

*Financial Statements*

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

*Year ended September 30, 2022*  
*with Report of Independent Auditors*



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

Financial Statements

Year ended September 30, 2022

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

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

## Report of Independent Auditors

The Board of Trustees  
iLearn Academy Charter School, Inc.

### Opinion

We have audited the accompanying financial statements of the governmental activities and the General Fund of iLearn Academy Charter School, Inc. (the “Academy”), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of the Academy at September 30, 2022 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

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

### *Responsibilities of Management for the Financial Statements*

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

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

## ***Auditors' Responsibility for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 25 and Budgetary Comparison Schedule – Governmental Funds on page 40 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency

with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy'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 the Academy's internal control over financial reporting and compliance.

*Ernst + Young LLP*

March 27, 2023



Management's Discussion and Analysis, continued

**STUDENT DEMOGRAPHICS**

Graph 1. STUDENT DEMOGRAPHICS AS OF SEPTEMBER 30, 2022

**Population (Male/Female)**

Kinder = 105 (53/52)	3 <sup>rd</sup> Grade = 129 (60/69)
1 <sup>st</sup> Grade = 123 (56/67)	4 <sup>th</sup> Grade = 138 (64/74)
2 <sup>nd</sup> Grade = 126 (61/65)	5 <sup>th</sup> Grade = 119 (64/55)
<b>Total = 740 (358/382)</b>	

**Population Ethnicity (Number/ Percentage)**

Chamorro = 198 (27%)	Asian = 25 (3%)
Filipino = 440 (59%)	Caucasian = 18 (2%)
Micronesian = 50 (7%)	Black = 7 (1%)
	Other = 3 (1%)

**Population Social Economic Status**

Eligible for Free Lunch = 39%  
Eligible for Reduce Lunch = 7%  
Not eligible for assistance = 54%

*\*iLearn does not participate in the National School Lunch Program. Students who are eligible do not receive financial assistance.*

**Population Other Needs**

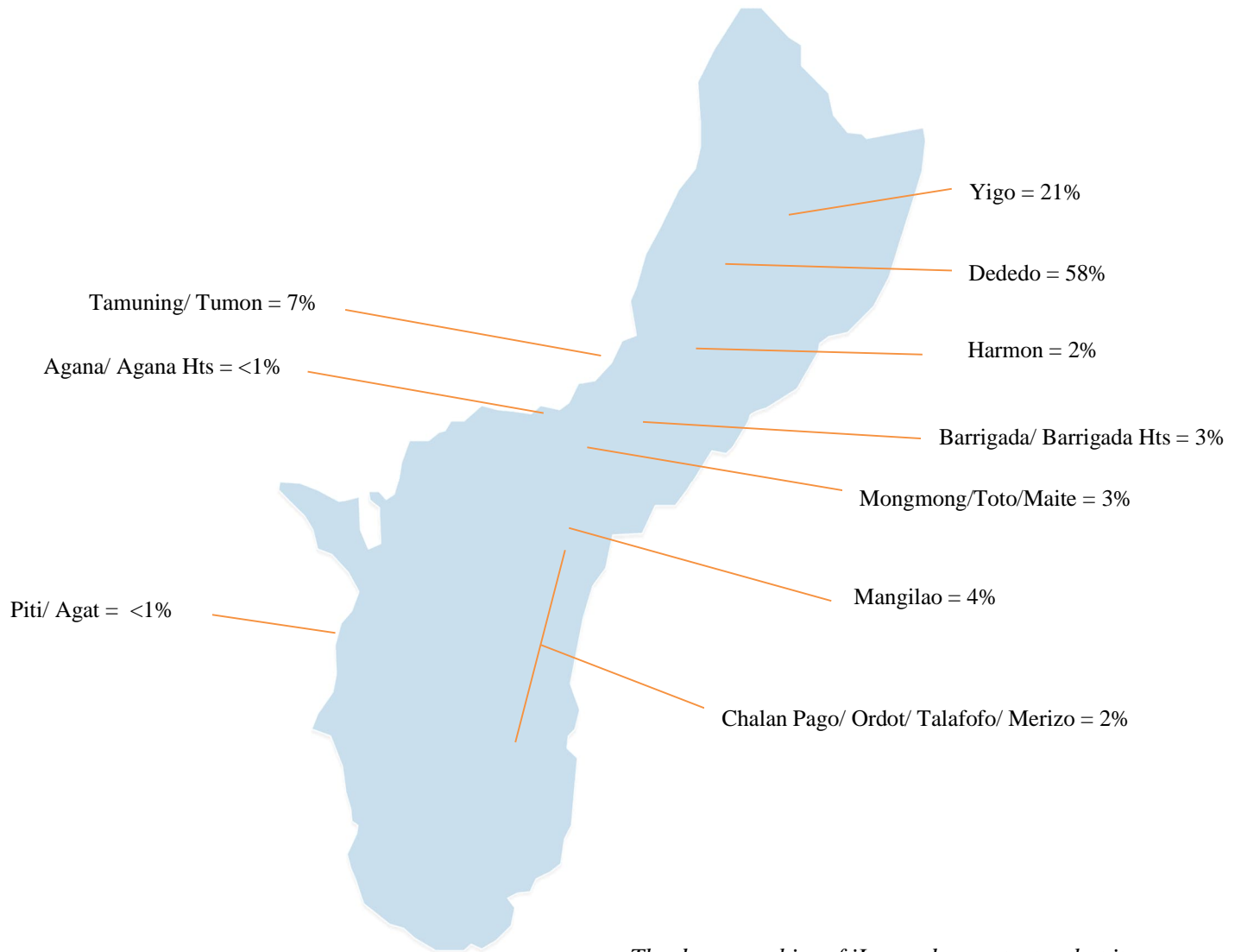
Students with ISP/IEP = 6  
Students identified with Autism = 1  
Students identified as ELL/ESL = 0

*\*Seventy-five (75) are identified as English as Second Language but are considered fluent in English.*

As of September 30, 2022, iLearn has a total of seven hundred forty (740) students enrolled. iLearn began the school year 2021-22 with sixty percent of our students (60%) attending 100% face-to-face and forty percent of our students (40%) attending 100% online. Mode of learning was based on parent/student choice and allowed us to comply to DPHSS guidance for COVID open campus.

Management's Discussion and Analysis, continued

Graph 2. Villages of student enrollment as of September 30, 2022



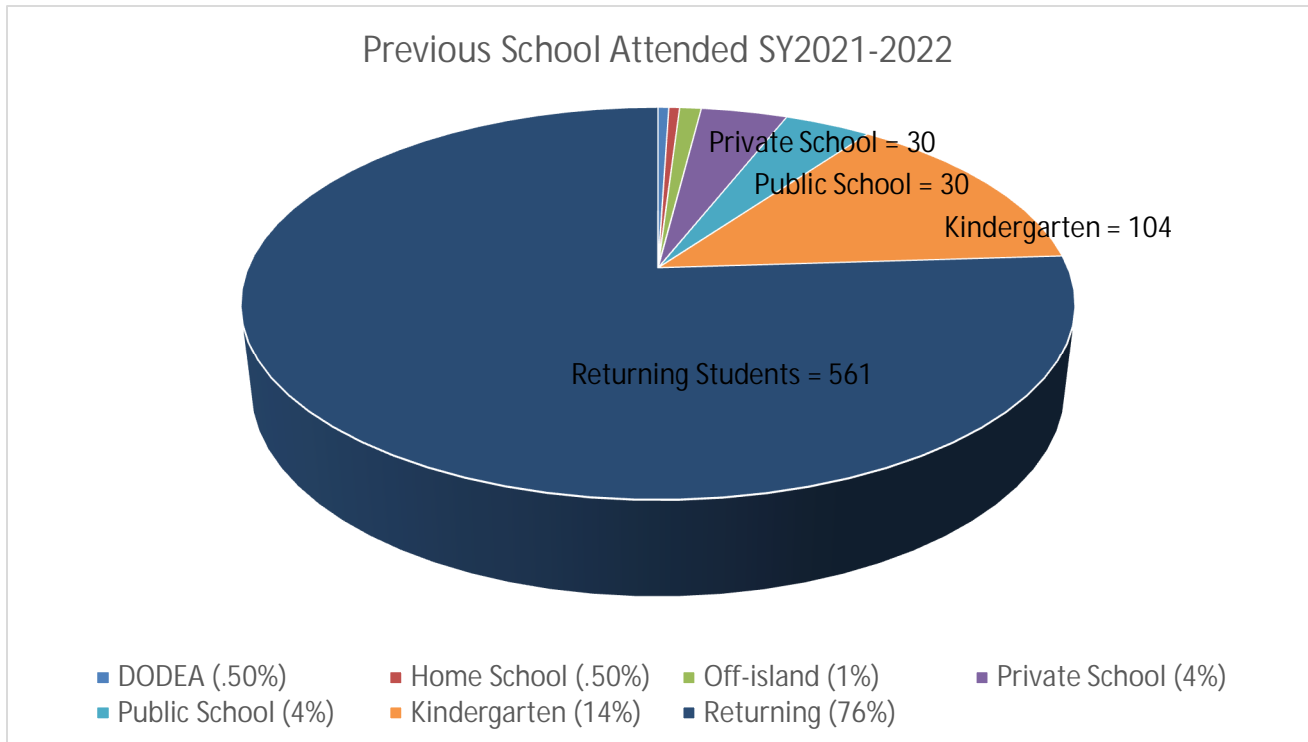
*The demographics of iLearn demonstrates that its greatest population comes from the northern villages, specifically the village of Dededo.*



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Management's Discussion and Analysis, continued

Graph 3. Feeder Schools for iLearn as of September 30, 2022.



iLearn experienced its highest transfer rates entering SY2021-2022. Ten percent of students are classified as transfer students. The increase is attributed to change of economic status due to COVID.

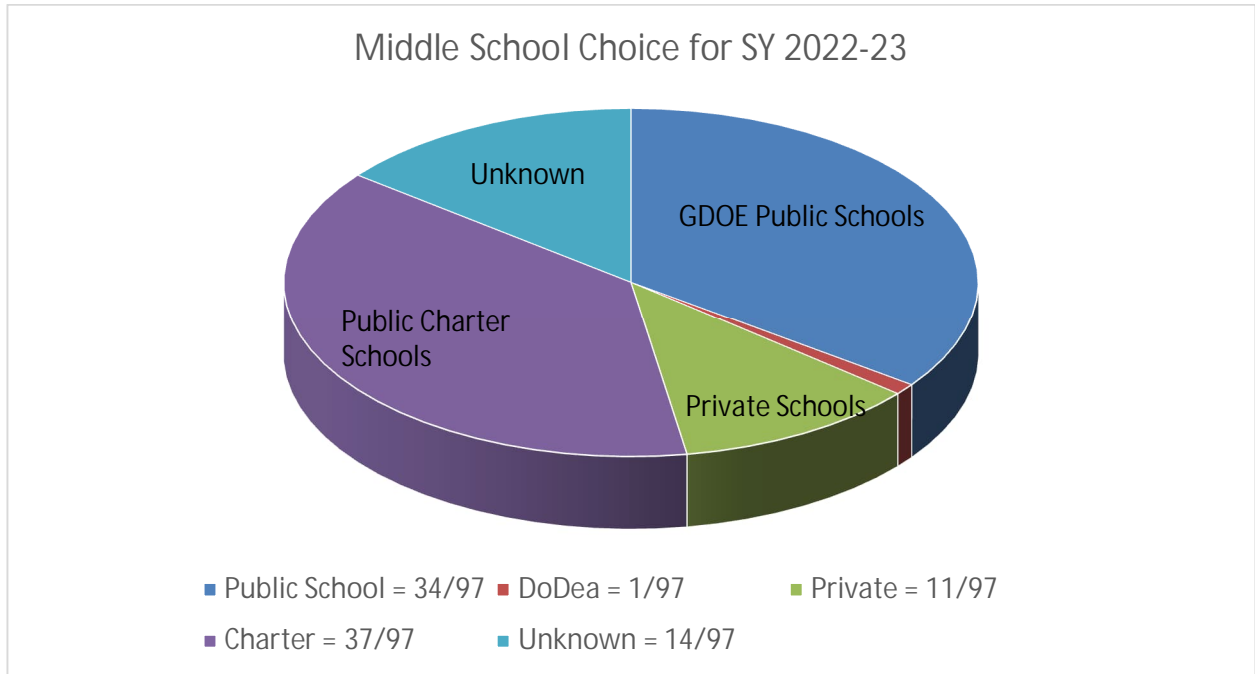
In previous school years, iLearn's kindergarten enrollment would cap at one hundred twenty (120) students. However, due to increased transfer rate, the kindergarten class was reduced by one section as enrollment maximum capacity had been met prior to reaching the normal 120 students.

In SY2021-2022, a large number of withdrawals took place throughout the school year. Enrollment started at 757 and reduced by approximately 100 students due to off-island transfer. In SY2022-23, this phenomenon is still occurring. While enrollment occur throughout the new school year, off-island transfers have become an on-going issue.

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Management's Discussion and Analysis, continued

Graph 4. Middle School Choice for graduates May 24, 2022



Thirty-eight percent (38%) of iLearn graduates chose to continue with charter school and is now currently enrolled at SIFA Academy Charter School and Guahan Academy Charter School. This was a decrease to last year's fifty-five percent (55%). Thirty-five percent (35%) of iLearn graduates chose to return to their district and is currently enrolled in the following public schools: Benavente Middle School, Agueda Johnston, Astumbo Middle School, FBLG Middle School, and Untalan Middle School. Only eleven (11%) of iLearn graduates chose to move to private school. This is a decrease from the previous school year. It should be noted that for the past three years there has been a continued trend of decreased interest in entering into private school after graduating from iLearn.

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Management’s Discussion and Analysis, continued

**STUDENT ACADEMIC PERFORMANCE**

The goal of iLearn Academy Charter School is that 75% of its students would perform at the “Ready” 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.

It should be noted that despite COVID-19’s negative effects on the island’s academic experience, iLearn’s statewide assessment results does not indicate learning loss. As a matter of fact, the results demonstrate the continued upward trend in performance.

Each student cohort were assigned designated days to return to school and take the online test in the presence of a designated proctor. This was scheduled for all students grades 3 – 5<sup>th</sup> whether they were adhering to “face to face” or “online” learning modules.

Graph 5: SY21-22 ACT Aspire Comparative Results: iLearn vs National

Measure	Grade	English	Reading	Science	Math	STEM
<b>ACT Aspire Benchmark</b>	<b>3</b>	<b>413</b>	<b>415</b>	<b>418</b>	<b>413</b>	<b>420</b>
<b>iLearn</b>	<b>3</b>	<b>414</b>	<b>411</b>	<b>411</b>	<b>409</b>	<b>410</b>
<b>iLearn Readiness Level</b>	<b>3</b>	<b>Ready</b>	<b>Close</b>	<b>In Need</b>	<b>Close</b>	<b>In Need</b>
<b>National Average</b>	<b>3</b>	<b>417</b>	<b>413</b>	<b>415</b>	<b>413</b>	<b>N/A</b>
<b>National Average Readiness Level</b>	<b>3</b>	<b>Ready</b>	<b>Close</b>	<b>Close</b>	<b>Ready</b>	<b>N/A</b>
<b>ACT Aspire Benchmark</b>	<b>4</b>	<b>417</b>	<b>417</b>	<b>420</b>	<b>416</b>	<b>422</b>
<b>iLearn</b>	<b>4</b>	<b>418</b>	<b>415</b>	<b>415</b>	<b>414</b>	<b>415</b>
<b>iLearn Readiness Level</b>	<b>4</b>	<b>Ready</b>	<b>Ready</b>	<b>Close</b>	<b>Ready</b>	<b>Close</b>
<b>National Average</b>	<b>4</b>	<b>420</b>	<b>415</b>	<b>418</b>	<b>416</b>	<b>N/A</b>
<b>National Average Readiness Level</b>	<b>4</b>	<b>Ready</b>	<b>Close</b>	<b>Close</b>	<b>Ready</b>	<b>N/A</b>
<b>ACT Aspire Benchmark</b>	<b>5</b>	<b>419</b>	<b>420</b>	<b>422</b>	<b>418</b>	<b>425</b>
<b>iLearn</b>	<b>5</b>	<b>422</b>	<b>417</b>	<b>418</b>	<b>416</b>	<b>417</b>
<b>iLearn Readiness Level</b>	<b>5</b>	<b>Exceed</b>	<b>Ready</b>	<b>Ready</b>	<b>Ready</b>	<b>Close</b>
<b>National Average</b>	<b>5</b>	<b>423</b>	<b>417</b>	<b>420</b>	<b>418</b>	<b>N/A</b>
<b>National Average Readiness Level</b>	<b>5</b>	<b>Exceed</b>	<b>Close</b>	<b>Close</b>	<b>Ready</b>	<b>N/A</b>

The data above demonstrates iLearn’s performance against the national average.

**For subtest English**, third and fourth grade demonstrated “Readiness” while fifth grade “Exceeded” grade level. Fifth grade showed significant improvement as last year’s score showed “Readiness.”

**Subtest Reading** showed the most significant change. Last school year, 3<sup>rd</sup> grade was in great need for improvement. This year they scored “Close”. This means that 3<sup>rd</sup> grade is only a few points from reading at

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Management’s Discussion and Analysis, continued

grade level. This is the first school year that 4<sup>th</sup> and 5<sup>th</sup> grade are reading at grade level.

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.

**Subtest Math** also showed a significant change. Last school year, all grade level scored “Close”. This year, while third grade still demonstrates “Close”, the fourth and fifth grade classes are at “Readiness.”

This is the second year iLearn was able to take the Subtest Science. iLearn will need a third test to make analysis on trends.

Scores listed above are based on school average performance. Personal increase in score and performance is measured through regular seat work and grade point averages for the school year. These personal trends are tracked through school supplemental applications such as Achieve 3000 and IXL.

Graph 6: ACT Aspire Five-Year Data Trend

ACT Aspire Trend Data Schoolwide English Scores Average Score					
Grade	2017	2018	2019	2021	2022
3	414R	414R	414R	414R	414R
4	418R	419R	418R	420R	418R
5	421R	420R	420R	422E	422E

ACT Aspire Trend Data Schoolwide Reading Scores Average Score					
Grade	2017	2018	2019	2021	2022
3	409S	410C	410C	410C	411C
4	413C	413C	414C	414C	415R
5	416C	415C	415C	415C	417R

ACT Aspire Trend Data Schoolwide Mathematics Scores Average Score					
Grade	2017	2018	2019	2021	2022
3	411C	410C	410C	410C	409C
4	414C	415C	412C	412C	414R
5	415C	415C	416C	413C	416R

ACT Aspire Trend Data Schoolwide Science Scores Average Score					
Grade	2021	2022			
3	411S	411S			
4	415C	415C			
5	417C	418R			

ACT Aspire Trend Data Schoolwide STEM Scores Average Score					
Grade	2021	2022			
3	411	410			
4	414	415			
5	415	417			

KEY	
E	Exceeding
R	Ready
C	Close
S	In Need of Support

It should be noted that due to the COVID pandemic, iLearn (along with the rest of the nation) does not have scores for school year 2019-2020.

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Management's Discussion and Analysis, continued

The above data demonstrated iLearn's five-year performance. It takes three points of data to demonstrate learning trends and the results above clearly show iLearn is steadily progressing towards its academic goals.

Because iLearn has only completed two years of the Science subtest, a STEM composite score was compiled but trends are not indicated. Trends are used to determine professional developments and emphasis of programs.

Graph 7: ACT Aspire Percentage by Grade Level

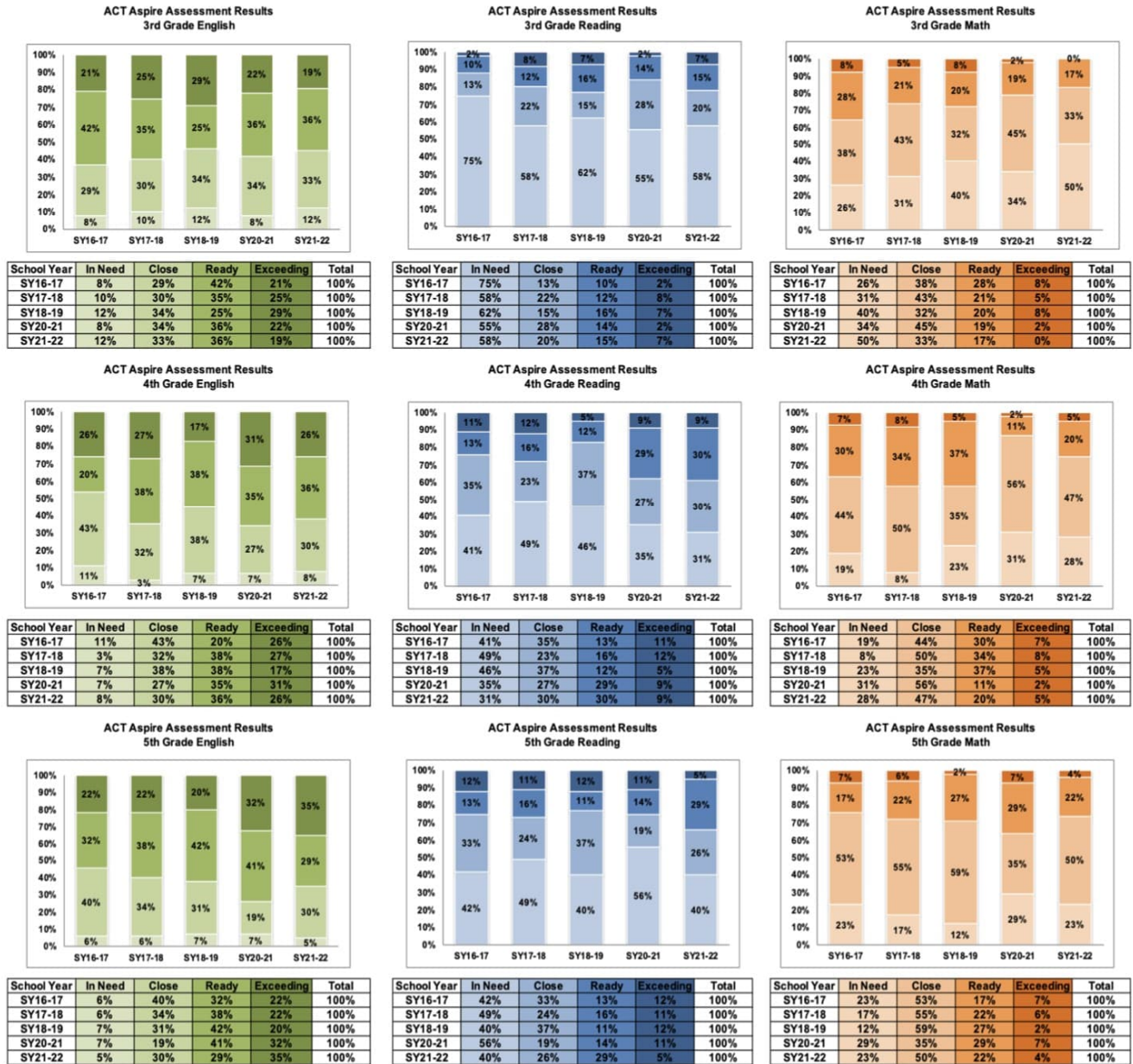
In conjunction with the ACT Aspire Assessment, iLearn Academy administers diagnostic tests for all students in K-5<sup>th</sup> grades. These tests are given at the beginning of the year, in the middle of the school year, and at the end of the year. Results indicate that substantial growth occurred across all grade levels when comparing pre-test diagnostic results to the end-of-the-year results. These findings support the results we received on the ACT Aspire. Additionally, the Grade Level Score Ranges are provided below.



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Management’s Discussion and Analysis, continued

**ACT Aspire Assessment Results  
Percentages by Year**



In conjunction with the ACT Aspire Assessment, iLearn Academy administers diagnostic tests for all students in K-5<sup>th</sup> grades. These tests are given at the beginning of the year, in the middle of the school year, and at the end of the year. Results indicate that substantial growth occurred across all grade levels when comparing pre-test diagnostic results to the end-of-the-year results. These findings support the results we received on the ACT Aspire.

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Management’s Discussion and Analysis, continued

For kindergarten, overall scores especially ELA was impacted by students who were taking classes online verses face-to-face. Face-to-face students performed significantly higher than students who remained online. This only applied to kindergarten students.

Graph 8: Kindergarten thru 5<sup>th</sup> Grades Diagnostic Year-Round Results

Diagnostic Levels - Kindergarten				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	97	120	124	+4
ELA	97	100	89	-11

Diagnostic Levels - First Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	120	134	197	+63
ELA	120	142	173	+31

Diagnostic Levels - Second Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	127	155	228	+73
ELA	127	155	213	+58

Diagnostic Levels - Third Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	131	212	262	+50
ELA	131	237	302	+65

Diagnostic Levels - Fourth Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	119	304	368	+64
ELA	119	351	364	+14

Diagnostic Levels - Fifth Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	111	340	530	+190
ELA	111	419	532	+113

Grade Level Score Ranges

		Grade Level Score Ranges					
Subject	Diagnostic Readiness Level	K	1	2	3	4	5
Math and ELA	Above	140+	240+	340+	440+	540+	640+
	On	60-130	130-230	230-330	330-430	430-530	530-630
	Below	10-50	60-120	130-220	230-320	330-420	430-520
	Far Below	0+	0-50	0-120	0-220	0-320	0-420

The graph provided below breaks down each grade level into the following categories by percentage: Above, On Level, Below, and Far Below. Students across all grade levels demonstrated a significant increase in learning as evidenced in the growth of percentages in the On Level and Above categories by the end of the school year.

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Management's Discussion and Analysis, continued

Graph 9: Kindergarten thru 5<sup>th</sup> Grades Diagnostic Year-Round Results  
(Students within Categories by Percentage)

Kindergarten					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	0%	10%	59%	31%	100%
End-of-Year	0%	1%	69%	30%	100%
Pre-Test vs EOY	0	-9	+10	-1	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	0%	24%	56%	20%	100%
End-of-Year	1%	16%	68%	15%	100%
Pre-Test vs EOY	-1	-8	+12	-5	

1st Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	5%	50%	34%	11%	100%
End-of-Year	2%	9%	63%	26%	100%
Pre-Test vs EOY	-3	-41	+29	+15	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	16%	33%	38%	13%	100%
End-of-Year	10%	25%	43%	22%	100%
Pre-Test vs EOY	-6	-8	+5	+9	

2nd Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	28%	61%	9%	2%	100%
End-of-Year	3%	46%	50%	1%	100%
Pre-Test vs EOY	-25	-15	+41	-1	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	33%	51%	13%	3%	100%
End-of-Year	0%	15%	46%	39%	100%
Pre-Test vs EOY	-33	-36	+33	+36	

3rd Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	55%	40%	5%	0%	100%
End-of-Year	19%	63%	18%	0%	100%
Pre-Test vs EOY	-36	+23	+13	0	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	46%	37%	12%	5%	100%
End-of-Year	25%	30%	33%	12%	100%
Pre-Test vs EOY	-21	-7	+21	+7	

4th Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	59%	40%	0%	1%	100%
End-of-Year	31%	39%	26%	4%	100%
Pre-Test vs EOY	-28	-1	+26	+3	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	48%	28%	18%	6%	100%
End-of-Year	39%	31%	18%	12%	100%
Pre-Test vs EOY	-9	+3	0	+6	

5th Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	89%	9%	2%	0%	100%
End-of-Year	14%	27%	55%	4%	100%
Pre-Test vs EOY	-75	-18	+53	+4	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	55%	23%	13%	8%	100%
End-of-Year	27%	23%	19%	31%	100%
Pre-Test vs EOY	-28	0	+6	+23	

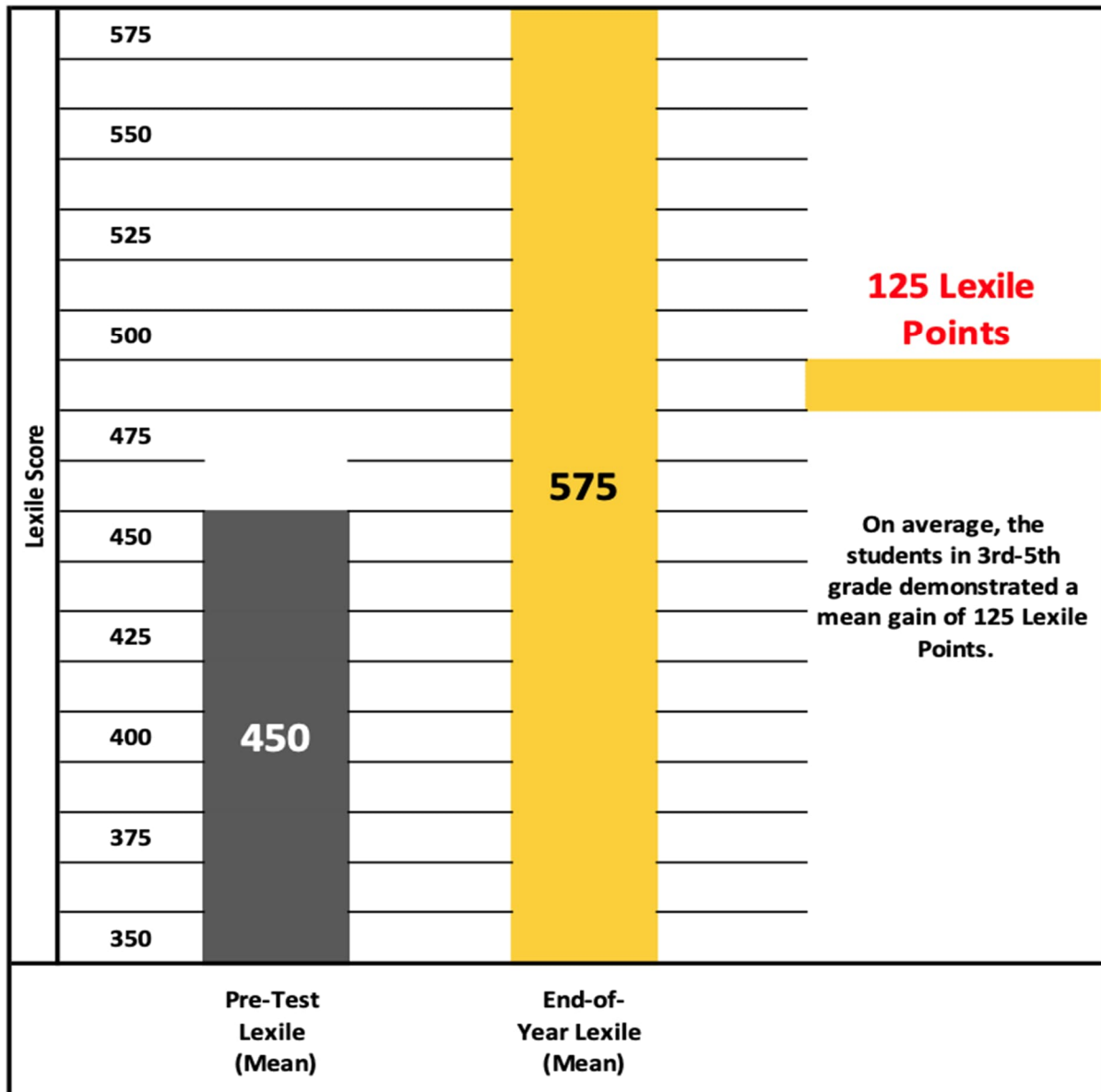


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Management’s Discussion and Analysis, continued

Graph 10: Achieve 3000 (Differentiated Reading Program) Lexile Gains for Grades 3-5

<b>Lexile Gains: Pre-Test to End-of-Year</b>				
	3rd	4th	5th	Total
<b>Overall Lexile Growth Total:</b>	19560	14780	10130	44470
<b>Overall Lexile Growth Average:</b>	<b>150</b>	<b>125</b>	<b>105</b>	<b>125</b>
<b>Overall Lexile Total PreTest:</b>	38640	54475	56325	149440
<b>Overall Lexile Total PreTest Average:</b>	<b>295</b>	<b>460</b>	<b>590</b>	<b>450</b>
<b>Overall Lexile Total PostTest:</b>	58130	69255	66455	193840
<b>Overall Lexile Total PostTest Average:</b>	<b>445</b>	<b>585</b>	<b>695</b>	<b>575</b>



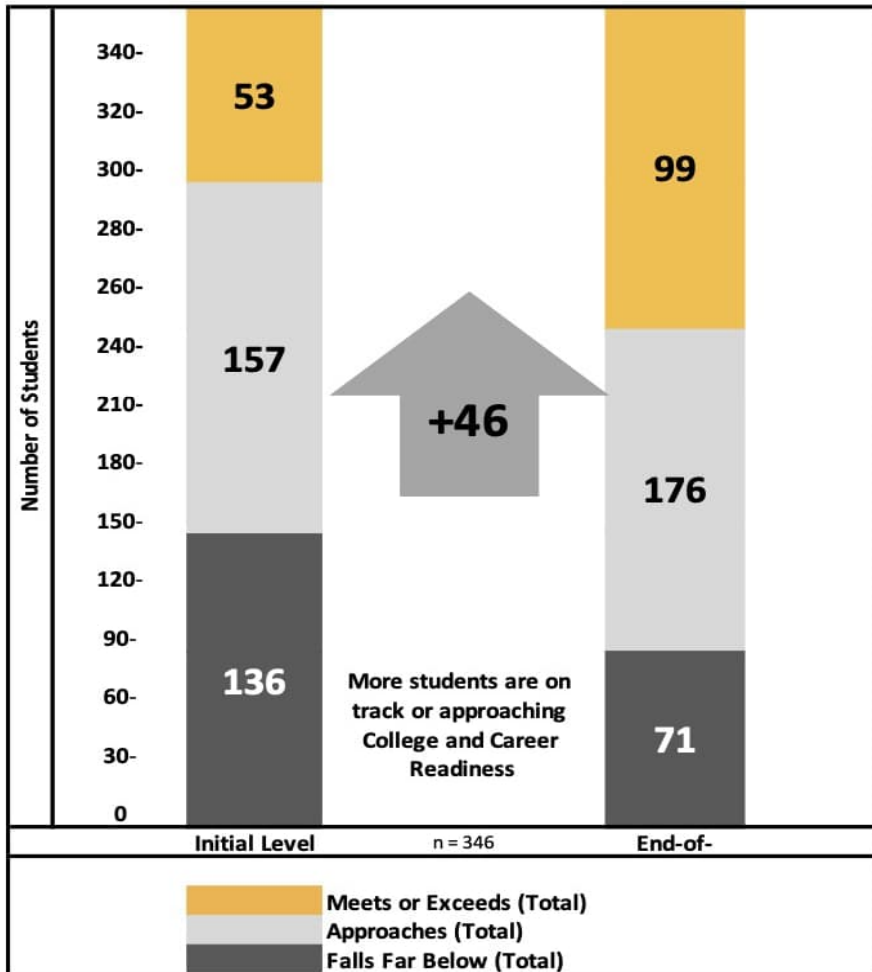
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Management’s Discussion and Analysis, continued

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. Compared to the previous growth of 94 Lexile points, SY2021-22 increased to a growth of 125 Lexile points.

Graph 11: College and Career Readiness Indicator for Grades 3-5

College and Career Readiness				
Levels	3	4	5	Total
Below	60	48	28	136
Below	30	24	17	71
Approach	48	54	55	157
Approach	55	66	55	176
Exceeds	23	17	13	53
Exceeds	46	29	24	99
				<b>Up 46</b>



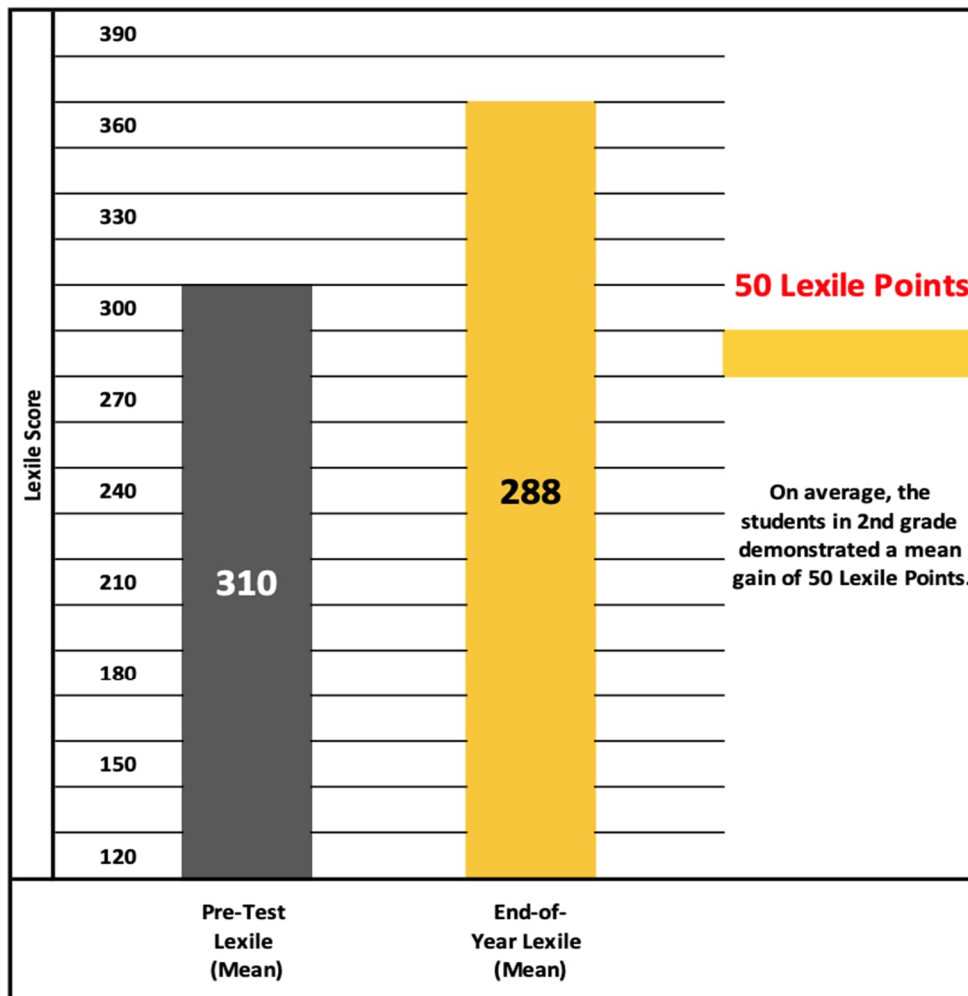
The preceding graph, based on pre-test and end-of-year Lexile scores, demonstrates that more iLearn Academy Charter School students are on track for college and career readiness after actively participating in the Achieve3000 program during the 2021-2022 school year

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Management’s Discussion and Analysis, continued

Graph 12: Achieve 3000 (Differentiated Reading Program) Lexile Gains for Grade 2

<b>Lexile Gains: Pre-Test to End-of-Year</b>		
	2nd	Total
Overall Lexile Growth Total:	5985	5985
<b>Overall Lexile Growth Average:</b>	<b>50</b>	<b>50</b>
<b>Overall Lexile Total PreTest:</b>		
	39230	39230
<b>Overall Lexile Total PreTest Average:</b>	<b>310</b>	<b>310</b>
<b>Overall Lexile Total PostTest:</b>		
	45215	45215
<b>Overall Lexile Total PostTest Average:</b>	<b>360</b>	<b>360</b>



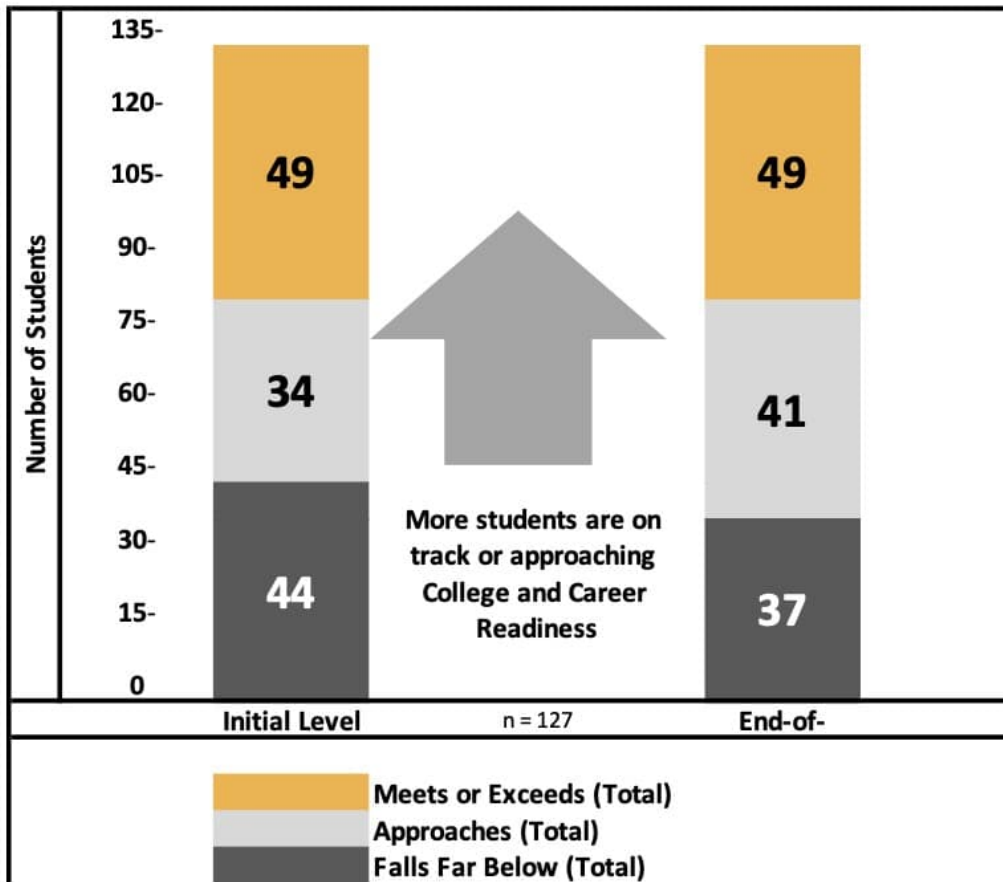
Second Grade starts this program in the middle of the school year. Prior to this program, all second-grade student scholars work on a lower primary version of Achieve 3000 called Smarty Ants. So, growth in this program only demonstrates half a school year.

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

Management’s Discussion and Analysis, continued

Graph 13: College and Career Readiness Indicator for Grade 2

<b>College and Career Readiness</b>		
<b>Levels</b>	<b>2</b>	<b>Total</b>
<b>Below</b>	44	44
<b>Below</b>	37	37
<b>Approach</b>	34	34
<b>Approach</b>	41	41
<b>Exceeds</b>	49	49
<b>Exceeds</b>	49	49



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 2021-2022 school year

Management’s Discussion and Analysis, continued

Graph 14: Overall Achieve 3000 Findings

<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>	127	310	360	50
<b>Overall</b>	<b>127</b>	<b>310</b>	<b>360</b>	<b>50</b>

<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>	131	295	445	150
<b>4</b>	119	460	585	125
<b>5</b>	96	590	695	105
<b>Overall</b>	<b>346</b>	<b>450</b>	<b>575</b>	<b>190</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.

**STUDENT SOCIO-ECONOMIC DEMOGRAPHIC**

iLearn has initiated its application for the National School Lunch Program and is currently waiting for technical assistance from the GDOE federal programs division. The process has been on hold for almost a year due to instability of management within the program.

While waiting for the next steps in application process, iLearn regularly monitor students to identify students whose economic status may have changed and is demonstrated in nutritional needs. If a student is found without means, the school covers 100% of the cost to feeding the student. To date, ninety-nine percent of our students either pack school lunch or purchase prepared school lunches without the assistance of the National School Lunch Program. Parents have been able to sufficiently provide with only a few students needing intervention.

COVID-19 and online classes has made it difficult for iLearn to ensure that all student’s nutritional needs are met for students who have opted to attend online.

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

Management's Discussion and Analysis, continued

**IMPACT OF COVID**

**Mental Health:**

1. Anxiety of students and teachers increased due to performance expectation while working through a new platform.
2. Anxiety of students and teachers increased due to personal concerns regarding COVID transmission and their personal health.
3. Anxiety of students and teachers increased due to the financial impact of the family due to COVID closures.
4. Stress on administration to cover all classes when teachers or family members of teachers were diagnosed with COVID.
5. Stress on administration to maintain operations while adhering to strict DPHSS social distancing guidelines. Social distancing guidelines included ensuring that students are six feet apart in Department of Public Works school bus transportation for charter schools.

**Academic:**

6. Based on our statewide assessment, school closure had no significant impact on student performance.
7. See Academic Report

**Behavior:**

1. Students in the upper grade (2<sup>nd</sup> – 5<sup>th</sup> grade) level quickly assimilated back into student life when iLearn returned to 100% face to face.
2. Students in the lower grade (Kinder – 1<sup>st</sup> grade) level had difficult time understanding and learning routines and rules.
3. There was an increased number of students who demonstrated separation anxiety. Usually this anxiety tapers within a week. However, in SY2022-2023 several students took almost a month to feel secured in an academic environment.

**OTHER STUDENT ACCOMPLISHMENTS**

The greatest accomplishment our students and teachers encountered in school year 2021-2022 are the following:

- Students were reintegrated into in-school activities such as CHamorro Month.
- Students participated in Math Olympiad and won 1<sup>st</sup> and 2<sup>nd</sup> place.
- Awarded six years of renewed WASC accreditation. Notice was given June 2022.
- Transition into a new facility; from Ukudu Village (temporary buildings) to a permanent location in Harmon. Facility was built by The Learning Institute and funded by GHURA (Community Development Block Grant Section 108 Loan Guaranteed Program) Funding.

**PROFESSIONAL DEVELOPMENT**

- A. Mental Health for faculty and students by the Guam Behavioral Division
- B. WASC Steering Committee
- C. Firewatch and Fire Extinguisher Use by the Guam Fire Department
- D. CPR and First Aid
- E. CKLA and Amplify Curriculum

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

Management's Discussion and Analysis, continued

**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

**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 assets exceeded liabilities by \$72,599 (net position) at the close of the fiscal year, attributed to assets received from the emergency funds ESF I, ESF II, and ARP.

Figure 1 provides a summary of the School's net position as of September 30, 2022 and 2021.

**Net Position**

Figure 1

	<u>2022</u>	<u>2021</u> (Restated)
Cash <i>(net of fiduciary)</i>	\$ 285,360	\$ 98,813
Accounts Receivable	143,694	74,401
Prepaid Expense	10,376	37,413
Inventory Asset	8,688	7,558
Other Current Assets	24,984	100,278
Lease Asset <i>(net of amortization)</i>	41,903,266	---
Depreciable Capital Assets <i>(net of depreciation)</i>	74,473	69,986
<b>Total Assets</b>	<b>42,450,841</b>	<b>388,449</b>
Accounts Payable	275,278	78,924
Lease Liability (Current)	520,399	---
Other current liabilities	---	---
Long Term Liabilities	41,582,565	---
Due from related party	---	---
Notes- Prior Year Obligations	---	---
Notes- PPP Loan	---	---
<b>Total Liabilities</b>	<b>42,378,242</b>	<b>78,924</b>
Temporarily Restricted		
Unrestricted	72,599	309,525
<b>Total Net Position</b>	<b>\$ 72,599</b>	<b>\$309,525</b>



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

**GASB 87 and New Lease Impact on Operations**

In August 2022, the School moved into a brand new campus lease agreement with a new vendor, The Learning Institute (TLI). In previous years, the School's lease was considered an operating lease but with the implementation of the new standard of GASB 87, the School now recognizes a lease liability and intangible right to use lease assets on our financial statements.

Figure 2 provides summary and analysis of the School's revenues and expenses for the years ended September 30, 2022 and 2021 as follows:

**Statement of Activities**

Figure 2

	<u>2022</u>	<u>2021</u> (Restated)
<b>REVENUES</b>		
Appropriation- Students	\$4,588,000	\$3,974,489
Extended Learning	44,300	9,500
Miscellaneous	55,022	17,795
Other Income:		
Student Store	49,673	3,378
Fundraising	45,346	--
Donations	--	--
Grant (CG, ESF)	65,605	716,559
<b>Total Revenues</b>	<b>4,847,946</b>	<b>4,721,721</b>
<b>EXPENSES</b>		
Contract services	1,864,265	2,073,489
Salaries and Benefits	2,160,280	1,973,833
Operations	498,814	315,840
Interest	235,782	3,620
Insurance (WC and Group Liability)	9,591	9,969
Travel and meetings	1,161	224
Bank Charges	867	582
Amortization Expense	284,749	--
Miscellaneous & Other Expense	29,363	62,605
<b>Total Expenses</b>	<b>5,084,872</b>	<b>4,440,162</b>
Change in Net Position	(236,926)	281,559
Net Position at Beginning of Year, as restated	309,525	27,966
<b>Net Position at End of Year</b>	<b>\$ 72,599</b>	<b>\$ 309,525</b>

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

FY 2022 Appropriation total is \$4,588,000 due to Public Law 36-54, Chapter II, Part II, Section 3: the School is authorized to receive Six Thousand Two Hundred Dollars (\$6,200) per enrollee not to exceed seven hundred forty (740) students for the iLearn Academy Charter School. In comparison, FY21 only allowed \$6,150 per enrollee capped at 620 students.

For Extended Learning, the increase is attributed to reopening of the After School Program. For Student Store, the sales of lunch tickets have returned as well as increased to \$2.00 per ticket. Around 60% of the student population purchase lunch tickets daily.

For Fundraising, we successfully raised funds via Read-A-Thon, Believe Catalog, and Rummage Sale. The proceeds were used to offset operational costs such as improvement of classrooms.

For Grants, we continue to receive assets from our existing CARES Act Funds (ESF I, ESF 2, and ARP). Examples of assets received are school supplies, office supplies, and PPE supplies.

For Contract Services, the previous A+ contract was terminated in the summer and we were in a temporary office while waiting for new campus. We entered into a new contract in August to lease a facility. The lease agreement recognizes an intangible right-to-use asset and a lease liability.

For Salaries and Wages, the increase is attributed to reclassification of several employees submitting their degrees and other credentials.

For Operations, the increase in expenditures is attributed to the new lease agreement for the new campus. Within that agreement, there was an initial commencement fee, maintenance, and other services.

For Interest and Amortization expense, this is attributed to the new lease agreement. GASB 87 requires the right to use lease asset to be amortized over the lease term. It also requires recording of interest expense on subsequent entries.

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

Management’s Discussion and Analysis, continued

**FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUND**

**Governmental Fund Budget Analysis and Highlights**

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.

For fiscal year 2022, the School received 100% of its appropriations.

	<u>Governmental Fund 2022</u>		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Local Govt. Appropriations	\$ 4,614,954	4,588,000	(26,954)
<b>Total Revenues</b>	<b>4,614,954</b>	<b>4,588,000</b>	<b>(26,954)</b>
<b>EXPENSES</b>			
Salaries, Wages, & Benefits	1,915,794	2,160,280	(244,486)
Professional Devt./Travel	--	1,161	(1,161)
Contractual Service	39,200	33,065	6,135
Miscellaneous (Operations)	7,960	85,597	(77,637)
A+ Contract (Educational Infrastructure Contract)	2,652,000	1,831,200	820,800
<b>Total Expenses</b>	<b>4,614,954</b>	<b>4,111,303</b>	<b>503,651</b>

**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 9824, Tamuning, Guam 96931 or by telephone at (671) 989-3789.

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

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>Assets:</b>			
Cash	\$ 285,360	\$ ---	\$ 285,360
Accounts receivable	143,694	---	143,694
Prepaid expenses	10,376	---	10,376
Inventory	8,688	---	8,688
Other current assets	24,984	---	24,984
Lease asset - building, net	---	41,903,266	41,903,266
Depreciable capital assets, net	---	74,473	74,473
	<u>473,102</u>	<u>41,977,739</u>	<u>42,450,841</u>
Total assets	\$ <u>473,102</u>	<u>41,977,739</u>	<u>42,450,841</u>
<b>Liabilities and Fund Balance/Net Position:</b>			
Accounts payable and accrued expenses	\$ 275,278	---	275,278
Long term liability:			
Due within one year	---	520,399	520,399
Due after one year	---	41,582,565	41,582,565
	<u>275,278</u>	<u>42,102,964</u>	<u>42,378,242</u>
Total liabilities	<u>275,278</u>	<u>42,102,964</u>	<u>42,378,242</u>
Fund balance: unassigned	<u>197,824</u>	( <u>197,824</u> )	
Total liabilities and fund balances	\$ <u>473,102</u>		
<b>Net position:</b>			
Unrestricted		<u>72,599</u>	<u>72,599</u>
Total net position		\$ <u>72,599</u>	\$ <u>72,599</u>

*See accompanying notes.*

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

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

Year ended September 30, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Instructional services:			
Lease expenditure	\$ 42,188,015	\$ ( 42,188,015 )	\$ ---
Salaries and wages	2,160,280	---	2,160,280
Contract services	1,864,265	---	1,864,265
Support services:			
Operations	460,244	38,570	498,814
Amortization	---	284,749	284,749
Interest	---	235,782	235,782
Miscellaneous	57,725	( 28,362 )	29,363
Insurance	9,591	---	9,591
Travel and meetings	1,161	---	1,161
Bank charges	867	---	867
Debt Service:			
Interest	235,782	( 235,782 )	---
Principal	85,051	( 85,051 )	---
Total expenditures/expenses	<u>47,062,981</u>	<u>( 41,978,109 )</u>	<u>5,084,872</u>
General revenues:			
Appropriations	4,588,000	---	4,588,000
Grant	20,960	44,645	65,605
Miscellaneous	55,022	---	55,022
Fundraising	45,346	---	45,346
Other financing resources	42,188,015	( 42,188,015 )	---
	<u>46,897,343</u>	<u>( 42,143,370 )</u>	<u>4,753,973</u>
Program revenues:			
Student store	49,673	---	49,673
Extended learning	44,300	---	44,300
	<u>93,973</u>	<u>---</u>	<u>93,973</u>
(Deficiency) excess of revenues (under) over expenditures	( 71,665 )	71,665	---
Change in net position	---	( 236,926 )	( 236,926 )
Fund balance/net position:			
Beginning of year, as restated	<u>269,489</u>	<u>40,036</u>	<u>309,525</u>
End of year	<u>\$ 197,824</u>	<u>\$( 125,225 )</u>	<u>\$ 72,599</u>

See accompanying notes.

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

Notes to Financial Statements

Year ended September 30, 2022

**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 agreement was mutually terminated in June 2022 as the Academy entered into a new lease agreement with The Learning Institute, to utilize the school campus in August 2022. The new campus is equipped with classrooms, administrative offices, a gymnasium and a cafeteria. The initial term of the contract is for five years which will expire in August 2027, with an option to extend the contract through 2047.

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 (GDOE).

**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.

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

Notes to Financial Statements, continued

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

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.

**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, 2022 are as follows:

Fund balance – governmental funds	\$ 197,824
Add:	
Lease asset, net	41,903,266
Depreciable capital assets, net	74,473
Less:	
Lease liability – current	( 520,399)
Lease liability – noncurrent	<u>(41,582,565)</u>
Net position - governmental activities	\$ <u>72,599</u>

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

Notes to Financial Statements, continued

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

**Fund Financial Statements, continued**

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the year ended September 30, 2022 are as follows:

Net change in fund balances – governmental funds	\$ ( 71,665)
--	--------------

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:

Capital outlays, net	44,645
Depreciation expense	( 38,570)

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 miscellaneous expenses.

28,362

In the governmental funds, lease assets additions are reported as expenditure and other financing resources while principal and interest portions are reported as lease services when the lease payments are due. However, in the statement of activities, lease payments reduces the lease liability by the principal portion and lease assets are amortized over shorter of their useful lives or lease term. These amounts consist of:

Lease expenditure	42,188,015
Other financing resources	(42,188,015)
Lease principal payments	85,051
Lease amortization	( 284,749)

Change in net position of governmental activities	\$ ( <u>236,926</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 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.

**Funding**

The Academy receives financial support in monthly allotments from the General Fund of the Government of Guam via the Department of Administration (DOA) 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 DOA's Internal Auditors through the validation of submitted invoices.

Pursuant to Guam Public Law 36-54, the cost per pupil was \$6,200 for the fiscal year ending September 30, 2022. The maximum number of students to be funded by the General Fund is not to exceed 740 students during Fiscal Year (FY) 2022. The number of enrolled students was multiplied by the FY 2022 Government of Guam General Appropriations Act approved amount of \$6,200 per student enrollee. For the fiscal year ended September 30, 2022, a total of 740 students were enrolled, and the Academy received funding for 740 students as stated by Guam Public Law 36-54. The Academy received government appropriations totaling \$4,588,000 for the fiscal year ended September 30, 2022.

**Grants**

The Academy is a sub-recipient of grants from the U.S. Department of Education. For the fiscal year ended September 30, 2022, the Academy received grants in the form of educational equipment, and other fixed assets funded by the Education Stabilization Fund – Outlying Areas grant. The determination of allowable expenditures as well as the cash management, procurement and purchase of these assets are performed by the Guam Department of Education (“GDOE”) who is the direct recipient of the grants. The Academy received assets with a total value of \$65,605 for the year ended September 30, 2022, and is included as a component of depreciable capital assets and other current assets.

**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.

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. Assets funded by federal grants are valued based on the initial cost.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives of 1 to 5 years.

**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 Pronouncement**

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. The adoption of GASB Statement No. 87 did not have an effect on beginning net position. At October 2021, the Academy recorded a lease asset and a lease liability of \$42,188,015.

**Upcoming Accounting Pronouncements**

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 will be effective for fiscal year ending September 30, 2023.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB Statement No. 94 will be effective for fiscal year ending September 30, 2023.

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 May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB Statement No. 96 will be effective for fiscal year ending September 30, 2023.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. GASB Statement No. 99 will be effective for fiscal year ending September 30, 2023.

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

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

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

**3. Economic Dependency**

The Academy receives majority of its annual revenue from the Guam Legislature under the Guam Academy Charter School Funds under a six-year agreement. Under such agreement, the Council will review the Academy every six 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. 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, 2022.

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

Notes to Financial Statements, continued

**5. Related Party Transactions**

The Academy considered transactions and assessed its relationship with non-governmental organizations during the year. Based on the assessment, the Academy determined that there are no related party transactions and no identified related parties for fiscal year ended September 30, 2022.

**6. Capital and Lease Assets**

The following is a summary of the changes in capital and lease assets for the year ended September 30, 2022:

	Beginning Balance, as Restated <u>October 1, 2021</u>	<u>Additions</u>	Transfers and <u>Deletions</u>	Ending Balance <u>September 30, 2022</u>
Depreciable capital assets:				
Furniture, fixtures, and equipment	\$ 73,521	\$ 44,645	\$( 2,368)	\$ 115,798
Less accumulated depreciation	( 3,535)	( 38,570)	780	( 41,325)
Depreciable capital assets, net	\$ <u>69,986</u>	\$ <u>6,075</u>	\$( <u>1,588</u> )	\$ <u>74,473</u>
Lease assets:				
Building	\$ ---	\$42,188,015	\$ ---	\$42,188,015
Less accumulated amortization	---	( 284,749)	---	( 284,749)
Lease assets, net	\$ <u>---</u>	\$ <u>41,903,266</u>	\$ <u>---</u>	\$ <u>41,903,266</u>

**7. Lease**

The Academy leases a school campus which includes classrooms, administrative offices, a cafeteria and a gymnasium. The lease contract was effective on August 1, 2022 for an initial term of 5 years, with an option to extend the lease agreement for up to a total of 25 years. The lease contract includes fixed payments for the annual base rent, ranging from approximately \$1.9 million to \$3.4 million. For the year ended September 30, 2022, the measurement of the lease asset, net of accumulated amortization of \$284,749, amounted to \$41,903,266.

The lease contract also includes fixed annual payments for additional rent, ranging from approximately \$433,104 to \$1,124,513. The additional rent is intended to reimburse the landlord for its cost related to the premises and operations thereof, including maintenance, insurance, asset management, audit and legal fees and a maintenance reserve. The lease contract permits the lessor to increase the amount of additional rent payments at any time. For the fiscal year ended September 30, 2022, additional rent payments totaled \$144,368. Additional rent payments are considered nonlease components and were not included in the measurement of the lease asset and liability.

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

Notes to Financial Statements, continued

**7. Lease, continued**

A summary of future lease payments and additional rent payments is as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Additional Rent</u>
2023	\$ 520,399	\$ 1,404,601	\$ 1,925,000	\$ 693,968
2024	574,630	1,386,464	1,961,094	648,491
2025	643,992	1,366,129	2,010,121	664,703
2026	716,963	1,343,411	2,060,374	681,320
2027	793,695	1,318,189	2,111,884	698,354
2028–2032	5,262,685	6,115,587	11,378,272	3,764,896
2033–2037	7,845,056	5,028,414	12,873,470	4,259,638
2038–2042	8,590,212	2,916,302	11,506,514	4,821,696
2043–2047	<u>17,155,332</u>	<u>1,802,135</u>	<u>18,957,467</u>	<u>5,263,202</u>
	<u>\$42,102,964</u>	<u>\$22,681,232</u>	<u>\$64,784,196</u>	<u>\$21,496,268</u>

**8. Beginning Balance Adjustments**

Adjustment to the beginning balance of net position amounting to \$425,263 pertains to the correction of capitalization of depreciable capital assets and recorded other current assets not owned by the Academy. Restated balances at September 30, 2022 are as follows:

	<u>Depreciable Capital Assets, Net</u>	<u>Other Current Assets</u>	<u>Net Position</u>
Beginning of year	\$ 465,299	\$130,228	\$ 734,788
Adjustment	( 395,313)	( 29,950)	\$( 425,263)
Beginning of year, as restated	<u>\$ 69,986</u>	<u>\$100,278</u>	<u>\$ 309,525</u>

**9. Subsequent Events**

The Academy has evaluated subsequent events through March 27, 2023, 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  
(Unaudited)

Year ended September 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Expenditures:</b>				
Salaries and wages	\$ 1,973,974	\$ 1,973,974	\$ 2,160,280	\$( 186,306 )
Contractual service	119,200	119,200	33,065	86,135
Miscellaneous	5,960	5,960	40,982	( 35,022 )
Operations	483,600	483,600	498,814	( 15,214 )
A+ Contract (Educational Infrastructure Contract)	2,652,000	2,652,000	1,831,200	820,800
Workers Compensation	2,000	2,000	---	2,000
Amortization	---	---	284,749	( 284,749 )
Interest	---	---	235,782	( 235,782 )
Total expenditures	<u>5,236,734</u>	<u>5,236,734</u>	<u>5,084,872</u>	<u>151,862</u>
<b>General revenues:</b>				
Appropriation	4,753,134	4,753,134	4,588,000	( 165,134 )
Grant	---	---	65,605	65,605
Miscellaneous	---	---	55,022	55,022
Fundraising	---	---	45,346	45,346
	<u>4,753,134</u>	<u>4,753,134</u>	<u>4,753,973</u>	<u>839</u>
<b>Program revenues:</b>				
Student store	---	---	49,673	49,673
Extended learning	---	---	44,300	44,300
	<u>---</u>	<u>---</u>	<u>93,973</u>	<u>93,973</u>
Deficiency of revenues under expenditures	( <u>483,600</u> )	( <u>483,600</u> )	( <u>236,926</u> )	<u>246,674</u>
Decrease in net position	( 483,600 )	( 483,600 )	( 236,926 )	246,674
<b>Fund balance/net position:</b>				
Beginning of year, as restated	<u>149,976</u>	<u>149,976</u>	<u>309,525</u>	( <u>159,549</u> )
End of year	<u>\$( 333,624 )</u>	<u>\$( 333,624 )</u>	<u>\$ 72,599</u>	<u>\$( 406,223 )</u>



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

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

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

The Board of Trustees  
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 (*Government Auditing Standards*), the financial statements of the governmental activities and the General Fund of iLearn Academy Charter School, Inc. (“the Academy”), as of and for the year ended September 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Academy’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. 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 or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Ernst + Young LLP*

March 27, 2023