



**Financial Highlights**  
**iLearn Academy Charter School, Inc.**  
**Fiscal Year 2023 Financial Highlights, March 2024**

The Office of Public Accountability has released iLearn Academy Charter School, Inc.'s (iLACS) Financial Statements, Report on Internal Control Over Financial Reporting and Compliance, Management Letter, and Letter to Those Charged with Governance for Fiscal Year (FY) 2023.

Independent auditors Ernst & Young LLP (EY) issued an unmodified (clean) opinion on iLACS' financial statements. iLACS closed FY 2023 with a \$1.4 million (M) deficit in net position, a decrease of \$1.5M from their FY 2022 net position of \$73 thousand (K). Notable highlights from iLACS' FY 2023 financial audit include:

- Rise of student enrollment from transfers;
- Total revenues saw an increase of \$1M from increased appropriations from the Government of Guam (GovGuam);
- Total expenditures saw an increase of \$2M from the impact of the new educational facility;
- Report on Internal Control and Compliance found no material weaknesses but identified one significant deficiency; and
- Management Letter noted two matters related to iLACS' new lease agreement.

**The Rise of Student Enrollment**

In FY 2023, iLACS saw a rise in student enrollment, with the number of enrolled students amounting to 777, compared to FY 2022's figure of 740. This growth is attributed to a notable rise in transfer rates, with nearly 11% of the student population categorized as transfer students. Historically, iLACS' kindergarten class enrollment has capped at 120 students; however, for School Year 2023-2024, the kindergarten class size increased to 140. The increase was influenced by issues surrounding Guam Department of Education public schools, such as delayed start times, double sessions, and online learning. Despite witnessing a considerable influx of new enrollments, iLACS also encountered significant withdrawals, primarily due to families relocating off-island for better employment opportunities.

**Revenues Increased by \$1M**

iLACS witnessed a substantial increase in total revenues, totaling \$5.96M, marking a \$1.1M surge or 23% growth compared to FY 2022's total revenues of \$4.8M. The notable increase in revenues primarily stemmed from GovGuam's appropriation of \$5.5M, as stipulated by Public Law (PL) 36-107, authorizing iLACS to receive \$7.5K per enrollee not to exceed 740 students, as opposed to the previous PL 36-54, which allowed only \$6.2K per enrollee, also not exceeding 740 students. Additionally, iLACS experienced a slight increase in program revenues, going from \$94K to \$218K in FY 2023. This increase is attributed to a significant portion of students participating in the school lunch program, along with heightened attendance in after-school care and the initiation of their summer program.

### **Expenses Increased by \$2M**

In FY 2023, iLACS reported total expenses of \$7.4M, marking a significant increase of \$2.4M or 46% compared to FY 2022's \$5M. A substantial portion of these expenses, amounting to \$2.6M, was allocated to salaries and wages, constituting 34% of total expenses. The increase in salaries and wages is attributed to various factors, including the need to hire new teachers to accommodate the growing student population and the reclassification of several employees submitting their degrees and other credentials.

In June 2022, iLACS entered into a new lease agreement with The Learning Institute (TLI) to utilize its school campus in August 2022. This new campus provided iLACS with classrooms, administrative offices, a gymnasium, and a cafeteria. The implementation of government accounting standards on leases (GASB 87) required the right-to-use lease asset to be amortized over the lease term. It also required that interest expense be recorded in subsequent entries. This resulted in substantial increases in amortization expense by \$1.4M and interest expense by \$1.2M in FY 2023.

Additionally, iLACS experienced a significant decrease in Contract Services, dropping from \$1.9M in FY 2022 to \$19K in FY 2023. In contrast, there was a rise in Operations expenses by \$1.2M in FY 2023 attributed to the building lease maintenance and other associated services and necessary reclassifications to align with GASB 87 guidelines. The building lease, which was previously categorized under Contract Services in FY 2022, was reclassified to fall under Operations in FY 2023. Consequently, audit fees are included only under Contract Services in FY 2023.

### **Report on Internal Control and Compliance**

In the Report on Internal Control Over Financial Reporting and On Compliance, per Finding No. 2023-001, EY identified an understatement of approximately \$1M in amortization expense attributed to an undetected error in the posting of the lease amortization. EY encouraged a proper review of significant transactions and journal entries at each reporting date. Additionally, iLACS' adoption of a monthly recording of amortization expense, as opposed to annually, will enhance accuracy in recording transactions within the appropriate accounting period.

### **Management Letter**

The Management Letter highlighted two noteworthy matters that EY found while examining monthly lease invoices from TLI. Firstly, regarding Base Rent Payment, they discovered that iLACS' rent payments exceeded the amounts stipulated in the lease agreement, totaling approximately \$22K. Secondly, they noted that iLACS did not receive supporting documents for other billed charges pertaining to utilities, communication, and trash food services, which totaled \$789K for the entirety of the fiscal year. EY recommended that iLACS adequately review invoices and request appropriate supporting documents from TLI to avoid disputes or poor cash management and to ensure that amounts charged to iLACS are reasonable.

For a more detailed discussion of iLACS' operations, refer to the Management's Discussion and Analysis in the audit report at [www.opaguam.org](http://www.opaguam.org) and [www.ilearnacademycharterschool.com](http://www.ilearnacademycharterschool.com).