall Lexile Growth Average:</b>	<b>89</b>	<b>99</b>	<b>74</b>	<b>262</b>
Overall Lexile Total PreTest:	24055	23730	34070	81855
<b>Overall Lexile Total PreTest Average:</b>	<b>256</b>	<b>389</b>	<b>587</b>	<b>411</b>
Overall Lexile Total PostTest:	32465	29740	38385	100590
<b>Overall Lexile Total PostTest Average:</b>	<b>345</b>	<b>488</b>	<b>662</b>	<b>498</b>



The Achieve 3000 scores show growth in individual skills. The program allows student scholars to confidently participate in class discussions as they read materials from the same article but at their grade level. Scholars work towards personal goals and celebrate each personal milestone.



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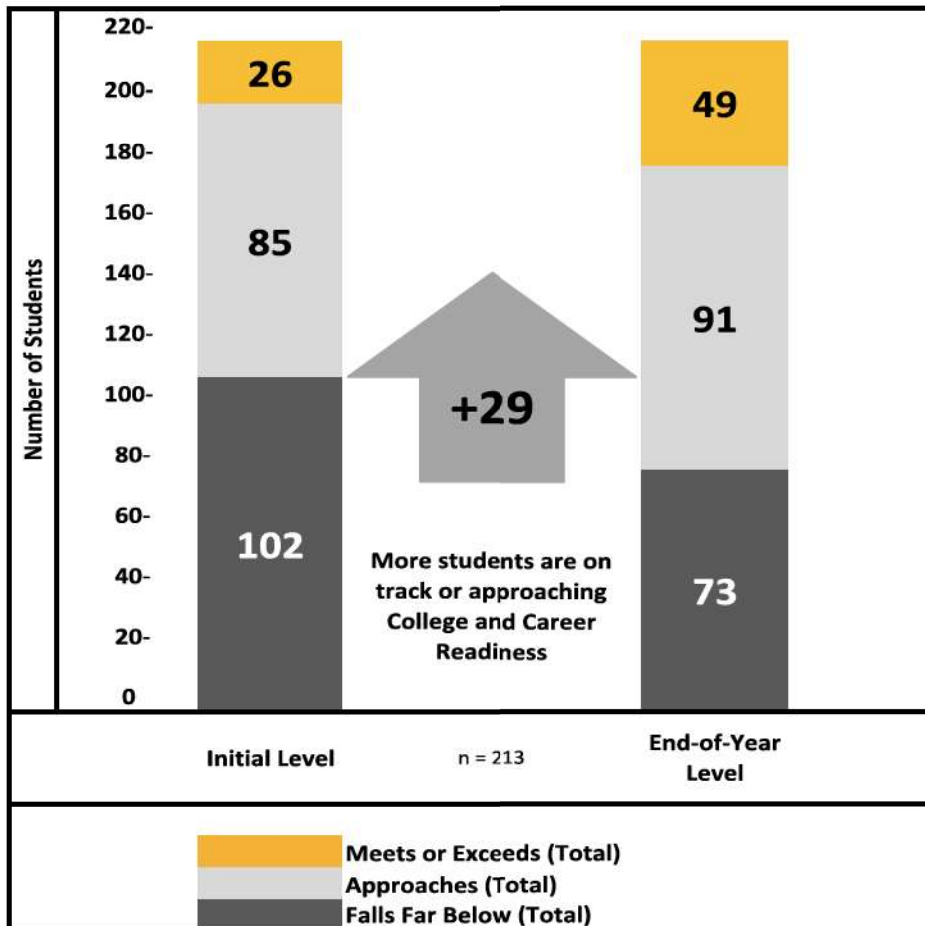
Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 8. 3<sup>rd</sup> – 5<sup>th</sup> Grade College Readiness Indicator**

<b>College and Career Readiness</b>				
Levels	3	4	5	Total
Below	52	31	19	102
Below	42	20	11	73
Approach	27	28	30	85
Approach	25	33	33	91
Exceeds	15	2	9	26
Exceeds	27	8	14	49
				<b>Up 29</b>



The preceding graph, based on pre-test and end-of-year Lexile scores, demonstrates that more ILearn Academy Charter School students are on track for college and career readiness after actively participating in the Achieve3000 program during the 2018-2019 school year

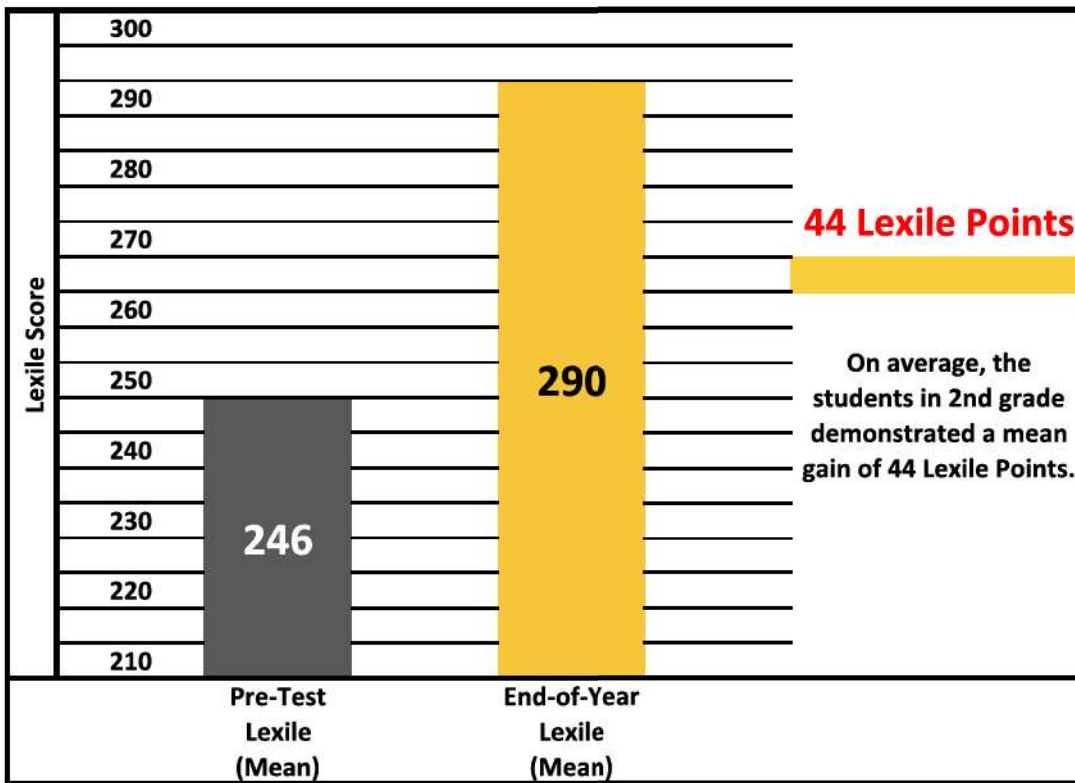
Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 9. Second Grade Achieve 3000 Results**

<b>Lexile Gains: Pre-Test to End-of-Year</b>		
	2nd	Total
Overall Lexile Growth Total:	3805	3805
<b>Overall Lexile Growth Average:</b>	<b>45</b>	<b>45</b>
<b>Overall Lexile Total PreTest:</b>		
Overall Lexile Total PreTest:	20875	20875
<b>Overall Lexile Total PreTest Average:</b>	<b>246</b>	<b>246</b>
<b>Overall Lexile Total PostTest:</b>		
Overall Lexile Total PostTest:	24680	24680
<b>Overall Lexile Total PostTest Average:</b>	<b>290</b>	<b>290</b>



Second Grade starts this program in the middle of the school year. Prior to this program, all second grade student scholars work on a lower primary version of Achieve 3000 called Smarty Ants.

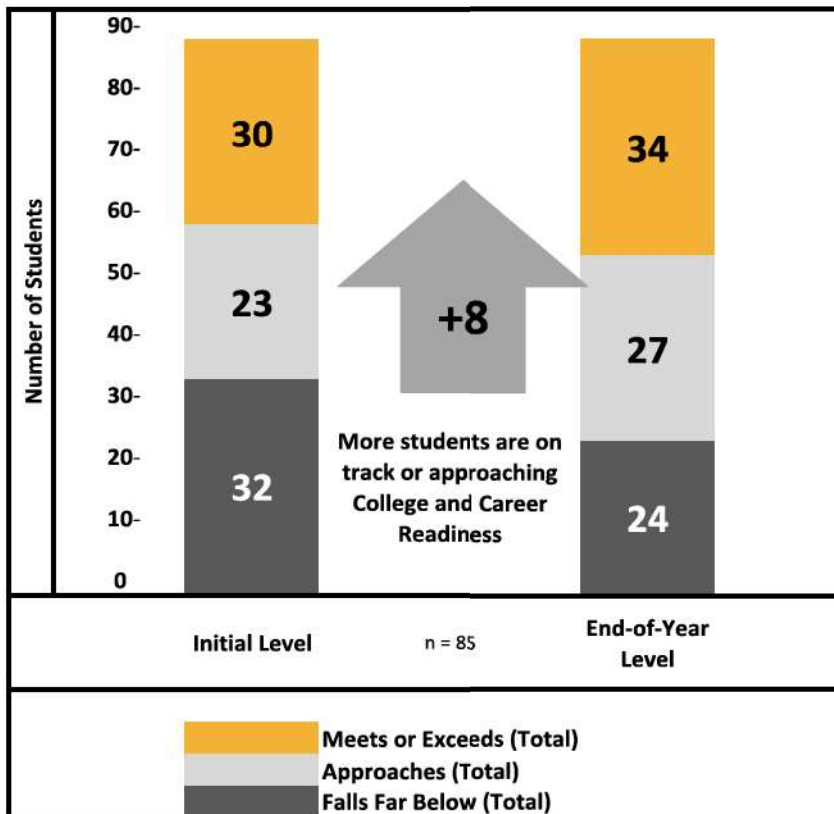
Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 10. 2<sup>nd</sup> Grade College Readiness Indicator**

College and Career Readiness		
Levels	2	Total
Below	32	32
Below	24	24
Approach	23	23
Approach	27	27
Exceeds	30	30
Exceeds	34	34
		Up 8



The preceding graph, based on pre-test and end-of-year Lexile scores, demonstrates that more ILearn Academy Charter School students are on track for college and career readiness after actively participating in the Achieve3000 program during the 2018-2019 school year

Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

*Student Academic Performance, continued*

**Graph 11. Overall Achieve 3000 Findings.**

<b>Findings that Count</b>				
<b>Findings That Count:</b>				
<b>Student Performance Across the 3rd-5th Grade Levels</b>				
<b>Grade</b>	<b>Users with Valid Test Scores</b>	<b>Pre-Test Lexile (Mean)</b>	<b>End-Of-Year Lexile (Mean)</b>	<b>Actual Growth (Mean)</b>
<b>3</b>	94	256	345	89
<b>4</b>	61	389	488	99
<b>5</b>	58	587	662	74
<b>Overall</b>	<b>213</b>	<b>411</b>	<b>498</b>	<b>87</b>

<b>Findings that Count</b>				
<b>Findings That Count:</b>				
<b>Student Performance Across 2nd Grade</b>				
<b>Grade</b>	<b>Users with Valid Test Scores</b>	<b>Pre-Test Lexile (Mean)</b>	<b>End-Of-Year Lexile (Mean)</b>	<b>Actual Growth (Mean)</b>
<b>2</b>	85	246	290	44
<b>Overall</b>	<b>85</b>	<b>246</b>	<b>290</b>	<b>44</b>

Overall, iLearn’s student scholars have not met school goals for reading levels. However, they have met personal goals and achieved personal growths. This is an indicator that Achieve 3000 is beneficial to student progress. Longevity of usage is necessary to acquire school goals of readiness.



iLearn Academy Charter School Inc.  
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Management’s Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

**OTHER STUDENT ACCOMPLISHMENTS**

- A. Math Olympiad – iLearn Academy ranked third overall.
- B. Script Spelling Bee
- C. International Week
- D. Chamorro Month Celebration
- E. Annual Spring Concert
- F. Annual Spring Dance Presentation
- G. 3<sup>rd</sup> Annual NEHS Induction
- H. Spring Lego Robotics Competition
- I. Service Learning with AmeriCorps (Agriculture)



**Upper:** 5<sup>th</sup> Graduating Class, Germinating, Service Learning (Building Planters with AmeriCorps)  
**Lower:** Fieldtrip to AAFB, Chamorro Week, 1<sup>st</sup> 5K (*Suess on the Loose*)



Upper Left: National Elementary Honor Society Lion’s Chapter’s newly elected officers.  
Lower Left: Called to serve their school.  
Upper Right: Math Olympiad wins 3<sup>rd</sup> place overall.



iLearn Academy Charter School Inc.  
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Management's Discussion and Analysis, continued

**A. School Activities and Highlights, continued**

**PROFESSIONAL DEVELOPMENT**

- A. First Aid/ CPR
- B. Crisis Prevention
- C. Achieve 3000
- D. Smarty Ants
- E. Amplify Science
- F. Singapore Math
- G. Employee Ethics and Harassment
- H. Future Focus Learning (Personalized and Socio-Emotional Learning)

**B. Overview of the Financial Statements**

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

*Government-Wide Financial Statements*

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

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

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All of 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.

iLearn Academy Charter School Inc.  
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Management's Discussion and Analysis, continued

**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 the School, the liabilities exceeded assets by \$ 74,965 (net position) at the close of the fiscal year but this is attributed to the prior year's deficit.

Figure 1 provides a summary of the School's net position as of September 30, 2019, 2018 and 2017:

<b>Net Position</b>				
Figure 1				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	2019% increase (decrease) from 2018
Cash (net of fiduciary funds)	\$ 193,152	\$ 10,398	\$ 69,993	1757.59%
Accounts Receivable	150,815	-	287,639	100.00%
Prepaid Expense	61,710	-	-	100.00%
Grant Equipment (net of depreciation)	33,812	-	-	100.00%
Other Current Assets	1,575	-	-	100.00%
<b>Total Assets</b>	<u>441,064</u>	<u>10,398</u>	<u>357,632</u>	4141.82%
Accounts Payable	205,636	392,000	350,560	-47.54%
Due to related party	-	42,500	-	-100.00%
Notes Payable- Prior Year Obligations	310,393	-	-	100.00%
<b>Total Liabilities</b>	<u>516,029</u>	<u>434,500</u>	<u>350,560</u>	18.76%
Unrestricted	<u>(74,965)</u>	<u>(424,102)</u>	<u>7,072</u>	-82.32%
<b>Total Net Position</b>	<u>(74,965)</u>	<u>(424,102)</u>	<u>7,072</u>	-82.32%



iLearn Academy Charter School Inc.  
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Management’s Discussion and Analysis, continued

**C. Government-Wide Financial Analysis, continued**

The budget cut in prior year due to Tax Cuts and Jobs Act of 2017 still has effects in Fiscal year 2019. Prior year obligations that were not met in the year incurred were converted into Notes Payable. We used our remaining funds to pay the prior year obligations as authorized by P.L. 35-29 Chapter II §12116(f) an amendment to Chapter 12, Title 17 GCA.

“(f) All Fiscal Year 2019 funds appropriated to the Charter School  
may be used to pay prior year obligations.”

Figure 2 provides summary and analysis of the School’s revenues and expenses for the years ended September 30, 2019, 2018 and 2017 follows:

<b>Statement of Activities</b>				
Figure 2				
	2019	2018	2017	2019% increase (decrease) from 2018
<b>Revenues</b>				
Appropriations - Students	\$ 3,774,560	\$ 2,968,433	\$ 3,246,147	27.16%
Extended Learning	41,900	30,100	26,480	39.20%
Miscellaneous	3,711	298	12,198	1145.30%
Student Store	86,145	69,662	---	23.66%
Fundraising	21,535	2,336	155	821.88%
Donations	25,917	12,851	1,790	101.67%
Grant (In-Kind Contribution Equipment)	38,038	---	---	---
Grant Revenue	---	---	63,708	---
In-Kind Contribution	---	---	9,984	---
<b>Total Revenues</b>	<b>3,991,806</b>	<b>3,083,680</b>	<b>3,360,462</b>	<b>29.45%</b>
<b>Expenses</b>				
Contract services	2,058,290	2,064,426	2,115,001	-0.30%
Salaries and wages	1,485,546	1,379,593	1,109,454	7.68%
Operations	70,290	58,433	92,291	20.29%
Travel and meetings	10,236	633	38,453	1517.06%
Other Expense	18,307	11,769	6,137	55.55%
<b>Total Expenses</b>	<b>3,642,669</b>	<b>3,514,854</b>	<b>3,361,336</b>	<b>3.64%</b>
Change in Net Position	349,137	(431,174)	(874)	-180.97%
Net Position at Beginning of Year	(424,102)	7,072	7,946	-6096.92%
Net Position at End of Year	<b>\$ (74,965)</b>	<b>\$ (424,102)</b>	<b>\$ 7,072</b>	<b>-82.32%</b>

iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

**C. Government-Wide Financial Analysis, continued**

Public Law 34-116, Chapter II, Section 2 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 six hundred twenty (620) students for the iLearn Academy Charter School. For Salaries and Wages, the increase is attributed to personnel increments and the inclusion of After School Program stipends such as Extended Learning, Math Olympiad, Dance Club, Music Club, Art Club, WAVE, and Robotics.

For Operations, the increase in expenditures is attributed to purchase materials for the expansion of academic programs.

For Travel and meetings, the administration participated in off island conventions such as National Charter School Conference and EdSurge.

**D. Governmental Fund Budget Analysis and Highlights**

*Financial Analysis of the Government's Fund*

Prior to the start of the School's fiscal year, the Board of the School 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 School's budget.

	<u>Governmental Fund 2019</u>		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Local Govt. Appropriations	\$ 3,774,560	\$ 3,774,560	\$ ---
Non-Appropriated Fund	---	217,246	(217,246)
<b>Total Revenues</b>	<u>\$3,774,560</u>	<u>\$3,991,806</u>	<u>\$(217,246)</u>
<b>EXPENSES</b>			
Salaries, Wages, & Benefits	1,540,564	1,485,546	55,018
Professional Devt./Travel	10,706	10,236	470
Contractual Service	68,000	18,290	49,710
Curriculum-Supplemental	---	26,196	( 26,196)
Miscellaneous-Operations	62,400	62,401	( 1)
A+ Contract (Educational Infrastructure Contract)	2,040,000	2,040,000	---
<b>Total Expenses</b>	<u>\$3,721,670</u>	<u>\$3,642,669</u>	<u>\$79,001</u>

For Fiscal Year 2019, the School received 100% of its appropriations. The School was able to participate in professional development training on and off island. The School also implemented supplemental curriculum such as Achieve 3000, Smarty Ants, Amplify Science, and Nearpod. The School's Non-Appropriated Fund (composed of student store, donations, and fundraising) was used to offset operating expenses.

iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Management's Discussion and Analysis, continued

**E. Requests for Information**

This financial report is intended to provide a general overview of the finances of the Charter School and to show accountability for the money it receives. If you have questions about this report or need additional information, contact Mrs. Helen Nishihira or Mrs. Nina Field at iLearn Academy Charter School at P.O. Box 8445, Tamuning, Guam 96913 or by telephone at (671) 989-3789.



iLearn Academy Charter School Inc.  
(A Non-Profit Organization)

Governmental Funds Balance Sheets/Statements of Net Position

	Years ended September 30,					
	2019			2018		
	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets:</b>						
Cash	\$ 193,152	\$ ---	\$ 193,152	\$ 10,398	\$ ---	\$ 10,398
Accounts receivable	150,815	---	150,815	---	---	---
Prepaid expenses	61,710	---	61,710	---	---	---
Equipment, net accumulated depreciation	33,812	---	33,812	---	---	---
Inventory	<u>1,575</u>	<u>---</u>	<u>1,575</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	<u>\$ 441,064</u>	<u>\$ ---</u>	<u>\$ 441,064</u>	<u>\$ 10,398</u>	<u>\$ ---</u>	<u>\$ 10,398</u>
<b>Liabilities and Fund Balance/Net Position:</b>						
Accounts payable and accrued expenses	\$ 205,636	\$ ---	\$ 205,636	\$ 392,000	\$ ---	\$ 392,000
Long-term notes payable due to related parties:						
Due within one year	---	61,939	61,939	42,500	---	42,500
Due after one year	<u>---</u>	<u>248,454</u>	<u>248,454</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total liabilities	<u>205,636</u>	<u>310,393</u>	<u>516,029</u>	<u>434,500</u>	<u>---</u>	<u>434,500</u>
Fund balance: unassigned	<u>235,428</u>	<u>( 310,393 )</u>	<u>---</u>	<u>( 424,102 )</u>	<u>424,102</u>	<u>---</u>
Total liabilities and fund balances	<u>\$ 441,064</u>			<u>\$ 10,398</u>		
Net position:						
Unrestricted		<u>( 310,393 )</u>	<u>( 74,965 )</u>	<u>( 424,102 )</u>	<u>( 424,102 )</u>	
Total liabilities and net position		<u>\$ ---</u>	<u>\$ 441,064</u>	<u>\$ ---</u>	<u>\$ 10,398</u>	

See accompanying notes.

iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

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

	Years ended September 30,					
	2019			2018		
	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>Expenditures/expenses:</b>						
<b>Instructional services:</b>						
Contract services	\$ 1,747,897	\$ 310,393	\$ 2,058,290	\$ 2,064,426	\$ ---	\$ 2,064,426
Salaries and wages	1,485,546	---	1,485,546	1,379,593	---	1,379,593
<b>Support services:</b>						
Operations	70,290	---	70,290	58,433	---	58,433
Travel and meetings	10,236	---	10,236	633	---	633
Interest	9,832	---	9,832	---	---	---
Insurance	7,991	---	7,991	5,465	---	5,465
Bank charges	484	---	484	328	---	328
Miscellaneous	---	---	---	5,976	---	5,976
Total expenditures/expenses	<u>3,332,276</u>	<u>310,393</u>	<u>3,642,669</u>	<u>3,514,854</u>	<u>---</u>	<u>3,514,854</u>
<b>General revenues:</b>						
Appropriations	3,774,560	---	3,774,560	2,968,433	---	2,968,433
Grant	38,038	---	38,038	---	---	---
Donations	25,917	---	25,917	12,851	---	12,851
Fundraising	21,535	---	21,535	2,336	---	2,336
Miscellaneous	3,711	---	3,711	298	---	298
	<u>3,863,761</u>	<u>---</u>	<u>3,863,761</u>	<u>2,983,918</u>	<u>---</u>	<u>2,983,918</u>
<b>Program revenues:</b>						
Student store	86,145	---	86,145	69,662	---	69,662
Extended learning	41,900	---	41,900	30,100	---	30,100
	<u>128,045</u>	<u>---</u>	<u>128,045</u>	<u>99,762</u>	<u>---</u>	<u>99,762</u>
Excess (deficiency) of revenues over (under) expenditures	659,530	( 659,530 )		( 431,174 )	431,174	
Change in net position		349,137	349,137		( 431,174 )	( 431,174 )
<b>Fund balance/net position:</b>						
Beginning of year	( 424,102 )	<u>---</u>	( 424,102 )	<u>7,072</u>	<u>---</u>	<u>7,072</u>
End of year	\$( <u>235,428</u> )	<u>\$ ---</u>	\$( <u>74,965</u> )	\$( <u>424,102</u> )	<u>\$ ---</u>	\$( <u>424,102</u> )

See accompanying notes.

iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Statements of Fiduciary Net Position

	Agency Funds Years ended September 30,	
	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash	\$ <u>2,662</u>	\$ <u>2,086</u>
Total asset	\$ <u><u>2,662</u></u>	\$ <u><u>2,086</u></u>
<b>Liability:</b>		
Others	\$ <u>2,662</u>	\$ <u>2,086</u>
Total liability	\$ <u><u>2,662</u></u>	\$ <u><u>2,086</u></u>

*See accompanying notes.*



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements

Years ended September 30, 2019 and 2018

**1. Organization**

iLearn Academy Charter School, Inc., (the “Academy”) is a non-profit public benefit corporation designed to enrich student learning in all content areas with a special emphasis in science, technology, engineering and math. The Academy was incorporated under the laws of Guam on December 5, 2014. The Academy began student enrollment during January 2015.

The Academy 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. The Academy 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 the Academy and one member must be from the general public.

The Academy retains an independent contractor, Saint Paul Christian School (SPCS), under the A+ contract for five successive years expiring in June 2023. Under the terms of agreement, SPCS is the sole provider of the facility, fixed assets and related equipment, utilities, services, and supplies to the Academy. In return, the Academy is obligated to pay monthly contract dues invoiced by SPCS.

The Academy is subject to independent oversight by the Guam Academy Charter School Council (the “Council”). The Council is tasked with monitoring the Academy’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. The Academy 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 the Academy 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”), the Academy 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.

The Academy’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.



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall entity. These statements distinguish between the governmental and business-type activities of the Academy. 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**

The Academy 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. The Academy 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.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statement of net position as of September 30, 2019 are as follows:

Fund balance – governmental funds	\$ 235,428
Less – notes payable	<u>(310,393)</u>
Net position of governmental activities	<u>\$( 74,965)</u>

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statement of activities for the year ended September 30, 2019 are as follows:

Net change in fund balances – governmental funds	\$659,530
Some income and expenses reported in the statement of activities do not affect the current financial resources and therefore are not reported as income and expenditures in the governmental funds. This amount consists of contract services	<u>310,393</u>
Change in net position of governmental activities	<u>\$349,137</u>



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

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

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

**Net Position and Fund Balance**

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

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

**Budgets**

Pursuant to the Guam Academy Charter Schools Act of 2009, the Board of Trustees adopts an annual budget. The annual budget must be submitted to the Council every fiscal year. The Council must submit the budget to the Superintendent of Education of the 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 the Academy shall be available for expenditure by the Academy’s Board of Trustees.



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Cash**

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

**Agency Funds**

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

**Funding**

The Academy 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 A+ Contract, salaries and wages, and Extended Learning wages due to after school teachers. The actual amounts remitted to the Academy 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 620 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, the maximum of 620 students were enrolled in the Academy. The Academy received government appropriations totaling \$3,774,560 and \$2,968,433, respectively, for the fiscal years ended September 30, 2019 and 2018.

**Fundraising and Donations**

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

**Compensated Absences**

Permanent employees who are guaranteed leave with their contracts are entitled to paid vacation and sick leave. Entitled employees can accrue four hours of paid sick leave and three hours of paid personal leave every pay period. Accumulation of compensated leave hours may not exceed fifty-six hours of sick leave and twenty-one hours of personal leave within a school year. Unused personal or sick leave at the end of a school year will be credited to the employee at approximately half of the employee's current contractual rate multiplied by the number of unused hours of sick and personal leave. At September 30, 2019 and 2018 accrued compensated absences totaled \$0 and \$24,000, respectively, and is included as a component of accounts payable and accrued expenses.



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Income Taxes**

The Academy 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, the Academy has made no provision for income taxes in the accompanying financial statements. A Return of Organization Exempt from Income Tax is filed by the Academy. Forms 990 filed by the Academy 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 the Academy 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.

**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. The Academy 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. The Academy 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.



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**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.

**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.



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**2. Summary of Significant Accounting Policies, continued**

**Upcoming Accounting Pronouncements continued**

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.

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.

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



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**3. Economic Dependency**

The Academy 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 the Academy 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 the Academy fails to meet the goals and student academic achievement expectations.

**4. Related Party Transactions**

Certain board members of the Academy are also officers or board members of SPCS. Pursuant to the terms and conditions of the A+ Contract, which expires in June 2023, SPCS is the sole provider of the facility, equipment, utilities, services, and supplies to the Academy in exchange for monthly contract dues. The agreement shall be automatically extended for successive periods of five years unless either party submits notice of non-renewal. For the years ended September 30, 2019 and 2018 amounts paid to SPCS totaled \$1,870,000 and \$1,685,800, respectively. At September 30, 2019 and 2018, the Academy recorded \$170,000 and \$340,000, respectively, payable to SPCS. This amount is included as a component of accounts payable and accrued expenses.

For July 1, 2019 through June 30, 2023, the agreement calls for the following monthly fee payments:

- a) \$221,000 to accommodate 621 up to 740 students
- b) \$256,208 to accommodate 741 up to 860 students
- c) \$283,021 to accommodate 861 up to 950 students

*Notes Payable*

	<u>2019</u>	<u>2018</u>
Unsecured note payable due to SPCS, interest at 6.0% per annum with monthly payments totaling \$6,573 inclusive of interest. Matures on March 2024	\$ 310,393	\$ ---
Unsecured note payable due to a board member. Interest at 6.0% per annum.	<u>---</u>	<u>42,500</u>
	310,393	42,500
Less current installments	<u>61,939</u>	<u>42,500</u>
	<u>\$ 248,454</u>	<u>\$ ---</u>

iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**4. Related Party Transactions, continued**

A summary of future maturities of notes payable is as follows:

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 61,939	\$ 16,939	\$ 78,878
2021	65,759	13,119	78,878
2022	69,815	9,062	78,877
2023	74,121	4,756	78,877
2024	38,759	681	39,440
	<u>\$ 310,393</u>	<u>\$ 44,557</u>	<u>\$ 354,950</u>

**5. Long-Term Liabilities**

A summary of changes in long-term liabilities during fiscal year 2019 is as follows:

	<u>Outstanding October 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2019</u>	<u>Current</u>	<u>Noncurrent</u>
Notes payable to related parties	<u>\$42,500</u>	<u>\$340,000</u>	<u>\$72,107</u>	<u>\$310,393</u>	<u>\$61,939</u>	<u>\$248,454</u>

A summary of changes in long-term liabilities during fiscal year 2018 is as follows:

	<u>Outstanding October 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Outstanding September 30, 2018</u>	<u>Current</u>	<u>Noncurrent</u>
Notes payable to related parties	<u>\$ ---</u>	<u>\$42,500</u>	<u>\$ ---</u>	<u>\$42,500</u>	<u>\$42,500</u>	<u>\$ ---</u>



iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Notes to Financial Statements, continued

**6. Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Academy'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. The Academy does not have a depository policy for custodial credit risk.

The Academy maintains two bank accounts with a financial institution. The Academy at times maintains cash balances in excess of \$250,000, the amount insured by the Federal Deposit Insurance Corporation (FDIC). The Academy has not made any provisions as it has not incurred any losses due to exceeding insured amounts. All of the Academy's bank balance was fully insured as of September 30, 2019 and 2018.

**7. Risk Management**

The Academy is exposed to various risks of loss related to student or employee injury for which the Academy carries workers compensation insurance. The Academy maintains workmen's compensation insurance to provide for claims arising from these risks.

There were no material losses sustained as a result of the Academy's risk management practices.

**8. Subsequent Events**

The Academy has evaluated subsequent events through March 31, 2020, which is the date the financial statements were available to be issued.

## Required Supplementary Information

iLearn Academy Charter School, Inc.  
(A Non-Profit Organization)

Budgetary Comparison Schedule – Governmental Funds

	2019				Years ended September 30,				2018			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
<b>Expenditures:</b>												
Salaries and wages	\$ 1,324,774	\$ 1,428,968	\$ 1,485,546	\$( 56,578 )	\$ 1,267,832	\$ 1,267,832	\$ 1,379,593	\$( 111,761 )				
Employee benefits	35,640	---	7,991	( 7,991 )	36,000	36,000	5,465	30,535				
Professional development / travel	10,706	10,706	10,236	470	20,000	20,000	633	19,367				
Contractual service	68,000	68,000	18,290	49,710	46,719	46,719	10,530	36,189				
Miscellaneous	61,200	61,200	70,290	( 9,090 )	19,600	19,600	58,433	( 38,833 )				
Extended learning	180,150	138,928	---	138,928	30,780	30,780	43,872	( 13,092 )				
A+ Contract (Educational Infrastructure Contract)	2,040,000	2,040,000	2,040,000	---	2,040,000	2,040,000	2,016,000	24,000				
Workers Compensation	1,200	1,200	---	1,200	---	---	---	---				
Interest	---	---	9,832	( 9,832 )	---	---	---	---				
Bank charges	---	---	484	( 484 )	---	---	328	( 328 )				
Total expenditures	<u>3,721,670</u>	<u>3,749,002</u>	<u>3,642,669</u>	<u>106,333</u>	<u>3,460,931</u>	<u>3,460,931</u>	<u>3,514,854</u>	<u>( 53,923 )</u>				
<b>General revenues:</b>												
Appropriation - students	3,774,560	3,774,560	3,774,560	---	3,250,000	2,990,000	2,968,433	( 21,567 )				
Grant Revenue	---	---	38,038	38,038	---	---	---	---				
Donations	---	---	25,917	25,917	---	---	12,851	12,851				
Fundraising	---	---	21,535	21,535	---	---	2,336	2,336				
Miscellaneous	---	---	3,711	3,711	---	---	298	298				
Total general revenues	<u>3,774,560</u>	<u>3,774,560</u>	<u>3,863,761</u>	<u>89,201</u>	<u>3,250,000</u>	<u>2,990,000</u>	<u>2,983,918</u>	<u>( 6,082 )</u>				
<b>Program revenues:</b>												
Student store	---	---	86,145	86,145	---	---	69,662	69,662				
Extended learning	---	---	41,900	41,900	---	---	30,100	30,100				
Total program revenues	<u>---</u>	<u>---</u>	<u>128,045</u>	<u>128,045</u>	<u>---</u>	<u>---</u>	<u>99,762</u>	<u>99,762</u>				
Excess (deficiency) of revenues over expenditures	<u>52,890</u>	<u>25,558</u>	<u>349,137</u>	<u>323,579</u>	<u>( 210,931 )</u>	<u>( 470,931 )</u>	<u>( 431,174 )</u>	<u>39,757</u>				
Increase (decrease) in net position	52,890	25,558	349,137	323,579	( 210,931 )	( 470,931 )	( 431,174 )	39,757				
<b>Fund balance/net position:</b>												
Beginning of year	( 424,102 )	( 424,102 )	( 424,102 )	---	7,072	7,072	7,072	---				
End of year	<u>\$( 371,212 )</u>	<u>\$( 398,544 )</u>	<u>\$( 74,965 )</u>	<u>\$ 323,579</u>	<u>\$( 203,859 )</u>	<u>\$( 463,859 )</u>	<u>\$( 424,102 )</u>	<u>\$ 39,757</u>				





# OFFICE OF PUBLIC ACCOUNTABILITY

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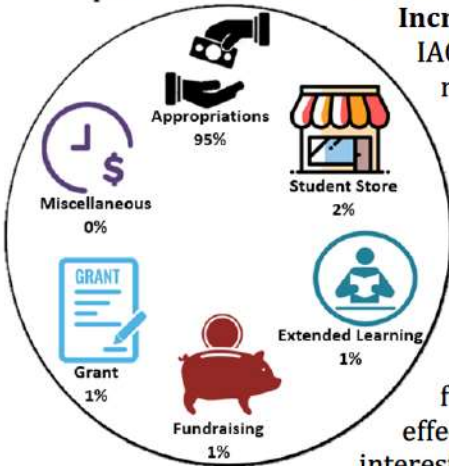
## iLearn Academy Charter School – FY 2019 Financial Highlights

March 24, 2020

Hagatna, Guam – The Office of Public Accountability has released the iLearn Academy Charter School’s (IACS) 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 IACS’ financial statements.

IACS closed FY 2019 with a positive net position of approximately \$349 thousand (K). However, IACS’ substantial deficit from FY 2018 still had an ongoing effect on the financial statements resulting in a cumulative deficit of \$75K. We commend IACS for being transparent in providing their ACT Aspire test results on a comparative basis.

Graph 1: IACS FY 2019 Revenues



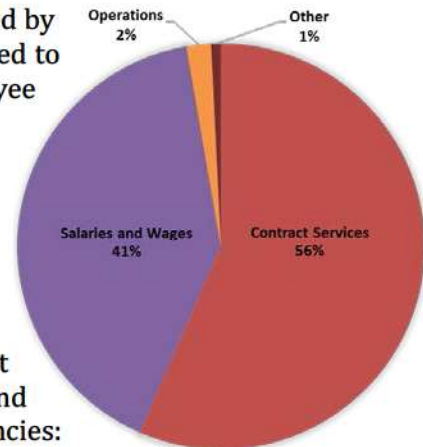
### Increase in Revenues and Expenditures

IACS’ total revenues increased by 29%, from \$3.1 million (M) in FY 2018. Of the total revenues, \$3.8M or 95% was from Government of Guam appropriations, \$86K was from the student store, \$42K was from extended learning, \$38K was from grant revenue, \$26K was from donations, and \$25K came from other sources of revenue.

IACS’s operating expenditures increased by \$128K, from \$3.5M in FY 2018 to \$3.6M in FY 2019. Contract services comprised 56% of total expenditures and decreased by \$6K, from \$2.06M in FY 2018. IACS has an A+ agreement where they pay a monthly lease to a vendor and this academic partner provides a fully furnished school facility, utilities, services, and supplies. The A+ agreement took effect in July 2018 and will expire in June 2023. In FY 2019, IACS entered into an interest-bearing repayment plan to pay for prior-year invoices that were unpaid due to

budget cuts.

Graph 2: IACS FY 2019 Expenditures



Additionally, salaries and wages comprised 41% of total expenditures and increased by \$106K or 8% from \$1.4M in FY 2018. This was due to the additional personnel hired to cover the after school program, increased cost of employee benefits, and employee salary increments.

Travel and meetings increased by approximately \$10K, from \$1K in FY 2018. This was due to employees attending two off-island conferences – EdSurge Fusion Conference and the National Charter School Conference.

### Report on Internal Control and Management Letter

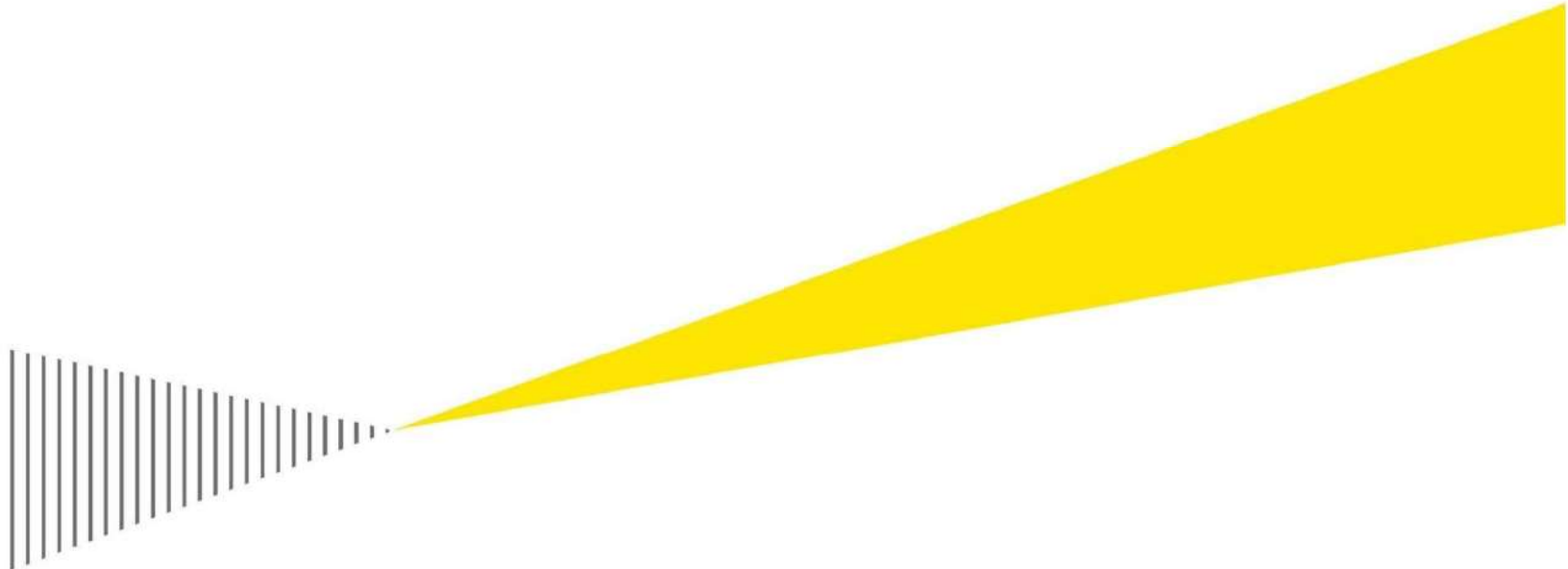
The independent auditors did not identify any material weaknesses or significant deficiencies in IACS’s Report on Internal Control over Financial Reporting and Compliance. The auditors issued a Management Letter that identified two deficiencies: (1) record of sole source procurement not submitted to the Legislature and (2) the entire cost of multi-year software was expensed upon payment instead of the appropriate period.

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

*Management Letter*

**iLearn Academy Charter School, Inc.**  
(A Non-Profit Organization)

*Year ended September 30, 2019*







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ey.com

March 20, 2020

The Board of Trustees  
iLearn Academy Charter School, Inc.  
Ukkudu Village Route 3  
Dededo, Guam 96929

In planning and performing our audit of the financial statements of the iLearn Academy Charter School, Inc. (the Academy) 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 the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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):

### **Record of Sole Source Procurement**

*Observation:*

During our testing of the Academy's compliance with the Guam Procurement Law as it pertains to its sole source procurements, we noted that the Academy did not submit its record of sole source procurement to the Legislature. However, we noted that the Academy listed the curriculums and supplemental curriculums that were to be obtained through sole source procurement in a written determination letter dated November 30, 2018, submitted to the Guam Department of Education.



*Recommendation:*

A Record of Sole Source Procurement should be submitted annually in compliance with Title 2 of the Guam Administrative Rules and Regulations Division 4 Procurement Regulations Section 3112(d). The Record of Sole Source Procurement should include for all contracts made under sole source procurement, the name of each contractor, the amount and type of each contract, a listing of supplies, services or construction procured under each contract and the identification number of each contract file.

**Deferral of Costs: Licenses**

*Observation:*

We noted that the entire cost of a multi-year software license was expensed upon payment.

*Recommendation:*

The Academy should amortize the cost of the licenses over the subscription period to ensure the expenses are recognized in the appropriate period.

\*\*\*\*\*

This communication is intended solely for the information and use of management, the Board of Trustees of the Academy, others within the organization and the Office of Public Accountability 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.

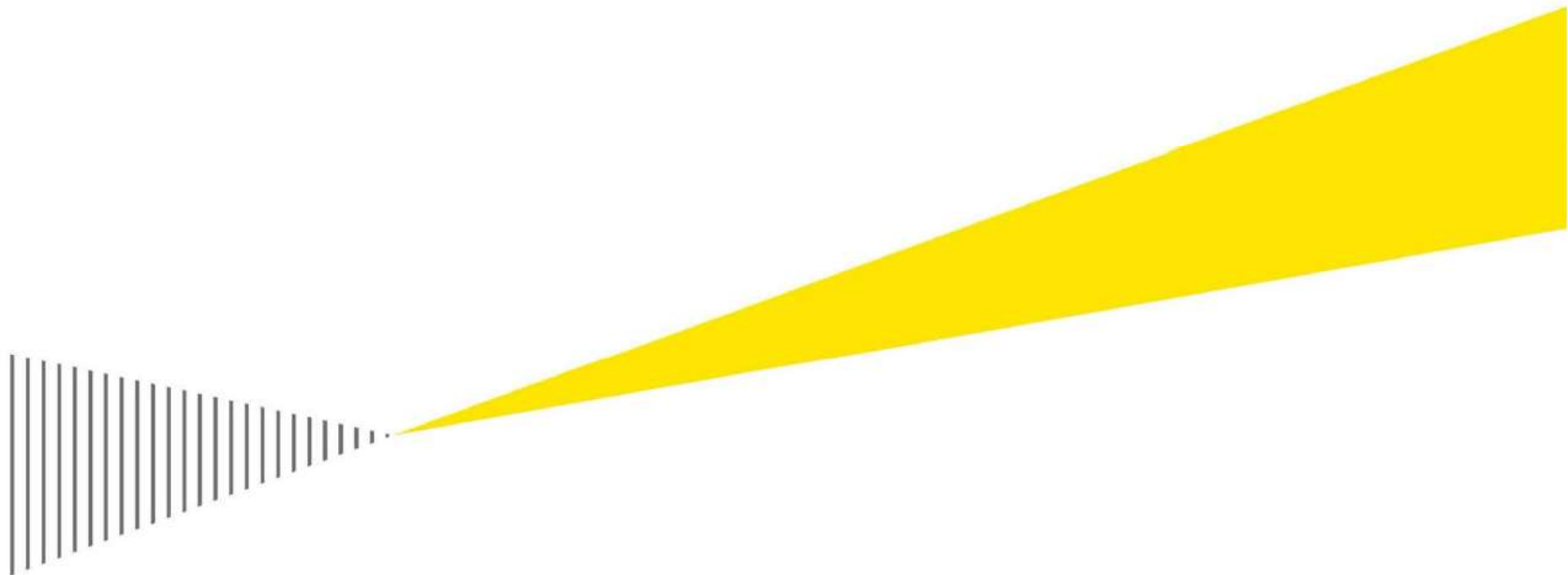
Very truly yours,

*Ernst + Young LLP*

*The Auditor's Communication With Those Charged  
With Governance*

**iLearn Academy Charter School, Inc.**  
*(A Non-Profit Organization)*

*Fiscal Year ended September 30, 2019*





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231 Ypao Road  
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Tamuning, Guam 96913

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ey.com

March 20, 2020

The Board of Trustees  
iLearn Academy Charter School, Inc.

We have performed an audit of the financial statements of the iLearn Academy Charter School, Inc. (the Academy), 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 20, 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 February 6, 2020 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 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 1 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 the Academy's operations. These budgets include determining how existing financial resources will be used in the Academy'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 the Academy 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 the Academy.

A discussion of significant accounting policies has been included in footnote 1 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

A – Schedule of Uncorrected Misstatements

Communication schedule for uncorrected misstatements

Entity: iLearn 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		Prior period Debit/(Credit)	Non taxable
		(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		
<b>Factual misstatements:</b>												
SAD 01	N0121	To properly accrue personal and sick leave payout expenses earned in August & September 2019.										
		Salaries & Wages							6,339			
		Accrued Leave Payout			(6,339)							
<b>Projected misstatements:</b>												
		<Title of the misstatement>										
<b>Judgmental misstatements:</b>												
		<Title of the misstatement>										
<b>Total of uncorrected misstatements before income tax</b>			0	0	(6,339)	0	0	0	6,339			0
<b>Total of uncorrected misstatements</b>			0	0	(6,339)	0	0	0	6,339			0
<b>Financial statement amounts</b>			407,252	33,812	(205,636)	(310,393)	74,965		349,137			(431,174)
<b>Effect of uncorrected misstatements on F/S amounts</b>			0.0%	0.0%	3.1%	0.0%	0.0%		1.8%			0.0%
<b>Memo: Total of non-taxable items (marked 'X' above)</b>												0
<b>Uncorrected misstatements before income tax</b>								1.8%	6,339			0
<b>Less: Tax effect of misstatements at current year marginal rate</b>								0%	0			0
<b>Uncorrected misstatements in income tax</b>									0			0
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>								1.8%	6,339			0
<b>Turnaround effect of prior period uncorrected misstatements</b>												
<b>All factual and projected misstatements:</b>									0			0
<b>Judgmental misstatements (Note 3):</b>									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.



A – Schedule of Uncorrected Misstatements, continued

Communication schedule for uncorrected misstatements


Entity: iLearn Academy Charter School

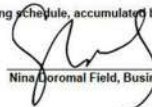
Period Ended: 30-Sep-2019

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
Cumulative effect of uncorrected misstatements, after turnaround effect								1.8%	6,339	
Current year income before tax									349,137	
Current year income after tax									349,137	

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.

  
 Helen Nishihira, Chief Operations Officer

  
 Nina Coromal Field, Business Manager




B – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: iLearn 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	VD0140	To adjust the subscription expense paid for future periods to prepaid subscription expense								
		Prepaid expenses	61,710							
		Operations expense							(61,710)	
RJE 01	N0100	To properly classify amounts due from employees for employee's portion of benefit payments made by the Academy.								
		Accounts receivable	491							
		Adjustments to employee deductions			(491)					
AJE 02	T0100	To correct beginning retained earnings								
		Net position					523			
		Miscellaneous revenue							(523)	
<b>Total of corrected misstatements before income tax</b>			62,201	0	(491)	0	523	0	(62,233)	
<b>Financial statement amounts</b>			407,252	33,812	(205,636)	(310,393)	74,965		349,137	
<b>Effect of corrected misstatements on F/S amounts</b>			15.3%	0.0%	0.2%	0.0%	0.7%		-17.8%	

The above adjustments were discussed with us and we agree to record them:

  
Helen Nishihira, Chief Operations Officer

  
Nina Dordal Field, Business Manager



C – Management Representations Letter



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PO Box 8445 Tamuning, Guam 96931 Tel: (671) 989-3789/99 Email: [admin@ilearn Guam.org](mailto:admin@ilearn Guam.org)

March 20, 2020

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

In connection with your audits of the financial statements of iLearn Academy Charter School, Inc. (the Academy) as of September 30, 2019 and 2018 and for the years 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 iLearn Academy Charter School, Inc. 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 February 6, 2020, 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 periods.

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

C – Management Representations Letter, continued

- Additional information that you have requested from us for the purpose of the audit
- 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 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.

***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

***Minutes and contracts***

The dates of meetings of shareholders, directors, committees of directors and important management committees from October 1, 2018 to the date of this letter are as follows:

- November 29, 2018
- January 18, 2019
- February 21, 2019
- June 13, 2019
- July 18, 2019
- August 30, 2019
- October 24, 2019
- December 11, 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 assets 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 statements 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 dates, 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 statement of net position dates in respect of any sales and services rendered prior to those dates and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at those dates.

C – Management Representations Letter, continued

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.

***Inventories***

Physical counts and measurements of inventories were not performed at the statement of net position date. Inventories held at the statement of net position date were not material to the financial statements and as such were not capitalized.

***Prepayments***

We believe that all material expenditures for which recognition has been deferred to future periods are recoverable.

***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.

C – Management Representations Letter, continued

***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.

***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.

***Pension benefits***

We have disclosed to you all significant pension benefits promised and have made available to you all significant summary plan descriptions, benefit communications and all other relevant information, including plan changes that constitute the plan.



C – Management Representations Letter, continued

***Purchase commitments***

At September 30, 2019 and 2018 the Academy had no purchase commitments for inventories in excess of normal requirements or at prices that were in excess of market at those dates.

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 2019 and 2018 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 have been no changes in the methods of measurement or presentation of the required supplementary information from those used in the prior period.

***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

C – Management Representations Letter, continued

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.

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.



C – Management Representations Letter, continued

- 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.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments or contributions to permanent fund principal.
- 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.
- 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



C – Management Representations Letter, continued

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.

***(A) 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 audits were 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 General of the United States, and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Academy 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,



Helen Nishihira, Chief Operations Officer



Nina Doromal Fjeld, Business Manager