



iLearn Academy Charter School FY 2017 Financial Highlights

February 1, 2018

The iLearn Academy Charter School (IACS) is a non-profit, public benefit organization. Fiscal Year (FY) 2017 was the first year the Office of Public Accountability (OPA) has overseen IACS's financial audit. IACS has been audited since the charter school was established in 2015, but not in conformance with OPA's requirements.

IACS closed FY 2017 with a cumulative net position of \$7,072. Independent auditors Burger, Comer, & Magliari, LLC rendered an unmodified (clean) opinion on IACS' financial statements. This was the first year that independent auditors completed IACS's Report on Internal Control over Financial Reporting and Compliance. IACS is subject to Government of Guam Procurement Law and Regulations.

Student Enrollment and Achievements

IACS student enrollment increased from 485 in School Year (SY) 2016 – 2017 to 500 in SY 2017 – 2018. Based on the overall ACT Aspire assessment, students in Grades 3, 4, and 5 were "Ready" in English and "Close" in Math. In terms of Reading, students in Grade 3 were "In Need" and Grades 4 and 5 were "Close".

Pursuant to Title 17 of the Guam Code Annotated (GCA) §12107(u), IACS shall initiate the process for accreditation within the first 120 days of opening and attain accreditation within 5 years of opening. IACS had begun its application process in November 2016 and turned in its application for accreditation in June 2017, but is pending a site visit from the Western Association of Schools and Colleges.

Revenues and Expenditures

In FY 2017, IACS reported \$3.4 million (M) in revenues, an \$865 thousand (K) increase from the prior year of \$2.5M. Of the total revenue, \$3.2M or 97% was from Government of Guam (GovGuam) appropriations, \$64K was from grant revenue, \$26K was from extended learning, and \$24K was from miscellaneous sources. IACS received \$5,500 per student in FY 2016, which increased to \$6,500 per student in FY 2017 pursuant to Public Law 33-185.

IACS's operating expenditures increased by \$919K from \$2.4M in FY 2016 to \$3.4M in FY 2017. Contractual services comprised 63% of the total expenditures and increased by \$549K or 35%, going from \$1.6M in FY 2016 to \$2.1M in FY 2017. This increase was due primarily to the (1) monthly rate increase on the A+ agreement for additional classrooms, (2) increase of the extended-learning program, and (3) hiring of a third party academic evaluator.

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. This allows IACS to focus

on providing educational services to students since the lease provides all infrastructural support. The A+ agreement took effect on December 1, 2014 and will expire on June 30, 2018. IACS disclosed related party transactions as certain members of IACS are also officers or board members of the A+ agreement contractor.

Additionally, salaries and wages comprised 33% of the total expenditures and increased by \$366K or 49%, going from \$743K in FY 2016 to \$1.1M in FY 2017. This was due to the hiring of additional teachers to accommodate the needs of the growing student population. Travel and meetings increased by \$27K, from \$11K in FY 2016 to \$38K in FY 2017, due to off-island training for IACS teachers.

Role of OPA

Pursuant to 1 GCA §1908 and §1909, the Public Auditor shall annually audit or cause to be conducted postaudits of all the transactions and accounts of all departments, offices, corporations, authorities, and agencies in all of the branches of the government of Guam. In addition, 17 GCA §12107(n)(8) requires IACS to submit an annual report to the Guam Academy Charter School Council (the Council), the Superintendent of Education, the Guam Education Board, the Legislature, and the Governor. Such report shall contain an annual financial statement audited by the Public Auditor. Accordingly, OPA now oversees the financial audit process of IACS.

OPA met with the IACS in November 2017 to discuss the role of the OPA. OPA also met with the Council in January 2018. The Council had no particular issues with IACS.

Subsequent Event Disclosure

In December 2017, the United States federal government enacted and signed into law the Tax Cuts and Jobs Act (TCJA) of 2017. Subsequent to the passage of TCJA, the Governor of Guam issued a directive to all GovGuam agencies to evaluate the negative impact TCJA will have on GovGuam. As a result, IACS's FY 2018 budget was reduced by 8.7% or \$300K, from \$3.3M to \$3M.

Report on Internal Control and Management Letter

The independent auditors did not identify any material weaknesses or significant deficiencies on IACS's Report on Internal Control over Financial Reporting and Compliance. The auditors issued a Management Letter that identified two repeat comments: (1) lack of segregation of duties wherein almost all accounting duties are performed by the business office manager; and (2) accounting policies and procedures are not fully documented.

For a more detailed discussion on IACS's operations, refer to the Management's Discussion and Analysis in the audit report at www.opaguam.org or www.ilearnacademycharterschool.com.