

Financial Statements

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

Year ended September 30, 2018
with Report of Independent Auditors



**Building a better
working world**

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

Financial Statements

Year ended September 30, 2018

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Report of Independent Auditors

The Board of Trustees of
iLearn Academy Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of iLearn Academy Charter School, Inc., as of and for the year ended September 30, 2018, and the related notes to the financial statements which collectively comprise iLearn Academy Charter School, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; 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 opinions on these financial statements based on our audit. We conducted our audit 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. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information of iLearn Academy Charter School, Inc., as of September 30, 2018, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 3 through 13 and budgetary comparison information on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2019, on our consideration of iLearn Academy Charter School, Inc.'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 the effectiveness of iLearn Academy Charter School, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering iLearn Academy Charter School, Inc.'s internal control over financial reporting and compliance.

Ernst + Young LLP

March 25, 2019

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

Management’s Discussion and Analysis

For the Year ended September 30, 2018

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, 2018. 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 liabilities of the Academy exceeded its assets at the close of fiscal year by \$(422,016) (*net position*).
- Enrollment at the end of School Year 2017-2018 is 500 students as authorized by P.L. 34-42, Chapter II, Section 3.

Table 1. Student Demographics for SY2017-2018 (As of June 1, 2018)

Grade Level		Gender	#	%	Ethnicity	#	%
K5	75	Male	35	47%	Chamorro	150	30%
		Female	40	53%	Filipino	245	49%
1	115	Male	58	50%	Micronesia*	35	7%
		Female	57	50%	Asian**	45	9%
2	93	Male	49	53%	Other Pacific Islander***	5	1%
		Female	44	47%			
3	96	Male	52	54%	Caucasian	15	3%
		Female	44	46%	Black	5	1%
4	60	Male	29	48%			
		Female	31	52%			
5	61	Male	29	48%			
		Female	32	52%			
TOTAL	500	Male	252	50%	TOTAL	500	100%
		Female	248	50%			

*Micronesia = Chuukese, Palauan, Pohnpeian, Yapese, Kosraean, RMI **Asian = Japanese, Chinese, Korean, Vietnamese, Indian ***Other Pacific Islander = Hawaiian, Samoan

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 three components: (1) government-wide financial statements (2) fiduciary fund, and the (3) notes to the basic financial statements.

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Management’s Discussion and Analysis, continued

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. 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 liabilities exceeded assets by \$422,016 at the close of the fiscal year.

Figure 1 provides a summary of the Academy’s net position as of September 30, 2018 and 2017:

Net Position		
Figure 1		
	<u>2018</u>	<u>2017</u>
Cash	\$ 10,398	\$ 69,993
Accounts receivable	<u>---</u>	<u>287,639</u>
Total assets	<u>10,398</u>	<u>357,632</u>
Accounts payable	392,000	350,560
Due from related party	<u>42,500</u>	<u>---</u>
Total liabilities	<u>434,500</u>	<u>350,560</u>
Unrestricted	<u>(424,102)</u>	<u>7,072</u>
Total net position	<u>\$(424,102)</u>	<u>\$ 7,072</u>

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

Due to the Tax Cuts and Jobs Act of 2017, this heavily impacted the Academy's FY2018 drawdowns and resulted in a negative net position.

Figure 2 provides a summary and analysis of the Academy's revenues and expenses for the years ended September 30, 2018 and 2017 as follows:

Statement of Activities

Figure 2

	<u>2018</u>	<u>2017</u>
REVENUES		
Appropriation- Students	\$ 2,968,433	\$3,246,147
Extended Learning	30,100	26,480
Miscellaneous	69,960	12,198
Other Income	<u>15,187</u>	<u>75,637</u>
Total Revenues	<u>3,083,680</u>	<u>3,360,462</u>
EXPENSES		
Contract services	2,064,426	2,115,001
Salaries and wages	1,379,593	1,109,454
Operations	58,433	92,291
Travel and meetings	633	38,453
Other Expenses	<u>11,769</u>	<u>6,137</u>
Total Expenses	<u>3,514,854</u>	<u>3,361,336</u>
Decrease in Net Position	(<u>431,174</u>)	(<u>874</u>)
Net Position at Beginning of Year	<u>7,072</u>	<u>7,946</u>
Net Position at End of Year	\$(<u>424,102</u>)	\$ <u>7,072</u>

Public Law 34-42, Chapter II, Section 3 states that in School Year 2017-2018, the School is authorized to receive Six Thousand Five Hundred Dollars (\$6,500) per enrollee not to exceed five hundred (500) students.

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Management's Discussion and Analysis, continued

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

Governmental Fund Budget Analysis and Highlights

Prior to the start of the 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.

	<u>Governmental Fund 2018</u>		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Local Govt. Appropriations	\$3,250,000	\$2,968,433	\$ 281,567
EXPENSES			
Salaries, Wages, & Benefits	1,303,832	1,349,502	(45,670)
Professional Devt./Travel	20,000	633	19,367
Contractual Service	46,719	730	45,989
Curriculum/Supplies	19,600	35	19,565
Miscellaneous	---	58,266	(58,266)
Student Affairs Expense	---	64,577	(64,577)
Extended Learning	30,780	31,896	(1,116)
A+ Contract (Educational Infrastructure Contract)	<u>2,040,000</u>	<u>2,025,800</u>	<u>14,200</u>
Total Expenses	<u>\$3,460,931</u>	<u>\$3,531,439</u>	<u>\$ (70,508)</u>

For Fiscal Year 2018, the School received all of its appropriations except for the 8% budget cut of \$281,567. The School anticipated 620 students but was only granted appropriations for 500 students. The budget cut heavily impacted our operations and we focused our remaining allotment funds on payroll and pertinent operating expenses. The School shut down all travel and postponed curriculum upgrades. The School also developed Non-Appropriated Funds to help offset operating costs. All student store, donations, and fundraising efforts helped with payroll expenses.

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

iLearn Academy Charter School (iLACS) opened its doors to 136 students in January 2015. As of September 30, 2018, iLACS has 531 students enrolled.

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 2016, iLACS competed in the second annual FIRST LEGO Robotics competition 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 after school program, only five entered the annual competition.
- In April 2017, iLACS entered it's 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:

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Management's Discussion and Analysis, continued

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 (Ukelele, guitar, keyboards, snare drums, saxaphones, 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.

Management’s Discussion and Analysis, continued

Academic Achievements for SY2016-17

Figure 3: ACT Aspire Data Trend

3-5 Years

ACT Aspire Trend Data 3-5 Years Schoolwide English Scores Average Score				
Grade	2016	2017	2018	2019
3	415R	414R	414R	
4	418R	418R	419R	
5	418C	421R	420R	

ACT Aspire Trend Data 3-5 Years Schoolwide Writing Scores Average Score				
Grade	2016	2017	2018	2019
3	421C	N/A	*	
4	422C	N/A	*	
5	422C	N/A	*	

ACT Aspire Trend Data 3-5 Years Schoolwide Reading Scores Average Score				
Grade	2016	2017	2018	2019
3	411C	409S	410S	
4	412C	413C	413C	
5	413S	416C	415C	

ACT Aspire Trend Data 3-5 Years Schoolwide Mathematics Scores Average Score				
Grade	2016	2017	2018	2019
3	411C	411C	410C	
4	413C	414C	415C	
5	412C	415C	415C	

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

iLearn Academy Charter School tracked grade level performance that would indicate trends. SY2017-18 was the first year that the writing component was included in the state-wide assessment ACT Aspire. The chart below shows students’ strengths are in ELA, Math and Writing demonstrate a consistent “Close”. While there is a slight upward trend, scores in third grade indicates that special attention needs to be given to this program to ensure third graders across master their grade level.

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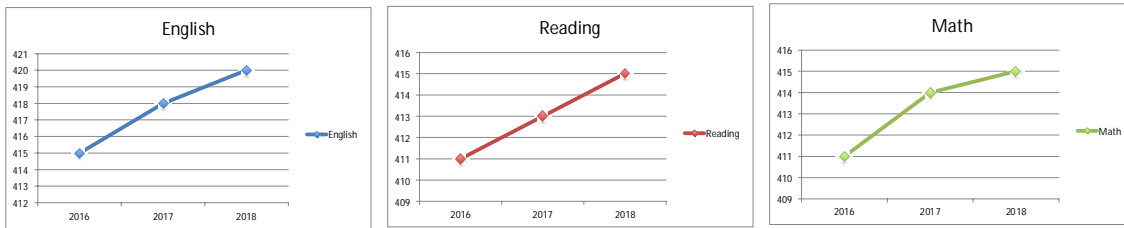
Management’s Discussion and Analysis, continued

Figure 4: ACT Aspire Data Trend Charts

3-5 Years

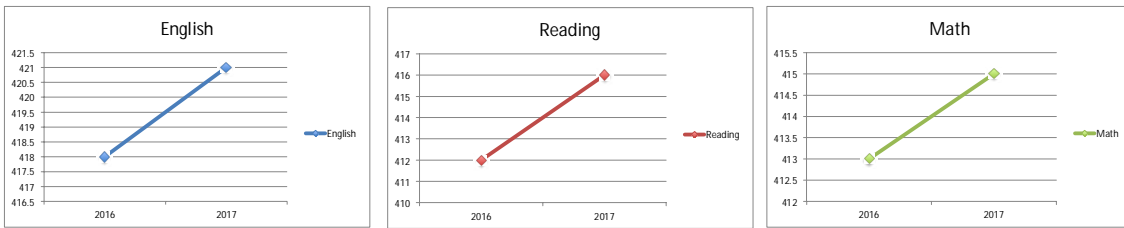
Year	English	Reading	Math
2016	415	411	411
2017	418	413	414
2018	420	415	415

*The scores reflected below follow the Third Grade Class Cohort from School Year 2016 thru their promotion out of 5th grade in School Year 2018.



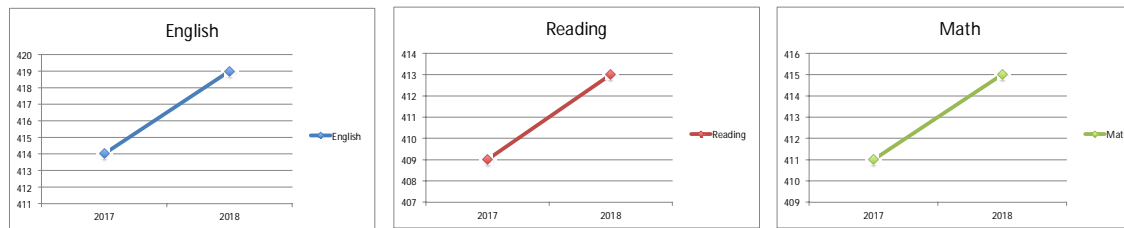
Year	English	Reading	Math
2016	418	412	413
2017	421	416	415

*The scores reflected below followed the Fourth Grade Class Cohort from School Year 2016 thru their promotion out of 5th grade in School Year 2017.



Year	English	Reading	Math
2017	414	409	411
2018	419	413	415

*The scores reflected below follows the Third Grade Class Cohort from School Year 2017 into Fourth Grade in School Year 2018. Their final plot point will be established in School Year 2019.



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

Figure 5: ACT Aspire Comparative Results

iLearn versus National Average

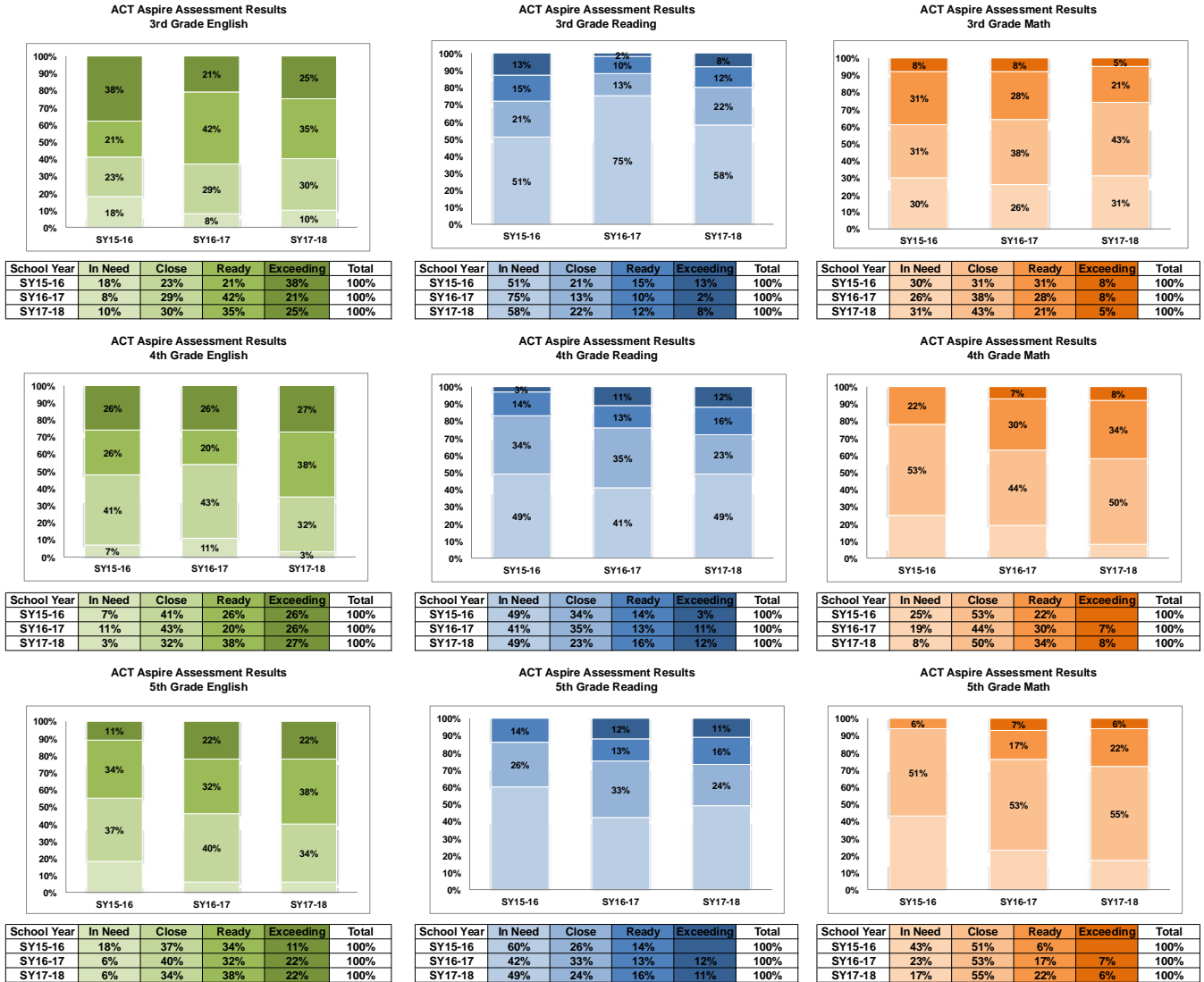
Measure	Grade	English	Reading	Math
ACT Aspire Benchmark	3	413	413	413
iLearn	3	414	410	410
iLearn Readiness Level	3	Ready	In Need	Close
National Average	3	417	413	414
National Average Readiness Level	3	Ready	Ready	Ready
ACT Aspire Benchmark	4	417	417	416
iLearn	4	419	413	415
iLearn Readiness Level	4	Ready	Close	Close
National Average	4	420	415	416
National Average Readiness Level	4	Ready	Close	Ready
ACT Aspire Benchmark	5	419	420	418
iLearn	5	420	415	415
iLearn Readiness Level	5	Ready	Close	Close
National Average	5	423	418	418
National Average Readiness Level	5	Ready	Close	Ready

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

Figure 6: ACT Aspire Assessment Results

Percentages by Year



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

Figure 7: Findings that Count

Findings that Count				
Findings That Count:				
Student Performance Across the 3rd-5th Grade Levels				
Grade	Users with Valid Test Scores	Pre-Test Lexile (Mean)	End-Of-Year Lexile (Mean)	Actual Growth (Mean)
3	52	177	379	202
4	54	363	545	182
5	59	500	595	95
Overall	174	335	484	149

Findings that Count				
Findings That Count:				
Student Performance Across 2nd Grade				
Grade	Users with Valid Test Scores	Pre-Test Lexile (Mean)	End-Of-Year Lexile (Mean)	Actual Growth (Mean)
2	75	129	184	56
Overall	75	129	184	56

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 Non-Profit Organization)

Governmental Funds Balance Sheet/Statement of Net Position

September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash (Note 5)	\$ <u>10,398</u>	\$ <u>---</u>	\$ <u>10,398</u>
Total assets	<u>\$ 10,398</u>	<u>\$ ---</u>	<u>\$ 10,398</u>
Liabilities and Fund Balance/Net Position:			
Accounts payable and accrued expenses (Notes 2 and 4)	\$ 392,000	\$ ---	\$ 392,000
Note payable due to related party (Note 4)	<u>42,500</u>	<u>---</u>	<u>42,500</u>
Total liabilities	<u>434,500</u>	<u>---</u>	<u>434,500</u>
Fund balance: unassigned	(<u>424,102</u>)	<u>424,102</u>	<u>---</u>
Total liabilities and fund balances	<u>\$ 10,398</u>		
Net position:			
Unrestricted		(<u>424,102</u>)	(<u>424,102</u>)
Total liabilities and net position		<u>\$ ---</u>	<u>\$ 10,398</u>

See accompanying notes.

iLearn Academy Charter School, Inc.
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Statement of Governmental Fund Revenues, Expenditures and Changes in Fund
Balance/Statement of Activities

Year ended September 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/expenses:			
Instructional services:			
Contract services (<i>Notes 1, 2, and 4</i>)	\$ 2,064,426	\$ ---	\$ 2,064,426
Salaries and wages	1,379,593	---	1,379,593
Support services:			
Operations	58,433	---	58,433
Miscellaneous	5,976	---	5,976
Insurance	5,465	---	5,465
Travel and meetings	633	---	633
Bank charges	328	---	328
Total expenditures/expenses	<u>3,514,854</u>	<u>---</u>	<u>3,514,854</u>
 General revenues:			
Appropriations (<i>Notes 2 and 3</i>)	2,968,433	---	2,968,433
Donations	12,851	---	12,851
Fundraising	2,336	---	2,336
Miscellaneous	298	---	298
	<u>2,983,918</u>	<u>---</u>	<u>2,983,918</u>
 Program revenues:			
Student store	69,662	---	69,662
Extended learning	30,100	---	30,100
	<u>99,762</u>	<u>---</u>	<u>99,762</u>
 Deficiency of revenues under expenditures			
	(<u>431,174</u>)	431,174	
 Change in net position			
		(<u>431,174</u>)	(<u>431,174</u>)
 Fund balance/net position:			
Beginning of year	<u>7,072</u>	<u>---</u>	<u>7,072</u>
End of year	\$(<u>424,102</u>)	\$ <u>---</u>	\$(<u>424,102</u>)

See accompanying notes.

iLearn Academy Charter School, Inc.
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Statement of Fiduciary Net Position

September 30, 2018

	<u>Agency Funds</u>
Assets:	
Cash (<i>Note 5</i>)	\$ <u>2,086</u>
Total asset	\$ <u><u>2,086</u></u>
Liability:	
Others	\$ <u>2,086</u>
Total liability	\$ <u><u>2,086</u></u>

See accompanying notes.

iLearn Academy Charter School, Inc.
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Notes to Financial Statements

Year ended September 30, 2018

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. The Academy began student enrollment during January 2015.

The Academy is established for the purpose of operating an academy charter school which operates independently from the Guam Public School System for the purposes specifically set forth in 17 GCA §12102. The Academy is governed by a Board of Trustees. The Trustees are elected or selected pursuant to the Charter granted by the Guam Academy Charter Schools Act of 2009 (GACS). The Board of Trustees consists of not less than five (5) members and not more than nine (9) members. At least one member must be a parent or guardian of a student attending the Academy and one member must be from the general public.

The Academy retains an independent contractor, Saint Paul Christian School (SPCS), under the A+ contract for five successive years. Under the terms of agreement, SPCS is the sole provider of the facility, fixed assets and related equipment, utilities, services, and supplies to the Academy. In return, the Academy is obligated to pay monthly contract dues invoiced by SPCS.

The Academy is subject to independent oversight by the Guam Academy Charter School Council (the Council). The Council is tasked with monitoring the Academy's operations, compliance with applicable laws and the provisions of the charter granted; the progress of meeting student academic achievement expectations specified in the charter; and compliance with annual reporting requirements. The Academy follows the governmental reporting model as used by local education agencies because of the authority of the Council to terminate or revoke the charter with all assets reverting back to the Government of Guam Department of Education.

2. Summary of Significant Accounting Policies

The financial statements of the Academy are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing Governmental Accounting and Financial Reporting Principles.

In accordance with Government Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), the Academy is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

The Academy's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

iLearn Academy Charter School, Inc.
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Academy. These statements include the financial activities of the overall entity. These statements distinguish between the governmental and business-type activities of the Academy. Governmental activities generally are financed through appropriations from the Government of Guam and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements

The Academy uses a governmental fund to report on its financial position and results of operations. The operations of the governmental fund are accounted for with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

Separate financial statements are provided for Governmental funds. The Academy presents a balance sheet and a statement of revenues, expenditures and changes in fund balance for its government fund. The ending fund balance on the balance sheet is then reconciled to the ending governmental net position.

Measurement Focus/Government-wide and Fund Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Academy gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements of the Academy are accounted for using a flow of current financial resources measurement focus. The statement of governmental fund revenues, expenditures and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Measurement Focus/Government-wide and Fund Financial Statements, continued

The modified accrual basis of accounting is used by governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred.

Net Position and Fund Balance

Net position in the government-wide financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law.

The unassigned fund balance has not been assigned to another fund or restricted, committed or assigned to specific purposes within the General Fund.

Budgets

Pursuant to the Guam Academy Charter Schools Act of 2009, the Board of Trustees adopts an annual budget. The annual budget must be submitted to the Council every fiscal year. The Council must submit the budget to the 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.

Cash

For the purpose of presentation in the Governmental Funds balance sheet/statement of net position, cash consists of cash balances deposited in banks.

Agency Funds

Agency funds represent the cash assets of various school clubs held by the Academy in a purely custodial capacity.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Funding

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

Pursuant to Guam Public Law 34-42, the cost per pupil was \$6,500 for the fiscal year ending September 30, 2018. Student enrollment is not to exceed 500 students during Fiscal Year 2018. The number of enrolled students was multiplied by the FY 2018 Government of Guam General Appropriations Act approved amount of \$6,500 per student enrollee. For the fiscal year ended September 30, 2018, the maximum of 500 students were enrolled in the Academy. The Academy received government appropriations totaling \$2,968,433 for the fiscal year ended September 30, 2018.

Fundraising 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.

Compensated Absences

Permanent employees who are guaranteed leave with their contracts are entitled to paid vacation and sick leave. Entitled employees can accrue four hours of paid sick leave and three hours of paid personal leave every pay period. Accumulation of compensated leave hours may not exceed fifty-six hours of sick leave and twenty-one hours of personal leave within a school year. Unused personal or sick leave at the end of a school year will be credited to the employee at approximately half of the employee's current contractual rate multiplied by the number of unused hours of sick and personal leave. At September 30, 2018 accrued compensated absences totaled \$24,000 and is included as a component of accounts payable and accrued expenses.

Income Taxes

The Academy is a non-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Guam Territorial Income Tax Law. Therefore, the Academy has made no provision for income taxes in the accompanying financial statements. A Return of Organization Exempt from Income Tax is filed by the Academy. Forms 990 filed by the Academy are subject to examination by the Government of Guam Department of Revenue and Taxation for up to three years from the extended due date of each return.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

Deferred Inflows of Resources

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for periods beginning after June 15, 2017. This Statement replaces the requirement of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The implementation of this statement did not have a material effect on the accompanying financial statements.

iLearn Academy Charter School, Inc.
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The Statement is intended to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68 and No. 73*. The Statement addresses issues regarding (1) presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement did not have a material effect on the accompanying financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of this statement did not have a material effect on the accompanying financial statements.

In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of this statement did not have a material effect on the accompanying financial statements.

Upcoming Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance of this statement. GASB Statement No. 83 will be effective for the Academy for fiscal year ending September 30, 2019.

iLearn Academy Charter School, Inc.
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Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. 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. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. GASB Statement No. 84 will be effective for fiscal year ending September 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. GASB Statement No. 87 will be effective for fiscal year ending September 30, 2021.

In April 2018, GASB issued Statement no. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2019.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for fiscal year ending September 30, 2021.

In March 2018, GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. GASB Statement No. 90 will be effective for fiscal year ending September 30, 2020.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Upcoming Accounting Pronouncements, continued

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

Certain board members of the Academy are also officers or board members of SPCS. Pursuant to the terms and conditions of the A+ Contract, SPCS is the sole provider of the facility, equipment, utilities, services, and supplies to the Academy in exchange for monthly contract dues. For the year ended September 30, 2018 amounts paid to SPCS totaled \$1,685,800. At September 30, 2018, the Academy recorded \$340,000 payable to SPCS. This amount is included as a component of accounts payable and accrued expenses.

On September 13, 2018, the Academy obtained a promissory note from a board member in the amount of \$42,500 with interest of 6% if repayment in whole exceeds sixty days. As of March 25, 2019, the date the financial statements were available to be issued, the Academy has repaid the full balance of the promissory note with no interest incurred.

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 Academy has not made any provisions as it has not incurred any losses due to exceeding insured amounts. All of the Academy's bank balance was fully insured as of September 30, 2018.

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

Notes to Financial Statements, continued

6. Risk Management

The Academy is exposed to various risks of loss related to student or employee injury for which the Academy carries workers 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's risk management practices.

7. Subsequent Events

The Academy has evaluated subsequent events through March 25, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Information

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

Budgetary Comparison Schedule – Governmental Funds
Year ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Expenditures:				
Salaries and wages	\$ 1,267,832	\$ 1,267,832	\$ 1,379,593	\$(111,761)
Employee benefits	36,000	36,000	5,465	30,535
Professional development / travel	20,000	20,000	633	19,367
Contractual service	46,719	46,719	10,530	36,189
Miscellaneous	19,600	19,600	58,433	(38,833)
Extended learning	30,780	30,780	43,872	(13,092)
A+ Contract (Educational Infrastructure Contract)	2,040,000	2,040,000	2,016,000	24,000
Bank charges	---	---	328	(328)
Total expenditures	<u>3,460,931</u>	<u>3,460,931</u>	<u>3,514,854</u>	<u>(53,923)</u>
General revenues:				
Appropriation - students	3,250,000	2,990,000	2,968,433	(21,567)
Miscellaneous	---	---	298	298
Donations	---	---	12,851	12,851
Fundraising	---	---	2,336	2,336
	<u>3,250,000</u>	<u>2,990,000</u>	<u>2,983,918</u>	<u>(6,082)</u>
Program revenues:				
Student store	---	---	69,662	69,662
Extended learning	---	---	30,100	30,100
	<u>---</u>	<u>---</u>	<u>99,762</u>	<u>99,762</u>
Excess of expenditures over revenues	<u>(210,931)</u>	<u>(470,931)</u>	<u>(431,174)</u>	<u>39,757</u>
Decrease in net position	<u>(210,931)</u>	<u>(470,931)</u>	<u>(431,174)</u>	<u>39,757</u>
Fund balance/net position:				
Beginning of year	<u>7,072</u>	<u>7,072</u>	<u>7,072</u>	<u>---</u>
End of year	<u>\$(203,859)</u>	<u>\$(463,859)</u>	<u>\$(424,102)</u>	<u>\$ 39,757</u>