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Benjamin J.F. Cruz <senator@senatorbjcruz.com>

iLearn Academy Charter School FY 2017 Financial Statements

2 messages

Andriana Quitugua <aquitugua@guamopa.com>
To: senator@senatorbjcruz.com
Cc: orleen@senatorbjcruz.com

Fri, Apr 13, 2018 at 1:57 PM

Hafa Adai!

Transmitted electronically is the iLearn Academy Charter School (IACS) Fiscal Year (FY) 2017 audited Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance.

Please see attached for:

1. Official Transmittal
2. IACS FY 2017 Financial Highlights
3. IACS FY 2017 Financial Statements and Report on Compliance and Internal Controls
4. IACS FY 2017 Management Letter
5. IACS FY 2017 Letter to Those Charged with Governance

GL# 34-18-1744
Speaker Benjamin J.F. Cruz

APR 13 2018
Time: 1:57 PM
Received By

Please confirm receipt of this email and attached reports.

Thank you and we hope that you have a nice day!

2018 APR 13 PM 3:45

Best Regards,

Andriana U.C. Quitugua, CFE
Auditor
Office of Public Accountability
www.opaguam.org
Tel. (671) 475-0390 ext. 218
Fax (671) 472-7951

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5 attachments

- **Transmittal (IACS).pdf** 41K
- **IACS FY2017 Financial Highlights.pdf** 77K
- **IACS_FS17.pdf** 685K
- **IACS_MLC17.pdf** 90K
- **IACS_SAS17.pdf** 74K

Benjamin J.F. Cruz <senator@senatorbjcruz.com>
To: Guam Legislature Clerks <clerks@guamlegislature.org>
Cc: "<rennae@guamlegislature.org>" <rennae@guamlegislature.org>, BENJAMIN CRUZ <speaker@senatorbjcruz.com>

Fri, Apr 13, 2018 at 3:27 PM

4/13/18	4/13/18	Office of Public Accountability	iLearn Academy Charter School FY 2017 Financial Statements. *Emailed	34-18-1744

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1744

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April 11, 2018

Honorable Benjamin J.F. Cruz
Speaker
I Mina'trentai Kuattro Na Liheslaturan Guåhan
155 Hesler Place
Hagatna, Guam 96910

Dear Speaker Cruz:

Hafa Adai! Transmitted herewith is the iLearn Academy Charter School's (IACS) Fiscal Year (FY) 2017 audited Financial Statements, Report on Compliance and Internal Controls, Management Letter, and Letter to Those Charged with Governance. Independent auditors Burger, Comer, & Magliari, LLC expressed an unmodified (clean) opinion on IACS's financial statements.

To recap FY 2017:

- IACS closed out FY 2017 with a cumulative net position of $7,072.
- IACS's revenues increased by $865 thousand (K), going from $2.5 million (M) in FY 2016 to $3.4M in FY 2017.
- IACS's operating expenditures increased by $919K from $2.4M in FY 2016 to $3.4M in FY 2017.
- IACS's contractual services comprised 63% of the total expenditures and increased by $549K, going from $1.6M in FY 2016 to $2.1M in FY 2017. This increase was due primarily to the (1) monthly rate increase on the A+ agreement for additional classrooms, (2) increase of the extended-learning program, and (3) hiring of a third party academic evaluator.
- IACS's salaries and wages comprised 33% of the total expenditures and increased by $366K, going from $743K in FY 2016 to $1.1M in FY 2017. This was due to the hiring of additional teachers to accommodate the needs of the growing student population.
- In December 2017, the United States federal government enacted and signed into law the Tax Cuts and Jobs Act of 2017. As a result, IACS's FY 2018 cash allotment was reduced by $300K, from $3.3M to $3M by the Department of Administration.
- A separate management letter was issued, which contained two repeat comments related IACS's lack of segregation of duties and lack of documented accounting policies and procedures.

For your convenience and further detail, you may also view and download OPA's two-page highlights and the reports in their entirety at www.opaguam.org.

Senseramente,

DF Brooks

Doris Flores Brooks, CPA, CGFM
Public Auditor

iLearn Academy Charter School
FY 2017 Financial Highlights

February 1, 2018

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

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

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

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

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

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

IACS has an A+ agreement where they pay a monthly lease to a vendor and this academic partner provides a fully furnished school facility, utilities, services, and supplies. This allows IACS to focus

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

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

Role of OPA

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

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

Subsequent Event Disclosure

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

Report on Internal Control and Management Letter

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

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

iLEARN ACADEMY CHARTER SCHOOL INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

iLEARN ACADEMY CHARTER SCHOOL, INC.
(A Nonprofit Corporation)

Financial Statements

Years Ended October 31, 2017 and 2016

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BCM

BURGER · COMER · MAGLIARI
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
iLearn Academy Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of *iLearn* Academy Charter School, Inc., (a nonprofit public benefit organization), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *iLearn* Academy Charter School, Inc., as of September 30, 2017 and 2016, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Management's Discussion and Analysis on pages 3 through 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, 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 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 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 Academy's internal control over financial reporting and compliance.

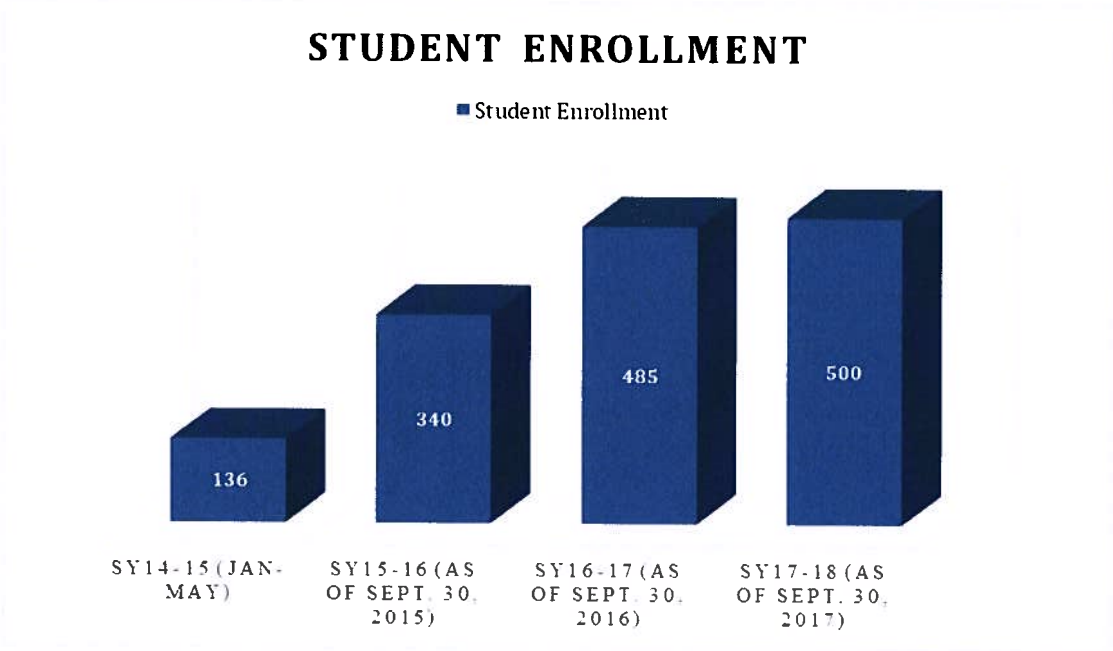
Tamuning, Guam
December 28, 2017

As management of iLearn Academy Charter School, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the information presented within the body of the audited financial report.

Financial Highlights

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

- The assets of the Academy exceeded its liabilities at the close of fiscal year by $7,072 ***(net position).***
- Enrollment at close of fiscal year is 500 students as authorized by P.L. 33-185, Chapter II, Section 2 (Source: Renweb/iLearn Fact Sheet)



Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy'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 statements are designed to provide readers with a broad overview of the Academy's finances, in a manner similar to a private sector business.

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

The *Statement of Activities* presents information on how the Academy's net position changed during the fiscal year. All the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

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 Academy, the assets exceeded liabilities by $7,072 at the close of the fiscal year.

Figure 1 provides a summary of the Academy's net position as of September 30, 2017 and 2016:

Net Position
Figure 1

	2017	2016
Cash	$ 69,993	$ 177,946
Accounts Receivable	287,639	-
Total Assets	357,632	177,946
Accounts Payable	350,560	170,000
Total Liabilities	350,560	170,000
Temporarily Restricted	-	-
Unrestricted	7,072	7,946
Total Net Position	$ 7,072	$ 7,946

At the end of the fiscal year, the Academy was able to report positive balances in total net position.
Figure 2 provides a summary and analysis of the Academy's revenues and expenses for the years ended September 30, 2017 and 2016 as follows:

Statement of Activities
Figure 2

	2017	2016
REVENUES		
Appropriation- Students	$ 3,246,147	$ 2,475,000
Extended Learning	26,480	20,065
Miscellaneous	12,198	621
Other Income	75,637	-
Total Revenues	3,360,462	2,495,686
EXPENSES		
Contract services	2,115,001	1,565,918
Salaries and wages	1,109,454	743,101
Operations	92,291	118,250
Travel and meetings	38,453	11,078
Other Expenses	6,137	4,278
Total Expenses	3,361,336	2,442,625
Increase in Net Position	(874)	53,061
Net Position at Beginning of Year	7,946	(45,115)
Net Position at End of Year	$ 7,072	$ 7,946

The Academy's revenue and expenditures increased by $864,776 and $918,711, respectively, as a result of an increase in student enrollment and the increase in allotted amount per enrollee. Public Law (PL) 33-185, Chapter II, Section 2 states that in School Year 2016-2017, the Academy is authorized to receive Six Thousand Five Hundred Dollars ($6,500) per enrollee not to exceed five hundred (500) students. The Federal Consolidated Grant also caused an increase through in-kind contributions.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

Governmental Fund Budget Analysis and Highlights

Prior to the start of the Academy's fiscal year, the Board of the Academy adopted an annual budget that is submitted to the Guam Academy Charter School Council. The Council, in turn, submits the budget from the charter schools to the Legislature. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the Academy's budget.

	Governmental Fund 2017		
	Original Budget	Actual	Variance
REVENUES			
Local Govt. Appropriations	$ 3,250,000	$ 3,246,147	$ 3,853
Total Revenues	3,250,000	3,246,147	3,853
EXPENSES			
Salaries & Wages	944,100	1,032,201	(88,101)
Employee Benefits	58,212	77,253	(19,041)
Professional Devt./Travel	25,000	5,964	19,036
Contractual Service	72,300	28,261	44,039
Curriculum/Miscellaneous	68,148	21,668	46,480
Extended Learning	42,240	40,800	1,440
A+ Contract (Educational Infrastructure Contract)	2,040,000	2,040,000	-
Total Expenses	$ 3,250,000	$ 3,246,147	$ 3,853

For Fiscal Year 2016, the Academy received almost all of its appropriations. The Academy anticipated 600 students but were only granted appropriations for 500 students. Our staffing pattern allows us to accommodate a range of 500 to 600 students.

We had off-island training for our teachers, but we did not use local government appropriations. We utilized the program income from extended learning to send our teachers off-island for professional development.

Contractual Services constitute a significant part of the budget. We have an A+ Agreement whereas we pay a monthly lease to a vendor (current vendor: Saint Paul Christian School) and this academic partner provides fully furnished building, utilities, services, and supplies. This allows the Academy to focus on providing educational services to the students since the lease provides all infrastructural support.

Accomplishments

iLearn Academy Charter School (iLACS) opened its doors to 136 students in January 2015. As of December 17, 2017, iLACS has 500 students enrolled.

iLACS relocated to *Ukudu Village Rt. 3 Dededo* from *245 Chalan Pale Ramon Yigo* in the Summer of 2015 due to the fact that the Department of Public Health and Social Services required 5000 square feet outdoor play area which the property at *245 Chalan Pale Ramon Yigo* did not fulfill. The current location consists of twenty-eight (28) classrooms, one administrative office, and one maintenance office. The location also consists of approximately ten thousand (10,000) square feet of outdoor play area.

Listed below are some of the activities and accomplishments of iLACS since its inception:

LEGO Robotics (SY2014-15, SY2015-16, SY2016-17, SY2017-18)

- In May of 2015, iLACS participated in the FIRST LEGO Robotics exhibition at the Micronesia Mall. This is the first ever on Guam.
- In January 2016, iLACS competed in the first annual FIRST LEGO Robotics competition held at the Phoenix Center. iLACS came in 3rd Place in Overall Core Values.
- In January 2017, iLACS competed in the second annual FIRST LEGO Robotics completion held at the Micronesia Mall against fifteen schools. iLACS came in 3rd Place in overall Core Values and 5th in overall Project.

MATH Olympiads (SY2016-17, SY2017-18)

- Although several students participate in the afterschool program, only five entered the annual competition.
- In April 2017, iLACS entered its first team and took 3rd place overall.
- In April 2017, iLACS took 1st Place for 4th Grade Division.

Spelling Bee (SY2015-16, SY2016-17, SY2017-18)

- iLACS students participate in the all-island Scripps Spelling Bee Competition sponsored by Pacific Daily News and Rotary Club of Guam.

iPARENT PROJECT (SY2015-16)

- Playground using recycled products (over 80 hours of man power and approximately 60 parent volunteers).
- Signs for pick-up/drop-off (Parent Donation)
- Signs for bus pick-up/drop-off (Parent Donation)
- Bush cutting in Route 3 to ensure parent safety when entering and exiting iLearn
- iLearn Academy Charter School sign on Route 3

- Started the iLACS Agricultural Project (donations of supplies yearly). Some members of the military community also built planters for the kids to start their community farm. CoreTech donated soil.
- Upon the completion of iPARENT PROJECT, Parents focused their support and efforts to regularly assist teachers in several school-wide activities such as the following:

International Week (SY2015-16, SY2016-17, SY2017-18)

- This event takes place the last week of October in conjunction to United Nations Day.
- Students study focus is on a specific country or region. Students learn the culture and traditions and present it in song, dance, drama, art, and speech presentation.
- Activity is capped off with an all school celebration with parents.

Chamorro Month (SY2015-16, SY2016-17)

- This event is in conjunction with the all-island Chamorro Month and is carried out with the assistance of the GDOE Chamorro Studies Division.
- In March 2017, several art pieces created by iLACS students were used by the GDOE Chamorro Studies Division to enhance their collection in promoting culture.
- Students learn from various members of the community such as weaving and coconut candy making.
- Students learn other parts of the Chamorro culture such as language and respect of people, culture, environment, and self.
- Activity is capped off with an all school fiesta with parents.

Honors Art Program (SY2016-17, SY2017-18)

- Approximately 20 students participate in the Honors Art program.
- In May 2017, these students ran their first annual iLACS art gallery and donated a group project, *The iLearn Lion*, to the main office.
- December 2017, 20 students have been selected for SY2017-18 Honors Art Program.

Honors Music and Dance Program (SY2017-18)

- iLACS was also provided several instruments (Ukulele, guitar, keyboards, snare drums, saxophones, trumpets, flutes, clarinets) from the GDOE textbook fund. Because of this, iLACS was able to start its afterschool music program.
- SY 2017-18, 20 students were selected for the Honors Band Program and 20 students were selected for the Honors Dance Program. These students will be learning the performing arts and represent iLACS in various events.

Fitness Club (SY2016-17, SY2017-18)

- Approximately 30 students participate in the Wrestling Club.
- In SY2017-18, expanded the Wrestling Club to include students who wish to establish a regular fitness regimen. It now has approximately 70 student members.

Other

- iLACS was given a variety of playground balls from GSPN. These balls were used for Physical Education and for recess.
- Through Consolidated Grants, iLACS was able to obtain iPad Charging Carts and three class sets of iPads.
- Through a joint effort with the University of Guam, iLACS will be receiving PE equipment in January 2018.

Academic Achievements for SY2016-17

ACT Aspire Data: iLearn Academy Charter School
School Year 2016-2017

Figure 1: ACT Aspire Comparative Results
iLearn versus Benchmark

Measure	Grade	English	Reading	Math
ACT Aspire Benchmark	3	413	413	413
iLearn	3	415	409	411
iLearn Readiness Level	3	Ready	In Need	Close
iLearn versus Benchmark	3	+2	-4	-2
ACT Aspire Benchmark	4	417	417	416
iLearn	4	418	413	414
iLearn Readiness Level	4	Ready	Close	Close
iLearn versus Benchmark	4	+1	-4	-2
ACT Aspire Benchmark	5	419	420	418
iLearn	5	421	416	415
iLearn Readiness Level	5	Ready	Close	Close
iLearn versus Benchmark	5	+2	-4	-3

Figure 1. Overall assessment results for each grade level at iLearn Academy Charter School (iLearn) that participated in the ACT Aspire assessment (Grades 3, 4, and 5). The ACT Aspire Benchmark grade displayed is the grade used to depict student academic readiness in the assigned subject areas. Students in Grades 3, 4, and 5 were "Ready" in English; "In Need" in Reading (Grade 3) and "Close" in Reading (Grades 4 and 5); and "Close" in Math (Grades 3, 4, and 5).

Figure 2: ACT Aspire Comparative Results
iLearn versus GDOE

Measure	Grade	English	Reading	Math
ACT Aspire Benchmark	3	413	413	413
GDOE	3	413	408	409
iLearn	3	415	409	411
GDOE Readiness Level	3	Ready	In Need	Close
iLearn Readiness Level	3	Ready	In Need	Close
iLearn versus GDOE	3	+2	+1	+2
ACT Aspire Benchmark	4	417	417	416
GDOE	4	416	411	412
iLearn	4	418	413	414
GDOE Readiness Level	4	Close	In Need	Close
iLearn Readiness Level	4	Ready	Close	Close
iLearn versus GDOE	4	+2	+2	+2
ACT Aspire Benchmark	5	419	420	418
GDOE	5	418	413	414
iLearn	5	421	416	415
GDOE Readiness Level	5	Close	In Need	Close
iLearn Readiness Level	5	Ready	Close	Close
iLearn versus GDOE	5	+3	+3	+1

Figure 2. A comparison in ACT Aspire assessment results by grade level between iLearn and GDOE, as published in the *School Year 16-17 Annual Statue of Public Education Report*, retrieved from the GDOE website. The row labeled "iLearn versus GDOE" breaks down, by points, the difference in scores received in subject areas between iLearn and GDOE.

ACT Aspire breaks down students based on the score they received into four categories: In Need, Close, Ready, and Exceeding. The following figures display the results received by iLearn in comparison to the results received by GDOE, as published in the ASPER for School Year 2016-2017.

Figure 3: ACT Aspire Comparative Results
iLearn versus GDOE By Student Percentage
Third Grade

Third Grade						
English						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	15%	36%	30%	19%	49%	100%
iLearn	8%	29%	42%	21%	63%	100%
iLearn versus GDOE	-7	-7	+12	+2	+14	
Reading						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	75%	16%	7%	2%	9%	100%
iLearn	75%	13%	10%	2%	12%	100%
iLearn versus GDOE	0	-3	+3	0	+3	
Mathematics						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	46%	32%	19%	3%	22%	100%
iLearn	26%	38%	28%	8%	36%	100%
iLearn versus GDOE	-20	+6	+9	+5	+14	

Figure 3. Percentage of students in Third Grade placed into each respective category based on the score they received on the assessment. A comparison between results received by iLearn versus GDOE.

Figure 4: ACT Aspire Comparative Results
iLearn versus GDOE By Student Percentage
Fourth Grade

Fourth Grade						
English						
	In Need	Close	Ready	Exceed	Ready + Exceed	Total
GDOE	17%	39%	30%	14%	44%	100%
iLearn	11%	43%	20%	26%	46%	100%
iLearn versus GDOE	-6	+4	-10	+12	+2	
Reading						
	In Need	Close	Ready	Exceed	Ready + Exceed	Total
GDOE	61%	26%	8%	2%	10%	100%
iLearn	41%	35%	13%	11%	24%	100%
iLearn versus GDOE	-20	+9	+5	+9	+14	
Mathematics						
	In Need	Close	Ready	Exceed	Ready + Exceed	Total
GDOE	31%	57%	11%	1%	12%	100%
iLearn	19%	44%	30%	7%	37%	100%
iLearn versus GDOE	-12	-13	+19	+6	+25	

Figure 4. Percentage of students in Fourth Grade placed into each respective category based on the score they received on the assessment. A comparison between results received by iLearn versus GDOE.

Figure 5: ACT Aspire Comparative Results
iLearn versus GDOE By Student Percentage
Fifth Grade

Fifth Grade						
English						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	15%	40%	31%	13%	44%	100%
iLearn	6%	40%	32%	22%	54%	100%
iLearn versus GDOE	-7	0	+1	+9	+10	
Reading						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	66%	21%	9%	4%	13%	100%
iLearn	42%	33%	13%	12%	25%	100%
iLearn versus GDOE	-24	+12	+4	+8	+12	
Mathematics						
	In Need	**Close**	**Ready**	**Exceed**	**Ready + Exceed**	**Total**
GDOE	37%	53%	9%	1%	10%	100%
iLearn	23%	53%	17%	7%	24%	100%
iLearn versus GDOE	-14	0	+8	+6	+14	

Figure 5. Percentage of students in Fifth Grade placed into each respective category based on the score they received on the assessment. A comparison between results received by iLearn versus GDOE.

Figure 6: ACT Aspire Assessment Results
Data Trend: 3-5 Years

ACT Aspire Trend Data
3-5 Years
Schoolwide English Scores
Average Score

Grade	2016	2017	2018	2019
3	415R	415R		
4	418R	418R		
5	418C	421R		

ACT Aspire Trend Data
3-5 Years
Schoolwide Writing Scores
Average Score

Grade	2016	2017	2018	2019
3	421C	*		
4	422C	*		
5	422C	*		

ACT Aspire Trend Data
3-5 Years
Schoolwide Reading Scores
Average Score

Grade	2016	2017	2018	2019
3	411C	409S		
4	412C	413C		
5	413S	416C		

ACT Aspire Trend Data
3-5 Years
Schoolwide Mathematics Scores
Average Score

Grade	2016	2017	2018	2019
3	411C	411C		
4	413C	414C		
5	412C	415C		

Figure 6. This figure displays the median score received for each grade level in the above subject areas tested. A third score is needed (SY 2018) to establish a data trend in academic scores.

Figure 7: ACT Aspire Readiness Benchmarks

		Grade Level Scale Score Ranges		
Subect	**ACT Readiness Level**	**3**	**4**	**5**
English	Exceeding	418-435	423-438	426-442
	Ready	***413***-417	***417***-422	***419***-425
	Close	408-412	411-416	412-418
	In Need of Support	400-407	400-410	400-411
Reading	Exceeding	419-429	422-431	425-434
	Ready	***415***-418	***417***-421	***410***-424
	Close	411-414	412-416	415-419
	In Need of Support	400-410	400-411	400-414
Math	Exceeding	417-434	421-440	424-446
	Ready	***413***-416	***416***-420	***418***-423
	Close	409-412	411-415	412-417
	In Need of Support	400-408	400-410	400-411

Figure 7. Displays the ACT Aspire Readiness Benchmark scores, as determined and utilized by ACT Aspire.

Requests for Information

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

iLEARN ACADEMY CHARTER SCHOOL, INC.
(A NONPROFIT ORGANIZATION)

Statements of Financial Position
Years Ended September 30, 2017 and 2016

Assets	2017	2016
Assets:		
Current Assets		
Cash	$ 69,993	$ 177,946
Accounts receivable (Note 2)	287,639	-
Total assets	$ 357,632	$ 177,946
Liabilities and Net Position		
Liabilities:		
Accounts payable	$ 350,560	$ 170,000
Due from related party	-	-
Total liabilities	350,560	170,000
Net position:		
Unrestricted	7,072	7,946
Total liabilities and net position	$ 357,632	$ 177,946

See accompanying notes to the financial statements.

iLEARN ACADEMY CHARTER SCHOOL, INC.
(A NONPROFIT ORGANIZATION)

Statements of Activities
Years Ended September 30, 2017 and 2016

	2017	2016
Revenues and other support (Notes 2 and 3):		
Appropriation- Students	$ 3,246,147	$ 2,475,000
Extended learning	26,480	20,065
Miscellaneous	12,198	621
Other Income		
Grant revenue	63,708	-
In-kind Contribution	9,984	-
Donations	1,790	-
Fundraising	155	-
Total revenues and other support	3,360,462	2,495,686
Expenses:		
Contract services (Notes 1, 2 and 4)	2,115,001	1,565,918
Salaries and wages	1,109,454	743,101
Operations	92,291	118,250
Travel and meetings	38,453	11,078
Insurance	5,330	3,983
Bank charges	377	295
Charge back	430	-
Total expenses	3,361,336	2,442,625
Changes in net position	(874)	53,061
Net position at beginning of year	7,946	(45,115)
Net position at end of year	$ 7,072	$ 7,946

See accompanying notes to the financial statements.

iLEARN ACADEMY CHARTER SCHOOL, INC.
(A NONPROFIT ORGANIZATION)

Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net position	$ (874)	$ 53,061
Adjustments to reconcile changes in net position to net cash provided by (used for) operating activities:		
(Increase) decrease in assets:		
Accounts receivable	(287,639)	197,358
Increase (decrease) in liabilities:		
Accounts payable	180,560	(119,742)
Accrued liabilities	-	(15,000)
Net cash (used for) provided by operating activities	(107,079)	62,616
Net increase in cash	(107,953)	115,677
Cash at beginning of year	177,946	62,269
Cash at end of year	$ 69,993	$ 177,946

See accompanying notes to the financial statements.

(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 technology, science, and math. The Academy was incorporated under the laws of Guam on December 5, 2014 and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. 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 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 is an independent contractor with Saint Paul Christian School (SPCS) under the A+ contract for five successive years. Under the terms of agreement, Saint Paul Christian School 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 Saint Paul Christian School.

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.

(2) Summary of Significant Accounting Policies

A summary of the Academy's significant accounting policies utilized in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The accompanying schedule of revenue and expense of the Academy is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, revenue and support are recognized when earned and expenses and related liabilities are recorded when the obligations are incurred. Revenue from government grants is recognized as related expenses are incurred.

(2) Summary of Significant Accounting Policies, continued

Cash

For purposes of the statement of financial position and the statement of cash flows, cash is defined as cash on hand, cash in savings and cash in checking accounts.

Receivables

Accounts receivable primarily represent amounts due from federal and local governments as of September 30, 2017 and 2016. Management believes that all receivables are fully collectible; therefore, no provisions for uncollectible accounts were recorded. At September 30, 2017 and 2016, the amount of $287,638.73 and $0, respectively, was due from the Guam Department of Education for reimbursable operation costs incurred and billed during last fiscal year.

Net Position Classes

The Academy is required to report information regarding its financial position and activities according to three classes of net position: unrestricted, temporarily restricted, and permanently restricted. Net position of the Academy is defined as:

- Unrestricted: All resources over which the governing board has discretionary control to use in carrying on the general operations of the Academy.

- Temporarily restricted: These net positions are restricted by donors to be used for specific purposes. The Academy does not currently have any temporarily restricted net position.

- Permanently restricted: These net positions are permanently restricted by donors and cannot be used by the Academy. The Academy does not currently have any permanently restricted net position.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

(2) Summary of Significant Accounting Policies, continued

Revenue Recognition

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

Pursuant to Guam Public Law 33-185, the per pupil cost was $6,500 for the fiscal year ending September 30, 2017. Student enrollment is not to exceed 500 students during Fiscal Year 2017. The number of enrolled students was multiplied by the FY 2016 Government of Guam General Appropriations Act approved amount of $6,500 per student enrollee. For the fiscal year ended September 30, 2017, the maximum of 500 students were enrolled in the Academy. The Academy received government appropriations totaling $3,246,147 and $2,475,00 for fiscal years ended September 30, 2017 and 2016, respectively.

Pursuant to Public Law 33-185 under the General Appropriations Act of 2017 passed on August 29, 2016, the maximum allowable students for school year 2016-2017 was increased from 450 students to 500 students with an associated increase per pupil cost that increased from $5,500 to $6,500 for each student enrollee.

Grant Revenue

The Academy receives federal funds from the U. S. Department of Education via the Guam Department of Education Center under the Consolidated Grant to the Outlying Areas program. The purpose of the grant consolidated grant to assist an Insular Area in carrying out one or more State-administered formula grant programs of the Department. (i.e., -ESEA,Title I, Part A-Improving Basic Programs Operated by Local Educational Agencies; ESEA Title I, Part B-State Assessment Grants; ESEA,Title II, Part A-Supporting Effective Instruction; ESEA,Title III, Part A-English Language Acquisition, Language Enhancement, and Academic Achievement Grants; ESEA Title IV, Part A-Student Support and Academic Enrichment Grants; ESEA, Title IV, Part B-21st Century Community Learning Centers Grants; Perkins Act, Title I-Career and Technical Education Basic State Grants;- McKinney-Vento Homeless Assistance Act-Title VII-B
As of September 30, 2017 and 2016, the Academy received and expended $63,708 and $0, respectively, from the Consolidated Grant to the Outlying Areas program.

(2) Summary of Significant Accounting Policies, continued

Contributions

The Academy adopted FASB ASC Section 958-605-25, *Not-for-Profit Entities – Revenue Recognition*. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net positions, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net positions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net positions are reclassified to unrestricted net position and reported in the statement of activities as net positions released from restrictions.

In-Kind Contributions

The Academy follows standards relating to contributions received and contributions made as consistent with FASB Codification. The Academy recorded donated goods at the estimated fair market value at the time of receipt. During the years ended September 30, 2017 and 2016, the Academy recognized revenue of $9,984 and $0, respectively for donated goods under in-kind contributions in the Statement of Activities.

Fund Raising and Donations

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

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 Guam Academy Charter Schools Council every fiscal year. The Council must submit the budget to the Superintendent of Education of the Government of Guam's Department of Education (GDOE) which in turn incorporates such as part of its budget submitted to the Guam Legislature. Following the appropriation of GDOE's operating budget for the fiscal year, the amount approved by the Guam Legislature for the operation of the Academy shall be available for expenditure by the Academy's Board of Trustees.

Doc. No. 34GL-18-1744.*

(2) Summary of Significant Accounting Policies, continued

Annual and Sick Leave

Permanent employees who are guaranteed leave with their contracts are entitled to paid vacation and sick leave. Entitled employees can accrue 4 hours of paid sick leave and 3 hours of paid personal leave every pay period. Accumulation of compensated leave hours may not exceed 56 hours of sick leave and 21 hours of personal leave within a school year. Unused personal or sick leave at the end of a school year will be credited to the employee at approximately half of the employee's current contractual rate multiplied by the number of unused hours of sick and personal leave. As of September 30, 2017 and 2016, there were no contingent liabilities for unused personal and sick leave as leave balances were paid to employees at the end of School Year 2016-2017 on June 05, 2017.

Income Taxes

The Academy is a nonprofit organization exempt from income taxes under the provision of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in the accompanying schedule of revenue and expense. A Return of Organization Exempt from Income Tax is filed by the Academy. IRS forms 990 filed by the Academy are subject to examination by the Internal Revenue Service for up to three years from the extended due date of each return.

Capital Assets

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

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

Deferred Outflows of Resources

In addition to assets, the statements of financial position, will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (deduction of net position) until then. The Academy has no items that qualify for reporting under this category.

(2) Summary of Significant Accounting Policies, continued

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.

New Accounting Standards

In June 2015, GASB issued Statement No. 72, *Fair Value of Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. Management has determined the implementation of this Statement will not have an effect on the Academy's financial statements.

In June 2016, GASB issued Statement No. 76, *The hierarchy of Generally Accepted Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. Management has determined the implementation of this Statement will not have an effect on the Academy's financial statements.

(2) Summary of Significant Accounting Policies, continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Management has determined the implementation of this Statement will not have an effect on the Academy's financial statements.

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 recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of implementation of this Statement will have on Academy's financial statements.

(3) Economic Dependency

The Academy receives approximately 100% of its annual revenue from the Guam Department of Education under a five-year charter agreement. Under such agreement, the Council will review the Academy every five years, beginning on the date on which the charter is granted or renewed, to determine whether the charter should be revoked for material violations of laws and the terms of agreement or if the Academy fails to meet the goals and student academic achievement expectations.

(4) Related Party Transactions

Pursuant to the terms and conditions of the A+ Contract, Saint Paul Christian School is the sole provider of the facility, equipment, utilities, services, and supplies to the Academy in exchange for monthly contract dues. Certain board members of iLearn are also officers or board members of SPCS. For the year ended September 30, 2017 and 2016, amounts paid to SPCS totaled $1,712,000, and $1,545,708, respectively. Additionally, the Academy has a payable due to SPCS in the amount of $340,000 and $170,000 as of September 30, 2017 and 2016, respectively.

(5) 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 one bank account 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 School has not made any provisions as it has not incurred any losses due to exceeding insured amounts. As of September 2017 and 2016, the carrying amount of cash was $69,993 and $177,946 and the corresponding bank balance was $81,746 and $186,349, respectively. All of the Academy's bank balance was fully insured as of September 30, 2017 and 2016.

(6) Risk Management

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

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

(7) Subsequent Events

On December 22, 2017, the federal government of the Unites States of America enacted and signed into law the Tax Cuts and Jobs Act (TCJA) of 2017. Subsequent to the passage of the TCJA, the governor of Guam issued a directive to all departments, agencies and instrumentalities to evaluate the negative impact the TCJA would have on the Government of Guam's general fund which is the primary source of funding for the Academy. As a result, the Academy's fiscal year 2018 budget was revised and reduced by $281,567 or approximately 8.7% from $3,250,000 to $2,968,433. The Academy has not yet determined what effect the 2018 budget reduction will have on its operations.

iLEARN ACADEMY CHARTER SCHOOL INC.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

SEPTEMBER 30, 2017 AND 2016

INDEPENDENT AUDITOR'S REPORT ON INTERNALCONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
iLearn Academy Charter School, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *iLearn* Academy Charter School, Inc., (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered *iLearn* Academy Charter School, Inc.'s (the Academy) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of ABC Organization'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 may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tamuning, Guam
December 28, 2017

BCM **BURGER · COMER · MAGLIARI**
CERTIFIED PUBLIC ACCOUNTANTS

December 28, 2017

The Board of Trustees
iLearn Academy Charter School, Inc.

We have audited the financial statements of *iLearn* Academy Charter School, Inc., (the Academy) for the year ended September 30, 2017, and have issued our report thereon dated December 28, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Academy is responsible.

Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards

Our responsibility under auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, have been described in our engagement letter dated October 27, 2017. As described in that letter, the objective of a financial statement audit conducted in accordance with the aforementioned standards is:

- To express an opinion on the fairness of the Academy's financial statements and the accompanying supplementary information, in relation to the financial statements as a whole, for the year ended September 30, 2017 (the financial statements), in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), in all material respects, and to perform specified procedures on the required supplementary information for the year ended September 30, 2017;

- To report on the Academy's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2017 based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*.

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Our Responsibility under Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards, continued

Our responsibilities under generally accepted auditing standards include forming and expressing an opinion about whether the financial statements have been prepared by management with the oversight of the Board of Trustees are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The audit of financial statements does not relieve management or the Board of Trustees of their responsibilities.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion on the effectiveness of the Academy's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Significant Audit Findings

We discussed our judgements about the quality, not just the acceptability, of the Academy's accounting principles as applied in its financial reporting, including consistency of the accounting principles and their application and the clarity and completeness of the financial statements and related note disclosures.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant or sensitive estimates affecting the financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

> The disclosure of economic dependency and related parties in Notes 3 and 4, respectively to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. There were no corrected or uncorrected misstatements in the financial statements for year ended September 30, 2017.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached Appendix A – management representation letter dated December 28, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Academy's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Academy's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Control Related Matters

We have issued a separate report to you, dated December 28, 2017, on the Academy's internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, which was based upon the audit performed in accordance with *Government Auditing Standards*.

We have communicated to management, in a separate letter also dated December 28, 2017, certain deficiencies and other matters related to the Academy's internal control over financial reporting that we identified during the audit.

Independence

We are not aware of any relationships between Burger Comer Magliari and the Academy, or any other mattes that in our professional judgement, may reasonably be thought to bear on our independence. We confirm that we are independent with respect to the Academy within the meaning of the applicable published rules and pronouncements, interpretations and rulings.

This information is intended solely for the use of Board of Trustees, the management of *iLearn* Academy Charter School, Inc., and the Office of Public Accountability – Guam and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Burger Comer Magliari

BCM **BURGER · COMER · MAGLIARI**
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
iLearn Academy Charter School Inc.:

In planning and performing our audit of the financial statements of *iLearn* Academy Charter School, Inc. (the Academy), as of and for the year ended September 30, 2017, in accordance with auditing standards generally accepted in the United States of America, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, in connection with our audit, we identified, and included in the attached *Appendix I*, other matters as of September 30, 2017 that we wish to bring to your attention.

This report is intended solely for the information and use of the Board of Trustees and management of the Academy, the Guam Academy Charter School Council and other local agencies, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the attached comments with you and, if desired, to assist you in implementing any of the suggestions. We wish to thank the staff and management of the *iLearn* Academy Charter, Inc., for their cooperation and assistance during the course of this engagement.

Burger Comer Magliari

Tamuning, Guam
December 28, 2017

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SECTION I – CONTROL DEFICIENCIES

We noted certain matters related to control deficiencies involving the Academy's internal control over financial reporting as of September 30, 2017 and other matters that remain uncorrected that we wish to bring to your attention as follows:

Repeat Comments

Segregation of Duties

Due to budget restraints there continues to be a lack of segregation of duties within the Accounting Department/Business Office. Almost all the accounting duties are performed by the Business Office Manager; however, we did note that account reconciliations, check disbursements, cash receipts and deposits are reviewed and approved by either the office manager, principal, board treasurer or chairman of the Board of Trustees. We recommend that management consider hiring additional accounting personnel in the business office to properly segregate the accounting functions in the business office and still maintain the monitoring and review functions to implement an effective system of internal control.

Accounting Policies and Procedures

The Academy has not fully documented its accounting policies and procedures including procurement. We recommend that the Academy document all of it accounting policies and procedures that are currently being practiced but not written and formally approved by the Board of Trustees.