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iLearn Academy Charter School – FY 2022 Highlights

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Hagåtña, Guam – The Office of Public Accountability (OPA) has released the iLearn Academy Charter School (iLACS) financial statements, report on compliance and internal control, management letter, and the auditor’s communication with those charged with governance for fiscal year (FY) 2022. Independent auditors, Ernst & Young, LLP (EY) rendered an unmodified (clean) opinion on iLACS’ financial statements, but noted two matters in relation to their internal control and financial reporting. iLACS ended FY 2022 with \$73K in net position, a decrease of \$237K (or 77%) from the FY 2021 \$310K restated net position.

GASB 87 and New Lease Impact

In August 2022, iLACS moved into a new campus, giving them a new lease agreement with a new vendor, The Learning Institute (TLI). In previous years, the school’s lease, the A+ contract, was considered an operating lease. However, with the implementation of the new standard of GASB 87, iLACS now recognizes a lease liability and intangible right to use the lease assets.

In FY 2022, iLACS paid \$1.8 million (M) under the A+ contract for the period covering October 2021 to July 2022. In comparison, for FY 2022 under the TLI contract, iLACS paid \$561K for the period covering August 2022 to September 2022, and a subsequent amount of \$1.7M for the period covering October 2022 to March 2023.

iLACS Student Appropriation and Funding

Pursuant to Public Law 36-54, the cost per pupil was \$6,200 for FY 2022 with the maximum number of students allotted to iLACS by the General Fund not to exceed 740 students. The number of enrolled students was multiplied by the FY 2022 Government of Guam General Appropriations Act approved amount of \$6,200 per student enrolled. For FY 2022, a total of 740 students were enrolled, and iLACS was able to receive government appropriations totaling \$4.6M.

Revenues Decreased by \$238K

FY 2022 total revenues of \$4.85M decreased by \$238K, or 4.67%, from \$5.1M in FY 2021. Government of Guam appropriations continue to be iLACS’ main revenue source at \$4.6M in FY 2022. iLACS reported a decrease in Grant Revenues of \$1.01M, or 94%, from \$1.08M in FY 2021 to \$66K in FY 2022. This is attributed to the fewer assets that they received during FY 2022, as most items from the Education Stabilization Fund (ESF) I and II, and Consolidated Grant were received during FY 2021. iLACS reported an increase in fundraising by \$45K, where proceeds were used to offset operation costs, such as the improvement of classrooms. Also, an increase in extended learning by \$35K is attributed to the reopening of the After School Program and sales of lunch tickets.

Expenditures Increased by \$577K

FY 2022 total expenses of \$5.1M increased by \$577K, or 12.81%, from \$4.5M in FY 2021. Salaries and wages were the biggest expense at \$2.16M, or 42% of the total expenses. The increase is attributed to the reclassification of several employees. For operations, the increase in expenditures of \$116K, or 30.19%, is attributed to the new lease agreement for the new campus. In addition, the increase in interest of \$232K and Amortization of \$285K is attributed to the new lease agreement, where GASB 87 requires the right to use lease assets to be amortized and an interest expense to be recorded.

Management Letter

Auditors noted two matters in relation to iLACS' internal control and financial reporting. First, adjustments of \$425K were made in the beginning balance of net position that decreased the amount from \$735K to \$310K. This pertains to the correction of capitalization of depreciable capital assets and recorded other current assets not owned by iLACS, as the Guam Department of Education (GDOE) retains ownership over the assets allocated under federal grants. Therefore, auditors recommended iLACS obtain written communication from GDOE to ensure clear guidance on the ownership and accounting treatment of the assets allocated and distributed to iLACS through federal grants.

Lastly, during the examination of the monthly lease invoices from TLI, auditors noted that iLACS did not receive supporting documents for other billed charges pertaining to utilities, communication, and trash food services, totaling \$81K for the month of August and September 2022. Auditors recommended iLACS request an appropriate supporting schedule and documents from TLI to ensure that the amounts charged to iLACS are reasonable.

For more details on iLACS' operations, see the Management's Discussion and Analysis in the audit report at www.opaguam.org and www.ilearnacademycharterschool.com.