

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

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

*Fiscal Year ended September 30, 2018*



**Building a better  
working world**



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March 25, 2019

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, 2018, 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 25, 2019.

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 December 26, 2018 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.

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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-2018      Currency: USD

No.	WIP ref.	Account (Note 1) (misstatements are recorded as journal entries with a description)	Analysis of misstatements				Effect on the current period OCI	Income statement effect of the current period		Income statement effect of the prior period	
			Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current		Equity components	Debit/(Credit)	Non-taxable	Prior period
			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	
<b>Factual misstatements:</b>											
SAD 01		To recognize inventory pertaining to student store snacks and uniforms in stock as of year end.									
		Inventory	10,000								
		Operations expense						(10,000)	X		
<b>Projected misstatements:</b>											
None identified											
<b>Judgmental misstatements:</b>											
None identified											
<b>Total of uncorrected misstatements before income tax</b>											
			10,000	0	0	0	0	0	0	0	0
<b>Total of uncorrected misstatements</b>			10,000	0	0	0	0	0	0	0	0
<b>Financial statement amounts</b>			10,398	0	(434,500)	0	424,102		(874)		
<b>Effect of uncorrected misstatements on F/S amounts</b>			96.2%	0.0%	0.0%	0.0%	0.0%	2.3%	0.0%		
<b>Memo: Total of non-taxable items (marked 'X' above)</b>								(10,000)			
<b>Uncorrected misstatements before income tax</b>											
<b>Less: Tax effect of misstatements at current year marginal rate</b>								2.3%			
<b>Uncorrected misstatements in income tax</b>								0%			
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>								2.3%			
<b>Turnaround effect of prior period uncorrected misstatements</b>											
<b>All factual and projected misstatements: Judgmental misstatements (Note 3):</b>											
<b>After tax</b>											
<b>Memo: Before tax</b>											



A – Schedule of Uncorrected Misstatements, continued

Entity: iLearn Academy Charter School Period Ended: 30-Sep-2018 Currency: USD

Communication schedule for uncorrected misstatements

Uncorrected misstatements No.   W/P ref.	Account (Note 1) (misstatements are recorded as journal entries with a description.)	Analysis of misstatements Debit/(Credit)				Effect on the current period OCI Debit/(Credit)	Income statement effect of the current period Debit/(Credit)	Income statement effect of the prior period Debit/(Credit)
		Assets Current (Note 2)	Assets Non-current (Note 2)	Liabilities Current (Note 2)	Liabilities Non-current (Note 2)			
						2.3%	(10,000)	
Cumulative effect of uncorrected misstatements, after turnaround effect							(431,174)	
Current year income before tax							(431,174)	
Current year income after tax							(431,174)	

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.

*Helex Nishihira* 3/18/2019  
Helex Nishihira, Chief Operating Officer

*Nina Doromal Field* 3/18/2019  
Nina Doromal Field, Business Manager





B – Schedule of Corrected Misstatements

Communication schedule for corrected misstatements

Entity: iLearn Academy Charter School		Period ended: 30-Sep-2018	Currency: USD				
Corrected misstatements No. W/P ref.	Account (misstatements are recorded as journal entries with a description)	Analysis of misstatements				Effect on the current period OCI	Income statement effect of the current period
		Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current		
		Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)	Debit/(Credit)
RJE 01	UB0100 To reclassify miscellaneous costs recorded under fund transfers. Miscellaneous Costs Fund Transfers					5,976 (5,976)	X X
AJE 01	T0100 To correct beginning retained earnings and reverse the effect of duplicate bank deduction postings. Net Position Salaries and Wages				3,421	(3,421)	X
AJE 02	N0100 To properly accrue FY2018 payroll expenses paid after fiscal year end Salaries and Wages Accounts Payable			(22,000)			X
AJE 03	N0100 To properly accrue for After School Care Teacher expenses pertaining to FY18. Contract services Accounts Payable			(6,000)			X
AJE 04	N0100 To properly accrue personal and sick leave paid out subsequent to year end and earned as of year end. Salaries and Wages Accounts Payable			(24,000)			X
<b>Total of corrected misstatements before income tax</b>		0	0	(52,000)	3,421	0	48,579
Financial statement amounts		10,398	0	(434,500)	0	424,102	(431,174)
Effect of corrected misstatements on F/S amounts		0.0%	0.0%	12.0%	0.0%	0.0%	-11.3%



B – Schedule of Corrected Misstatements, continued

Communication schedule for corrected misstatements

Entity: iLearn Academy Charter School

Period ended: 30-Sep-2018 Currency: USD

Corrected misstatements No. W/P ref.	Account  (misstatements are recorded as journal entries with a description)	Analysis of misstatements Debit/(Credit)						Income statement effect of the current period	Non taxable
		Assets Current Debit/(Credit)	Assets Non-current Debit/(Credit)	Liabilities Current Debit/(Credit)	Liabilities Non-current Debit/(Credit)	Equity components Debit/(Credit)	Effect on the current period OCI Debit/(Credit)		

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

*Helen Nishihira* 3/18/2019  
Helen Nishihira, Chief Operating Officer

*Nyia Doromy* 3/18/2019  
Nyia Doromy Field, Business Manager



C – Management Representations Letter



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P.O. Box 8445, Tamuning, GU 96931 (671) 989-3789/99 [ilearnacademy@gmail.com](mailto:ilearnacademy@gmail.com)

March 25, 2019

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

In connection with your audit of the financial statements of iLearn Academy Charter School, Inc. (the Academy) as of September 30, 2018 and for the year then ended, we recognize that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion whether the financial statements present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of 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 December 26, 2018, for the preparation and fair presentation of the financial statements (including disclosures) in conformity with U.S. generally accepted accounting principles (US GAAP) applied on a basis consistent with that of the preceding year.

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



C – Management Representations Letter, continued

- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, data, documentation and other matters
- Additional information that you have requested from us for the purpose of the audit
- 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, 2018.

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, 2017 to the date of this letter are as follows:

- October 23, 2017
- December 13, 2017
- February 12, 2018
- March 16, 2018
- June 8, 2018
- September 14, 2018
- September 24, 2018
- November 29, 2018
- January 18, 2019
- February 21, 2019
- March 6, 2019

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

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

***Significant assumptions***

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

***Ownership and pledging of assets***

Except for properties capitalized under capital leases, the Academy has satisfactory title to all assets appearing in the statements of net position. No security agreements have been executed under the provisions of the Uniform Commercial Code, and there are no liens or encumbrances on assets, nor has any asset been pledged except as disclosed in the financial statements. All assets to which the Academy has satisfactory title appear in the 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 date, goods shipped on consignment, or other types of arrangements not constituting sales. Receivables have been determined in accordance with all relevant GASB Statements, including GASB Statements No. 33 and 62—as amended.

Adequate provision has been made for losses, costs and expenses that may be incurred subsequent to the statement of net position date in respect of any sales and services rendered prior to that date and for uncollectible accounts, discounts, returns and allowances, etc., that may be incurred in the collection of receivables at that date.



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.

***Fair value measurements***

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

***Related party relationships and transactions***

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

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

***Side agreements and other arrangements***

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

***Arrangements with financial institutions***

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

***Events of default under debt agreements***

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

C – Management Representations Letter, continued

***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.

***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.

***Purchase commitments***

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

There were no agreements or commitments to repurchase assets previously sold. There were no material commitments outstanding at September 30, 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.



C – Management Representations Letter, continued

***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. 83
- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 88
- GASB Statement No. 89
- GASB Statement No. 90

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



C – Management Representations Letter, continued

have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- We have followed all applicable laws and regulations in adopting, approving and amending budgets, tax or debt limits and covenants and secondary market disclosures, deposits and investments, including collateral requirements on depository accounts and investments and tax levies and refunds.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54—as amended.
- All funds that meet the quantitative criteria in GASB Statement No. 34, as amended and GASB Statement No. 37, for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (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

C – Management Representations Letter, continued

paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

- Subsequent events have been evaluated and classified as recognized or nonrecognized through the date of this letter.
- We have disclosed the names of all governments with which we have a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated, and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77.
- We have disclosed tax abatements entered into by other governments that affect our revenues, including the names of the governments that entered into the agreements, the specified taxes being abated and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77.
- We have accurately tracked the cash receipts and cash disbursements for amounts held as agency funds.

***Subsequent events***

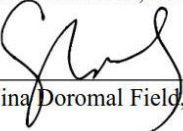
Subsequent to September 30, 2018, no events or transactions have occurred or are pending that would have a material effect on the basic financial statements at that date or for the period then ended, or that are of such significance in relation to the Academy's affairs to require mention in a note to the basic financial statements in order to make them not misleading regarding the financial position, results of operations or cash flows of the Academy.

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

  
\_\_\_\_\_  
Nina Doromal Field, Business Manager