

*Financial Statements and Required Supplementary
Information*

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

*Years Ended September 30, 2023 and 2022
with Report of Independent Auditors*



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

Financial Statements

Years Ended September 30, 2023 and 2022

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Report of Independent Auditors

Board of Trustees
iLearn Academy Charter School, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and the General Fund of iLearn Academy Charter School, Inc. (the Academy), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund activities of the Academy at September 30, 2023 and 2022, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 22 and Budgetary Comparison Schedule – Governmental Funds on page 36 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 of America, 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 15, 2024, 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 solely 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 the Academy'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 the Academy's internal control over financial reporting and compliance.

Ernst + Young LLP

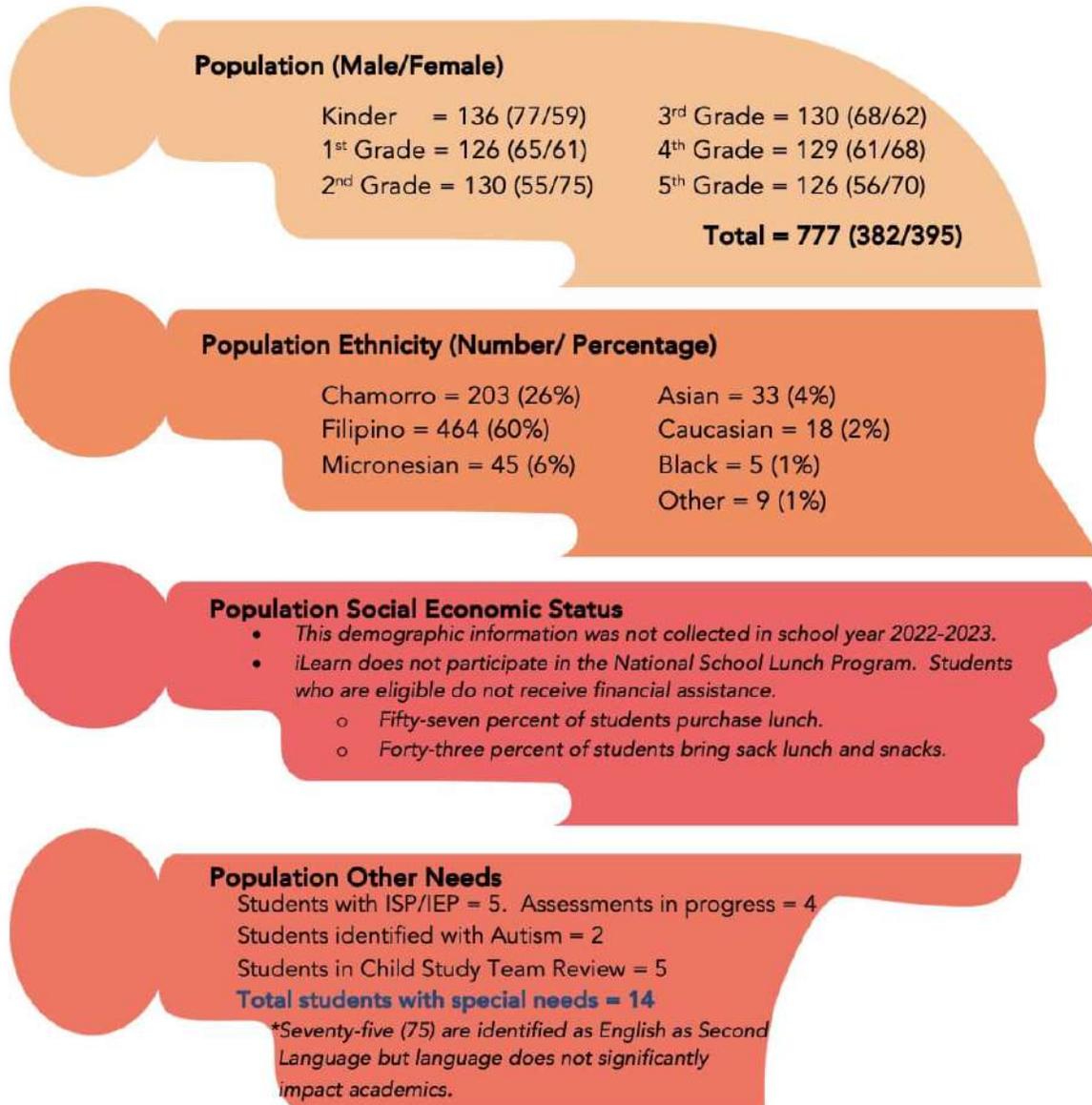
March 15, 2024

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

STUDENT DEMOGRAPHICS

Graph 1. STUDENT DEMOGRAPHICS AS OF SEPTEMBER 30, 2023



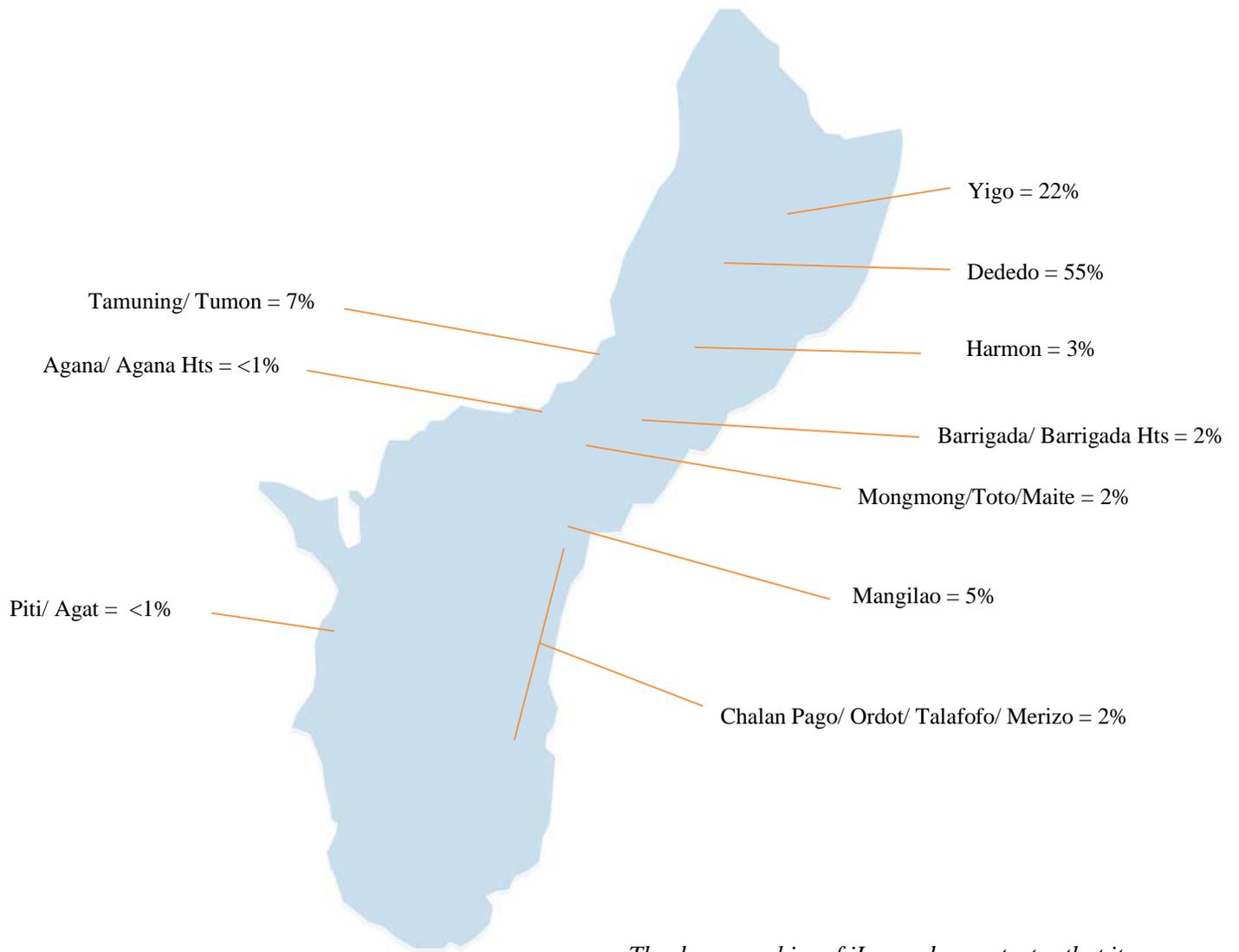
As of September 30, 2023, iLearn has a total of seven hundred seventy-seven (777) students enrolled. Mode of learning was 100% face to face learning.

iLearn moved from Ukkudu Village at Dededo Rt. 3 to 201 South Ukudo Street Dededo. iLearn entered into a lease agreement with The Learning Institute for a new facility built for 780 students.

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Management's Discussion and Analysis, continued

Graph 2. Villages of student enrollment as of September 30, 2023

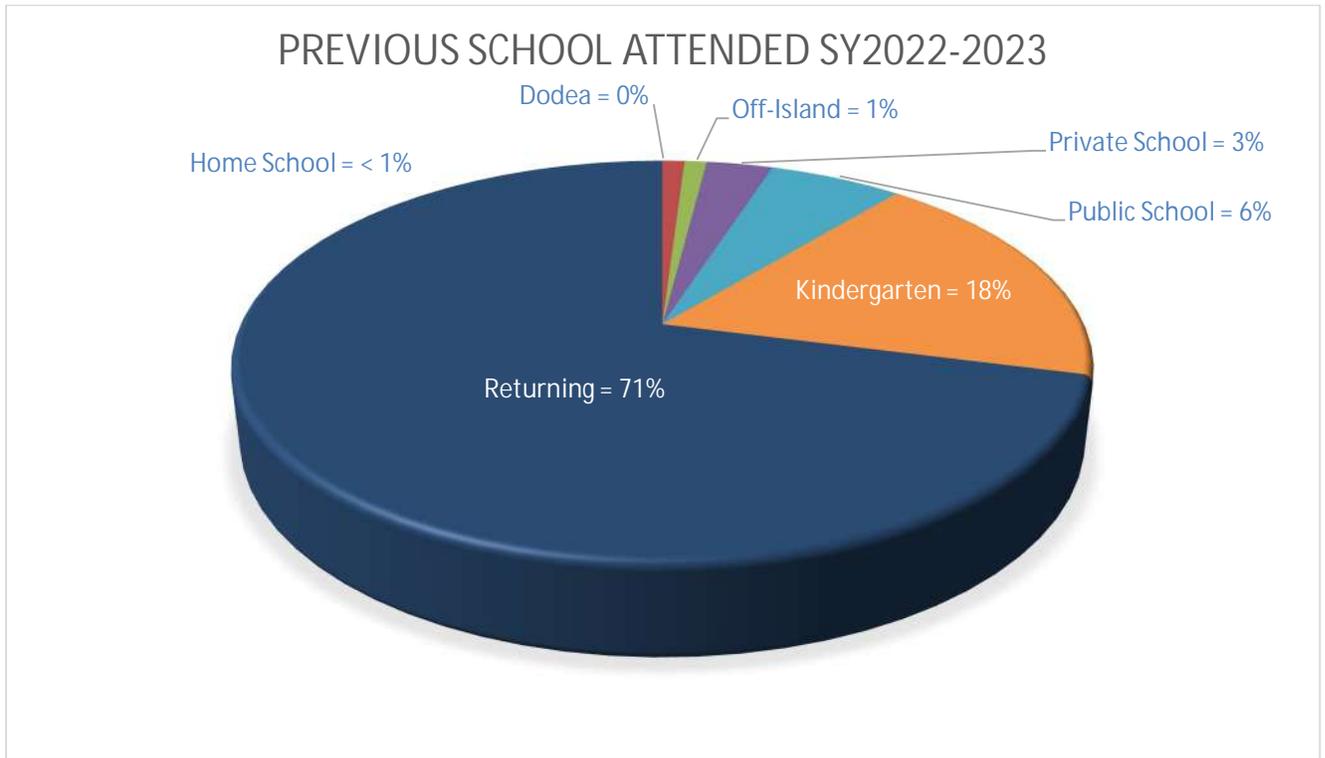


The demographics of iLearn demonstrates that its greatest population comes from the northern villages, specifically the village of Dededo.

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Management’s Discussion and Analysis, continued

Graph 3. Feeder Schools for iLearn as of September 30, 2023



iLearn experienced an increased transfer rates entering SY2023-2024 from the Guam Department of Education schools. This was due to schools not starting on time, entering double sessions, or attending classes online. Eleven percent of students are classified as transfer students. Increased kindergarten enrollment also increased due to public school issues.

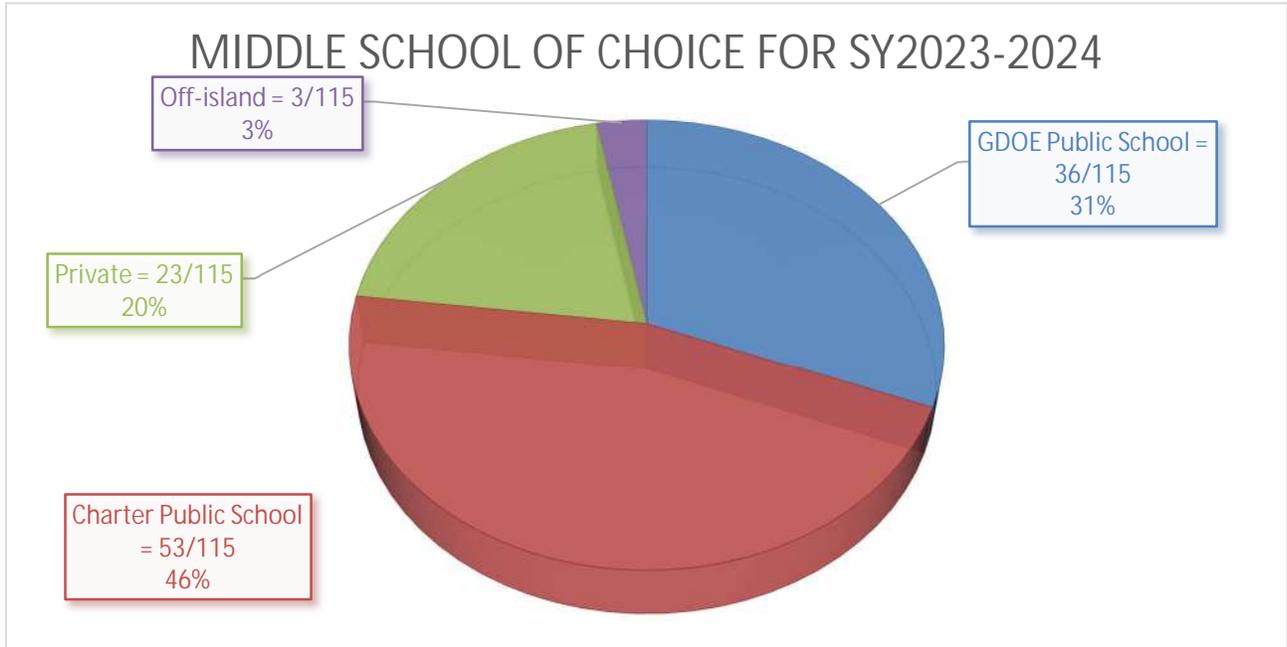
In previous school years, iLearn’s kindergarten enrollment would cap at one hundred twenty (120) students. However, due to the island’s needs, we opened SY2023-24’s kindergarten class at one hundred forty (140).

Although there was a high rate of new enrollment, there was also a high rate of withdrawals due to families leaving off-island for job opportunities. The biggest job recruitment was from United Airlines.

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

Graph 4. Middle School Choice for graduates May 24, 2023



Forty-six percent (46%) of iLearn graduates chose to continue with charter school, particularly SIFA Academy Charter School. This was an increase to last year’s thirty-eight percent (38%). Thirty-one percent (31%) of iLearn graduates chose to return to their district and is currently enrolled in the following public schools: Benavente Middle School, Astumbo Middle School, FBLG Middle School, and Untalan Middle School. Twenty (20%) of iLearn graduates chose to move to private school. Three percent left the island. There was a large number of families who left the island for job opportunities.

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Management's Discussion and Analysis, continued

STUDENT ACADEMIC PERFORMANCE

The goal of iLearn Academy Charter School is that 75% of its students would perform at the "Ready" or "Exceeding" levels. Although iLearn students have yet to achieve these goals, there is an indication of a slow but upward progression from the previous school year. As a result, iLearn incorporated additional professional development sessions and provided additional time for collaboration among teachers to address two items: to identify the learning needs of our student scholars and to integrate instructional strategies to improve student learning. iLearn adopted the Amplify CKLA program to assist in helping to improve reading and writing performance.

ACT Aspire SY 2022-2023

Each school year, iLearn participates in the districtwide assessment through the Guam Department of Education. For school year 2022-2023, however, we were informed by the Curriculum and Instruction department that the ACT Aspire would not be available for the department and that the new assessment (Smarter Balanced Assessments) would not be available until school year 2023-2024.

As a result, iLearn followed suit with GDOE by implementing our own in-school assessment in place of the ACT Aspire, utilizing the IXL diagnostic assessment. Following are the results from that assessment:

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Management’s Discussion and Analysis, continued

Graph 5: IXL and Year-Round Diagnostics

Graph: Kindergarten thru 5th Grades Diagnostic Year-Round Results

Diagnostic Levels - Kindergarten				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	101	35	90	+65
ELA	101	20	60	+40

Diagnostic Levels - First Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	124	106	200	+94
ELA	124	78	160	+82

Diagnostic Levels - Second Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	122	167	250	+83
ELA	122	188	303	+115

Diagnostic Levels - Third Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	124	186	280	+94
ELA	124	210	370	+160

Diagnostic Levels - Fourth Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	131	240	350	+110
ELA	131	291	336	+45

Diagnostic Levels - Fifth Grade				
	Students	Pre-Test Diagnostic (Mean)	End-of-Year Diagnostic (Mean)	Actual Growth (Mean)
Math	115	391	540	+149
ELA	115	375	560	+185

Grade Level Score Ranges

Subject	Diagnostic Readiness Level	Grade Level Score Ranges					
		K	1	2	3	4	5
Math and ELA	Above	140+	240+	340+	440+	540+	640+
	On	60-130	130-230	230-330	330-430	430-530	530-630
	Below	10-50	60-120	130-220	230-320	330-420	430-520
	Far Below	0+	0-50	0-120	0-220	0-320	0-420

The graph provided below breaks down each grade level into the following categories by percentage: Above, On Level, Below, and Far Below. Students across all grade levels demonstrated a significant increase in learning as evidenced in the growth of percentages in the On Level and Above categories by the end of the school year.

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

The graph provided below breaks down each grade level into the following categories by percentage: Above, On Level, Below, and Far Below. Students across all grade levels demonstrated a significant increase in learning as evidenced in the growth of percentages in the On Level and Above categories by the end of the school year.

Graph: Kindergarten thru 5th Grades Diagnostic Year-Round Results

(Students within Categories by Percentage)

Kindergarten					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	28%	45%	26%	1%	100%
End-of-Year	0%	15%	75%	10%	100%
Pre-Test vs EOY	-28	-30	+49	+9	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	30%	57%	9%	0%	100%
End-of-Year	6%	44%	30%	6%	100%
Pre-Test vs EOY	-24	-13	+21	+6	

1st Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	5%	64%	30%	1%	100%
End-of-Year	0%	4%	87%	9%	100%
Pre-Test vs EOY	-5	-60	+57	+8	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	29%	57%	13%	1%	100%
End-of-Year	3%	25%	66%	6%	100%
Pre-Test vs EOY	-26	-32	+53	+5	

2nd Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	25%	54%	21%	0%	100%
End-of-Year	4%	25%	66%	5%	100%
Pre-Test vs EOY	-19	-29	+45	+5	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	26%	40%	26%	8%	100%
End-of-Year	0%	5%	72%	23%	100%
Pre-Test vs EOY	-26	-35	+46	+15	

3rd Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	72%	27%	1%	0%	100%
End-of-Year	16%	65%	18%	1%	100%
Pre-Test vs EOY	-56	+38	+17	+1	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	59%	33%	7%	1%	100%
End-of-Year	0%	30%	56%	14%	100%
Pre-Test vs EOY	-59	-3	+49	+13	

4th Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	92%	8%	0%	0%	100%
End-of-Year	31%	53%	14%	2%	100%
Pre-Test vs EOY	-61	+45	+14	+2	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	62%	27%	8%	3%	100%
End-of-Year	50%	25%	18%	7%	100%
Pre-Test vs EOY	-12	-2	+10	+4	

5th Grade					
Mathematics					
	Far Below	Below	On Level	Above	Total
Pre-Test	68%	26%	6%	0%	100%
End-of-Year	8%	30%	54%	8%	100%
Pre-Test vs EOY	-60	+4	+48	+8	
English Language Arts					
	Far Below	Below	On Level	Above	Total
Pre-Test	64%	25%	9%	2%	100%
End-of-Year	15%	19%	39%	27%	100%
Pre-Test vs EOY	-49	-6	+30	+20	

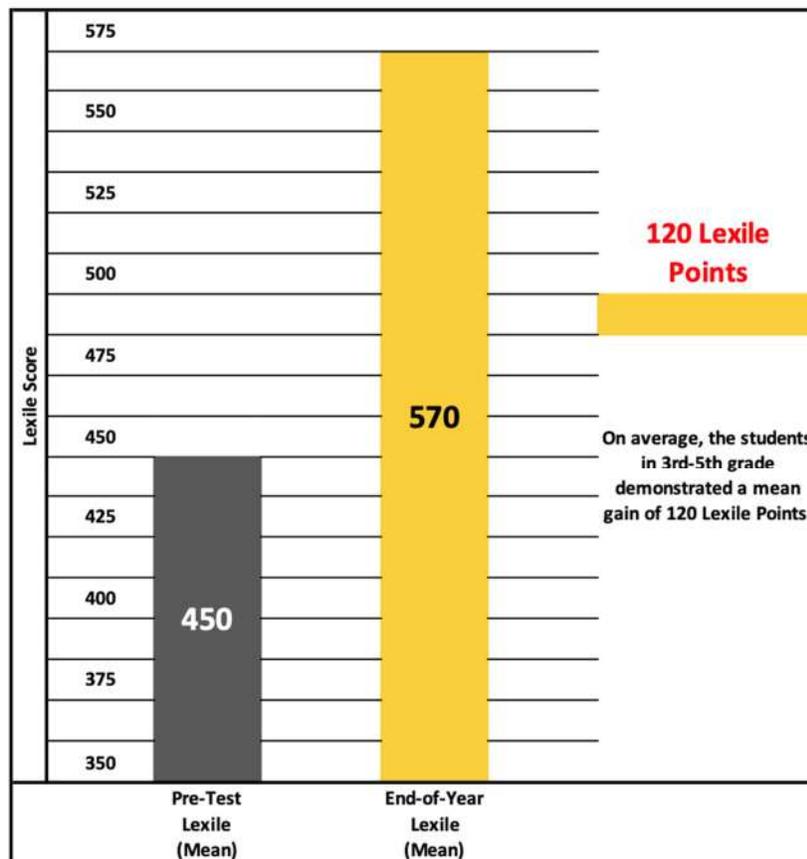
iLearn Academy Charter School, Inc.
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Management’s Discussion and Analysis, continued

Graph 6: Achieve 3000 (Differentiated Reading Program)

Achieve 3000 is a supplemental program utilized by iLearn to support further development in skills associated to reading comprehension. Following are the results from 2nd-5th grades:

Lexile Gains: Pre-Test to End-of-Year				
	3rd	4th	5th	Total
Overall Lexile Growth Total:	14220	18095	10995	43310
Overall Lexile Growth Average:	115	140	100	120
Overall Lexile Total PreTest:	39550	56780	66300	162630
Overall Lexile Total PreTest Average:	320	435	575	450
Overall Lexile Total PostTest:	53770	74875	77295	205940
Overall Lexile Total PostTest Average:	435	575	675	570



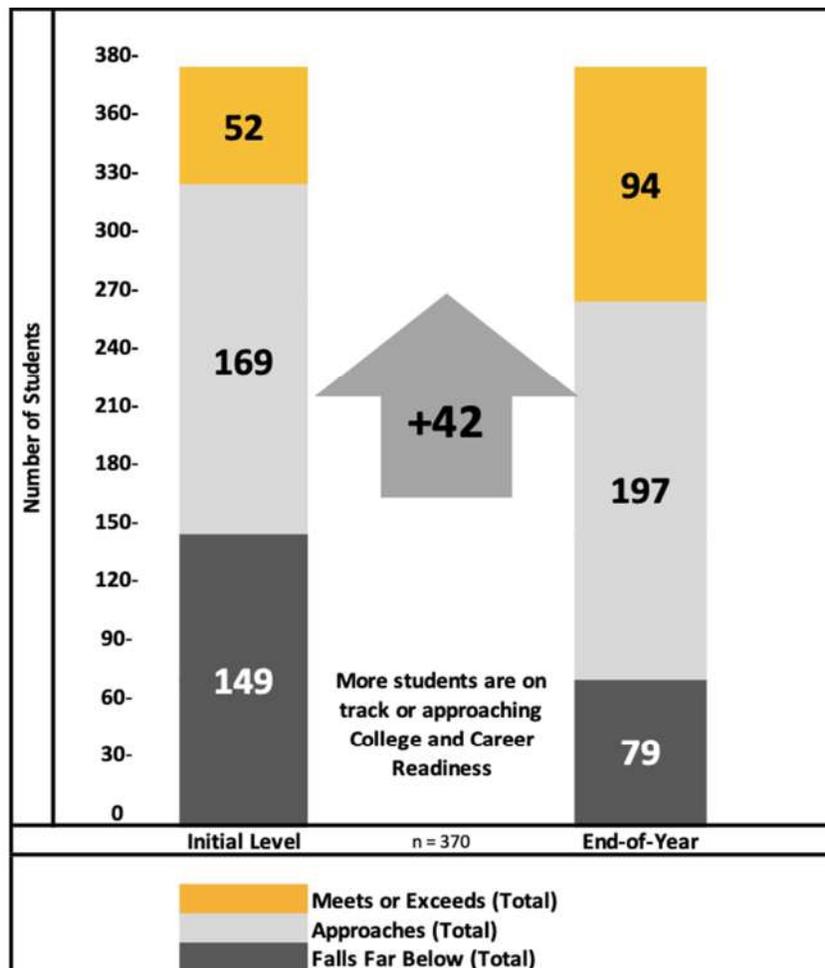
The Achieve 3000 scores show growth in individual skills. The program allows student scholars to confidently participate in class discussions as they read materials from the same article but at their grade level. Scholars work towards personal goals and celebrate each personal milestone.

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Management’s Discussion and Analysis, continued

Graph: College and Career Readiness Indicator for Grades 3-5

College and Career Readiness				
Levels	3	4	5	Total
Below	51	58	40	149
Below	29	28	22	79
Approach	46	62	61	169
Approach	52	75	70	197
Exceeds	27	11	14	52
Exceeds	43	28	23	94
				Up 42



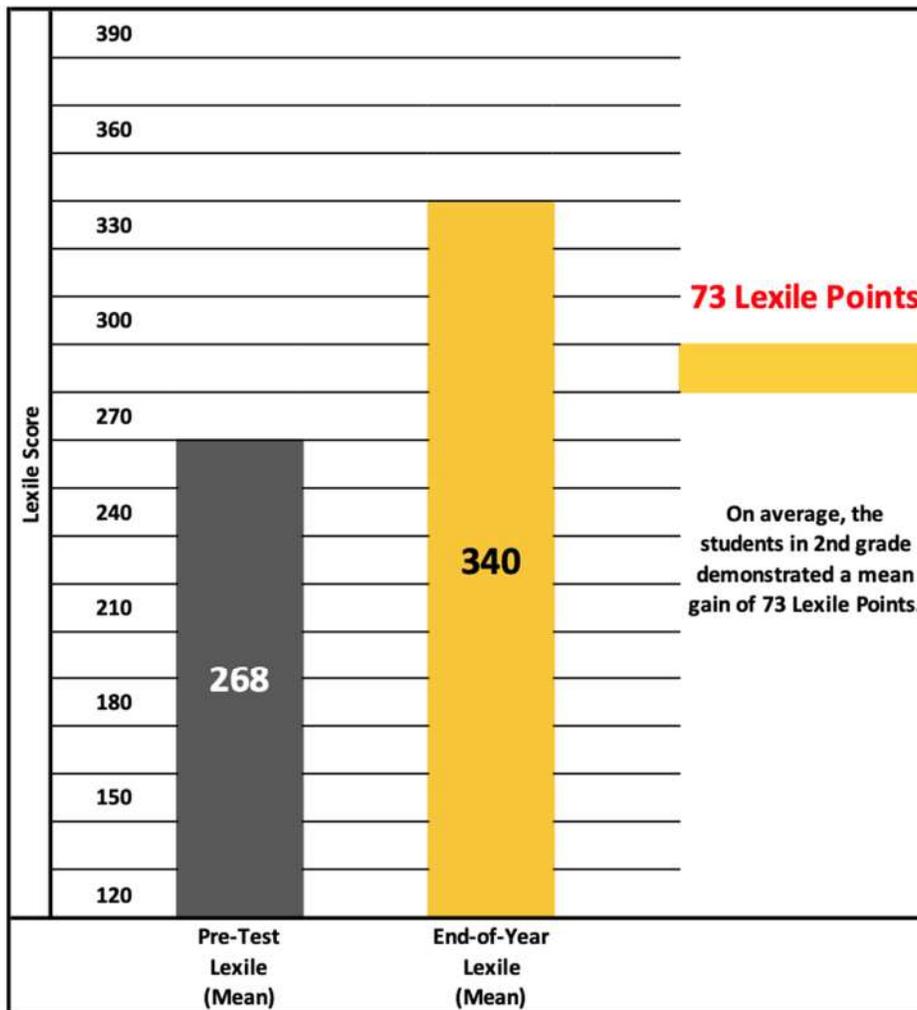
The preceding graph, based on pre-test and end-of-year Lexile scores, demonstrates that more iLearn Academy Charter School students are on track for college and career readiness after actively participating in the Achieve3000 program during the 2022-2023 school year

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

Graph: Achieve 3000 (Differentiated Reading Program) Lexile Gains for Grade 2

Lexile Gains: Pre-Test to End-of-Year		
	2nd	Total
Overall Lexile Growth Total:	8850	8850
Overall Lexile Growth Average:	73	73
Overall Lexile Total PreTest:		
Overall Lexile Total PreTest:	32690	32690
Overall Lexile Total PreTest Average:	268	268
Overall Lexile Total PostTest:		
Overall Lexile Total PostTest:	41540	41540
Overall Lexile Total PostTest Average:	340	340



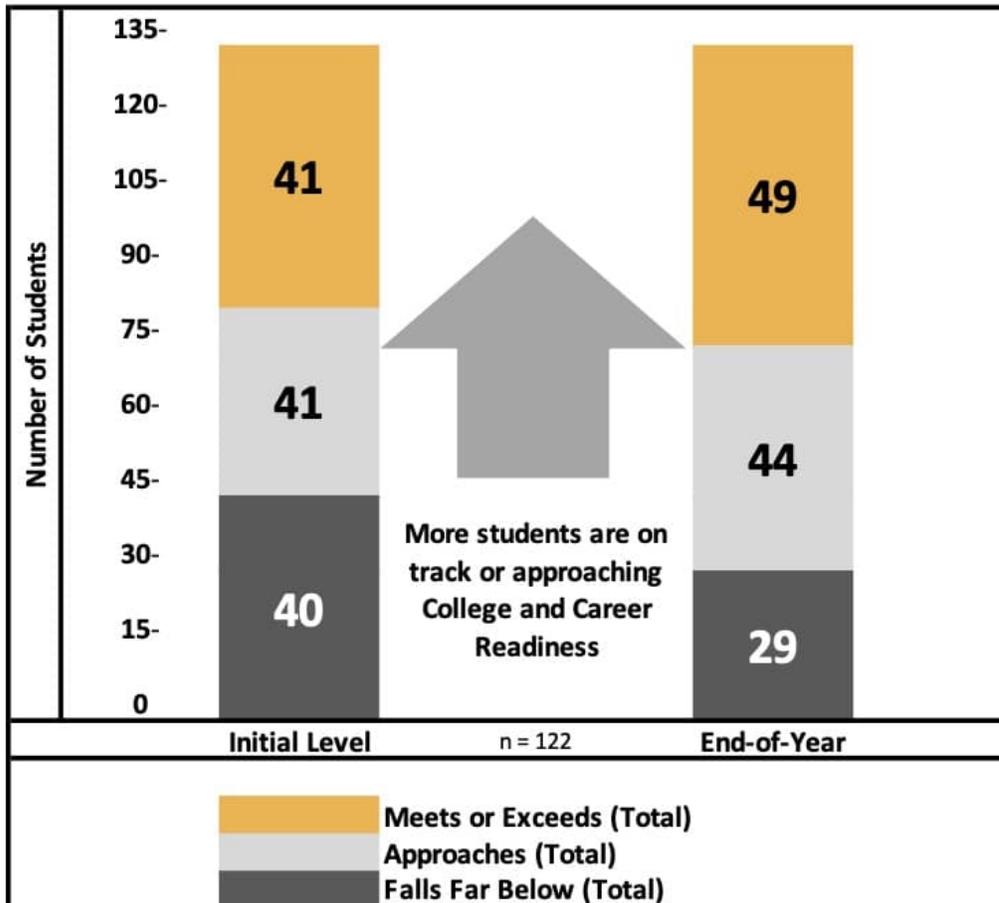
Second Grade starts this program in the middle of the school year. Prior to this program, all second-grade student scholars work on a lower primary version of Achieve 3000 called Smarty Ants.

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Management’s Discussion and Analysis, continued

Graph: College and Career Readiness Indicator for Grade 2

College and Career Readiness		
Levels	2	Total
Below	40	40
Below	29	29
Approach	41	41
Approach	44	44
Exceeds	41	41
Exceeds	49	49



The preceding graph, based on pre-test and end-of-year Lexile scores, demonstrates that more iLearn Academy Charter School students are on track for college and career readiness after actively participating in the Achieve3000 program during the 2022-2023 school year

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Management’s Discussion and Analysis, continued

Graph: Overall Achieve 3000 Findings

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	122	268	340	73
Overall	122	268	340	73

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	124	320	435	115
4	131	435	575	140
5	115	590	695	105
Overall	370	450	570	120

Overall, iLearn’s student scholars have not met school goals for reading levels. However, they have met personal goals and achieved personal growths. This is an indicator that Achieve 3000 (along with other supplemental reading programs) are beneficial to student progress.

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Management's Discussion and Analysis, continued

OTHER STUDENT ACCOMPLISHMENTS

The greatest accomplishment our students and teachers encountered in school year 2022-2023 are the following:

- Partnership with Guam Sustainable Culture
- Reviving National Elementary Honor Society post-COVID
- Partnership with Guam Football Association in the formation of a soccer team
- Partnership with Guam Football Association with anti-bullying campaign
- Partnership with Guam National Tennis Federation with tennis classes
- iLearn represented Guam in the Washington DC Annual Christmas Tree decoration
- iLearn Christmas Lighting Open House



PROFESSIONAL DEVELOPMENT

- A. CPR and First Aid
- B. CKLA and Amplify Curriculum
- C. Safe Crisis Management for Student Support Staff
- D. Positive Mindset with Ron Clark

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

Overview of the Financial Statements

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

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

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All of 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.

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

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 School, the liabilities exceeded assets by \$1,399,009 (deficit) at the close of the fiscal year. GDOE retains ownership over the assets allocated under federal grants.

Figure 1 provides a summary of the School's net position as of September 30, 2023, 2022 and 2021.

Net Position

Figure 1

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Cash (<i>net of fiduciary</i>)	\$ 34,359	\$ 285,360	\$ 98,813
Accounts Receivable	473,600	143,694	74,401
Prepaid Expense	---	10,376	37,413
Inventory Asset	21,276	8,688	7,558
Other Current Assets	30,461	24,984	100,278
Lease Asset (GASB 87)	40,238,224	41,903,266	---
Depreciable Capital Assets (<i>net of depreciation</i>)	39,695	74,473	69,986
Total Assets	40,837,615	42,450,841	388,449
Accounts Payable	541,036	275,278	78,924
Lease Liability (Current)	667,336	520,399	---
Other current liabilities	2,377	---	---
Long Term Liabilities	41,025,875	41,582,565	---
Total Liabilities	42,236,624	42,378,242	78,924
Temporarily Restricted			
Unrestricted	(1,399,009)	72,599	309,525
Total (Deficit) Net Position	\$(1,399,009)	\$ 72,599	\$309,525

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

Typhoon Mawar and Impact on Operations

On May 2023, Guam was hit by devastating typhoon Mawar. Although it brought flooding to the facilities, no major damage was sustained on the building and thus no impact on our financials.

Figure 2 provides summary and analysis of the School's revenues and expenses for the years ended September 30, 2023, 2022 and 2021 as follows:

Statement of Activities

Figure 2

	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Appropriation- Students	\$5,550,000	\$4,588,000	\$3,974,489
Extended Learning	105,749	44,300	9,500
Miscellaneous	74,458	55,022	17,795
Other Income:			
Student Store	112,439	49,673	3,378
Fundraising	53,644	45,346	---
In-kind revenue	22,010	---	---
Grant (CG, ESF)	45,931	65,605	716,559
Total Revenues	5,964,231	4,847,946	4,721,721
EXPENSES			
Contract services	19,000	1,864,265	2,073,489
Salaries and Benefits	2,550,146	2,160,280	1,973,833
Operations	1,682,299	498,814	315,840
Interest	1,405,072	235,782	3,620
In-kind expense	22,010	---	---
Insurance (WC and Group Liability)	10,152	9,591	9,969
Travel and meetings	182	1,161	224
Bank Charges	142	867	582
Amortization Expense	1,690,018	284,749	---
Miscellaneous & Other Expense	56,818	29,363	62,605
Total Expenses	7,435,839	5,084,872	4,440,162
Change in Net Position	(1,471,608)	(236,926)	281,559
Net Position at Beginning of Year	72,599	309,525	27,966
(Deficit) Net Position at End of Year	\$(1,399,009)	\$ 72,599	\$ 309,525

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

FY 2023 Appropriation total is \$5,550,000 due to Public Law 36-107, Chapter II, Part II, Section 3 and P.L. 36-107, Chapter XIII, Part II, Section 20: the School is authorized to receive Seven Thousand Five Hundred Dollars (\$7,500) per enrollee not to exceed seven hundred forty (740) students for the iLearn Academy Charter School.

For Extended Learning, the increase is attributed to increased attendance in After School care as well as the opening of our summer program.

For Student Store, more than half the student population avails of the school lunch daily.

For Fundraising, we successfully raised funds via Box Tops, Read-A-Thon, Believe Catalog, and etc. The proceeds were used to offset operational costs such as improvement of Science and Robotics classrooms.

For Grants, we continue to receive assets from our existing CARES Act Funds (ESF I, ESF 2, and ARP). Examples of assets received are school supplies, office supplies, and PPE supplies.

For Contract Services, only the fees for audit is classified under this category. In prior year, building lease was included but it is now under Operations due to GASB 87.

For Salaries and Wages, the increase is still attributed to reclassification of several employees submitting their degrees and other credentials. In August 2023, we also picked up new teachers to accommodate the increase in our student population.

For Operations, the increase in expenditures is attributed to the building lease maintenance and other services.

For Interest and Amortization expense, this is attributed to the new lease agreement. GASB 87 requires the right to use lease asset to be amortized over the lease term. It also requires recording of interest expense on subsequent entries.

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(A Non-Profit Organization)

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 School’s fiscal year, the Board of the School 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 School’s budget.

For fiscal year 2023, the School received 100% of its appropriations.

	Governmental Fund 2023		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Local Govt. Appropriations	5,550,000	5,550,000	---
Total Revenues	5,550,000	5,550,000	---
EXPENSES			
Salaries, Wages, & Benefits	2,407,813	2,550,146	(142,333)
Professional Devt./Travel	--	182	(182)
Contractual	51,491	19,000	32,491
Worker’s Compensation and Group Liability	5,600	10,152	(4,552)
Office Space Rental (Operations, Interest, and Amortization Expense and Utilities)	3,274,808	3,719,349	(444,541)
Total Expenses	5,739,712	6,298,829	(559,117)

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 201 S. Ukudo, Street, Dededo, Guam 96929 or by telephone at (671) 989-3789.

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

Governmental Funds Balance Sheets/Statements of Net Position

	September 30,					
	2023			2022		
	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Position</u>	<u>General</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Position</u>
Assets:						
Cash	\$ 34,359	\$ ---	\$ 34,359	\$ 285,360	\$ ---	\$ 285,360
Accounts receivable	473,600	---	473,600	143,694	---	143,694
Prepaid expenses	---	---	---	10,376	---	10,376
Inventory	21,276	---	21,276	8,688	---	8,688
Other current assets	30,461	---	30,461	24,984	---	24,984
Lease asset - building, net	---	40,238,224	40,238,224	---	41,903,266	41,903,266
Depreciable capital assets, net	---	39,695	39,695	---	74,473	74,473
	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total assets	\$ <u>559,696</u>	<u>40,277,919</u>	<u>40,837,615</u>	\$ <u>473,102</u>	<u>41,977,739</u>	<u>42,450,841</u>
Liabilities and Fund Balance/Net Position:						
Accounts payable and accrued expenses	\$ 543,413	---	543,413	\$ 275,278	---	275,278
Long term liability:						
Due within one year	---	667,336	667,336	---	520,399	520,399
Due after one year	---	41,025,875	41,025,875	---	41,582,565	41,582,565
	<u>---</u>	<u>41,025,875</u>	<u>41,025,875</u>	<u>---</u>	<u>41,582,565</u>	<u>41,582,565</u>
Total liabilities	<u>543,413</u>	<u>41,693,211</u>	<u>42,236,624</u>	<u>275,278</u>	<u>42,102,964</u>	<u>42,378,242</u>
Fund balance: unassigned	<u>16,283</u>	<u>(16,283)</u>		<u>197,824</u>	<u>(197,824)</u>	
Total liabilities and fund balances	\$ <u>559,696</u>			\$ <u>473,102</u>		
Net position:						
Unrestricted		(<u>1,399,009</u>)	(<u>1,399,009</u>)		<u>72,599</u>	<u>72,599</u>
Total net position		\$ (<u>1,399,009</u>)	\$ (<u>1,399,009</u>)		\$ <u>72,599</u>	\$ <u>72,599</u>

See accompanying notes.

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

Statements of Governmental Fund Revenues, Expenditures and Changes in Fund
Balance/Statements of Activities

	2023			2022		
	General Fund	Adjustments	Statement of Activities	General Fund	Adjustments	Statement of Activities
Expenditures/expenses:						
Instructional services:						
Salaries and wages	\$ 2,550,146	\$ ---	\$ 2,550,146	\$ 2,160,280	\$ ---	\$ 2,160,280
Contract services	19,000	---	19,000	1,864,265	---	1,864,265
Lease expenditure	24,977	(24,977)	---	42,188,015	(42,188,015)	---
Support services:						
Amortization	---	1,690,018	1,690,018	---	284,749	284,749
Operations	1,635,046	47,253	1,682,299	460,244	38,570	498,814
Interest	---	1,405,072	1,405,072	---	235,782	235,782
Miscellaneous	56,741	77	56,818	57,725	(28,362)	29,363
In-kind expense	22,010	---	22,010	---	---	---
Insurance	10,152	---	10,152	9,591	---	9,591
Travel and meetings	182	---	182	1,161	---	1,161
Bank charges	142	---	142	867	---	867
Capital expenditures	12,475	(12,475)	---	---	---	---
Debt Service:						
Interest	1,405,072	(1,405,072)	---	235,782	(235,782)	---
Principal	434,806	(434,806)	---	85,051	(85,051)	---
Total expenditures/expenses	<u>6,170,749</u>	<u>1,265,090</u>	<u>7,435,839</u>	<u>47,062,981</u>	<u>(41,978,109)</u>	<u>5,084,872</u>
General revenues:						
Appropriations	5,550,000	---	5,550,000	4,588,000	---	4,588,000
Miscellaneous	74,458	---	74,458	55,022	---	55,022
Fundraising	53,644	---	53,644	45,346	---	45,346
Grant	45,931	---	45,931	20,960	44,645	65,605
In-kind revenue	22,010	---	22,010	---	---	---
Other financing resources	24,977	(24,977)	---	42,188,015	(42,188,015)	---
	<u>5,771,020</u>	<u>(24,977)</u>	<u>5,746,043</u>	<u>46,897,343</u>	<u>(42,143,370)</u>	<u>4,753,973</u>
Program revenues:						
Student store	112,439	---	112,439	49,673	---	49,673
Extended learning	105,749	---	105,749	44,300	---	44,300
	<u>218,188</u>	<u>---</u>	<u>218,188</u>	<u>93,973</u>	<u>---</u>	<u>93,973</u>
(Deficiency) excess of revenues (under) over expenditures	(181,541)	181,541	---	(71,665)	71,665	---
Change in net position	---	(1,471,608)	(1,471,608)	---	(236,926)	(236,926)
Fund balance/net position:						
Beginning of year	<u>197,824</u>	<u>(125,225)</u>	<u>72,599</u>	<u>269,489</u>	<u>40,036</u>	<u>309,525</u>
End of year	<u>\$ 16,283</u>	<u>\$ (1,415,292)</u>	<u>\$ (1,399,009)</u>	<u>\$ 197,824</u>	<u>\$ (125,225)</u>	<u>\$ 72,599</u>

See accompanying notes.

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

Notes to Financial Statements

Years Ended September 30, 2023 and 2022

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 science, technology, engineering 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. 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 agreement was mutually terminated in June 2022 as the Academy entered into a new lease agreement with The Learning Institute, to utilize the school campus in August 2022. The new campus is equipped with classrooms, administrative offices, a gymnasium and a cafeteria. The initial term of the contract is for five years which will expire in August 2027, with an option to extend the contract through 2047.

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 Guam Department of Education (GDOE).

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. Therefore, the financial statements are prepared in the same manner as general purpose governments.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

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.

Adjustments required to reconcile total governmental fund balance to net position of governmental activities in the statement of net position as of September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Fund balance - governmental funds	\$ 16,283	\$ 197,824
Add:		
Lease asset, net	40,238,224	41,903,266
Depreciable capital assets, net	39,695	74,473
Less:		
Lease liability – current	(667,336)	(520,399)
Lease liability – noncurrent	(41,025,875)	(41,582,565)
Net position - governmental activities	\$(<u>1,399,009</u>)	\$ <u>72,599</u>

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Fund Financial Statements, continued

Adjustments required to reconcile net change in total governmental fund balance to change in net position of governmental activities in the statements of activities for the years ended September 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Net change in fund balances – governmental funds	\$(181,541)	\$(71,665)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. These amounts consist of:

Capital outlays, net	12,475	44,645
Depreciation expense	(47,253)	(38,570)

Some income and expenses reported in the statement of activities do not affect the current financial resources and therefore are not reported as income and expenditures in the governmental funds. This amount consists of miscellaneous expenses.

	(77)	28,362
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In the governmental funds, lease assets additions are reported as expenditure and other financing resources while principal and interest portions are reported as lease services when the lease payments are due. However, in the statement of activities, lease payments reduces the lease liability by the principal portion and lease assets are amortized over shorter of their useful lives or lease term. These amounts consist of:

Lease expenditure	24,977	42,188,015
Other financing resources	(24,977)	(42,188,015)
Lease principal payments	434,806	85,051
Lease amortization	(<u>1,690,018</u>)	(<u>284,749</u>)

Change in net position of governmental activities	\$(<u>1,471,608</u>)	\$(<u>236,926</u>)
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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

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.

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 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.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Cash

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

Funding

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

Pursuant to Guam Public Law 36-107 and 36-54, the cost per pupil was \$7,500 and \$6,200 for the fiscal years ended September 30, 2023 and 2022, respectively. The maximum number of students to be funded by the General Fund is not to exceed 740 students during Fiscal Years (FY) 2023 and 2022. In FY2023, the number of enrolled students was multiplied by the FY 2023 Government of Guam General Appropriations Act approved amount and FY 2022 unappropriated excess General Fund revenues of \$7,000 and \$500, respectively, per student enrollee. In FY2022, the number of enrolled students was multiplied by the FY 2022 Government of Guam General Appropriations Act approved amount of \$6,200 per enrollee. For the fiscal years ended September 30, 2023 and 2022, a total of 740 students were enrolled and the Academy received government appropriations totaling \$5,550,000 and \$4,588,000, respectively.

Grants

The Academy is a sub-recipient of grants from the U.S. Department of Education. For the fiscal years ended September 30, 2023 and 2022, the Academy received grants in the form of educational equipment, and other fixed assets funded by the Education Stabilization Fund – Outlying Areas grant. The determination of allowable expenditures as well as the cash management, procurement and purchase of these assets are performed by the Guam Department of Education (“GDOE”) who is the direct recipient of the grants. The Academy received assets with a total value of \$45,931 \$65,605 for the years ended September 30, 2023 and 2022, respectively, and is included as a component of depreciable capital assets and other current assets.

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.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

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.

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. Assets funded by federal grants are valued based on the initial cost.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives of 1 to 5 years.

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.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements

In May 2019, GASB issued Statement No. 91, *Conduit debt obligations*. The primary objectives of this statement are to provide a single method reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of GASB Statement No. 91 did not have an effect on the Academy's financial statements.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The adoption of GASB Statement No. 94 did not have an effect on the Academy's financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of GASB Statement No. 96 did not have an effect on the Academy's financial statements.

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

Notes to Financial Statements, continued

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied more easily. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of local government financial statements. The adoption of GASB Statement No. 99 did not have an effect on the Academy's financial statements.

Upcoming Accounting Pronouncements

In June 2022, GASB issues Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. GASB Statement No. 100 will be effective for fiscal year ending September 30, 2024.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. GASB Statement No. 101 will be effective for fiscal year ending September 30, 2025.

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

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. GASB Statement No. 102 will be effective for fiscal year ending September 30, 2025.

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

3. Economic Dependency

The Academy receives majority of its annual revenue from the Guam Legislature under the Guam Academy Charter School Funds under a six-year agreement. Under such agreement, the Council will review the Academy every six 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. 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 two bank accounts 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, 2023 and 2022.

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

Notes to Financial Statements, continued

5. Capital and Lease Assets

The following is a summary of the changes in capital and lease assets for the year ended September 30, 2023:

	<u>Beginning Balance</u> <u>October 1, 2022</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2023</u>
Depreciable capital assets:				
Furniture, fixtures, and equipment	\$ 115,798	\$ 12,475	\$ ---	\$ 128,273
Less accumulated depreciation	(41,325)	(47,253)	---	(88,578)
Depreciable capital assets, net	<u>\$ 74,473</u>	<u>\$(34,778)</u>	<u>\$(---)</u>	<u>\$ 39,695</u>
Lease assets:				
Building	\$42,188,015	\$ 24,976	\$ ---	\$42,212,991
Less accumulated amortization	(284,749)	(1,690,018)	---	(1,974,767)
Lease assets, net	<u>\$41,903,266</u>	<u>\$(1,665,042)</u>	<u>\$ ---</u>	<u>\$40,238,224</u>

The following is a summary of the changes in capital and lease assets for the year ended September 30, 2022:

	<u>Beginning</u> <u>Balance, as Restated</u> <u>October 1, 2021</u>	<u>Additions</u>	<u>Transfers</u> <u>and</u> <u>Deletions</u>	<u>Ending Balance</u> <u>September 30, 2022</u>
Depreciable capital assets:				
Furniture, fixtures, and equipment	\$ 73,521	\$ 44,645	\$(2,368)	\$ 115,798
Less accumulated depreciation	(3,535)	(38,570)	780	(41,325)
Depreciable capital assets, net	<u>\$ 69,986</u>	<u>\$ 6,075</u>	<u>\$(1,588)</u>	<u>\$ 74,473</u>
Lease assets:				
Building	\$ ---	\$42,188,015	\$ ---	\$42,188,015
Less accumulated amortization	---	(284,749)	---	(284,749)
Lease assets, net	<u>\$ ---</u>	<u>\$41,903,266</u>	<u>\$ ---</u>	<u>\$41,903,266</u>

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

6. Lease

The Academy leases a school campus which includes classrooms, administrative offices, a cafeteria and a gymnasium. The lease contract was effective on August 1, 2022 for an initial term of 5 years, with an option to extend the lease agreement for up to a total of 25 years. The lease contract includes fixed payments for the annual base rent, ranging from approximately \$1.9 million to \$3.4 million. As of September 30, 2023, the measurement of the lease asset, net of accumulated amortization of \$1,690,018, amounted to \$40,238,224.

The lease contract also includes fixed annual payments for additional rent, ranging from approximately \$433,104 to \$1,124,513. The additional rent is intended to reimburse the landlord for its cost related to the premises and operations thereof, including maintenance, insurance, asset management, audit and legal fees and a maintenance reserve. The lease contract permits the lessor to increase the amount of additional rent payments at any time. For the fiscal years ended September 30, 2023 and 2022, additional rent payments totaled \$693,968 and \$144,368, respectively. Additional rent payments are considered nonlease components and were not included in the measurement of the lease asset and liability.

A summary of future lease payments and additional rent payments is as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Additional Rent</u>
2024	\$ 574,630	\$ 1,386,464	\$ 1,961,094	\$ 648,491
2025	643,992	1,366,129	2,010,121	664,703
2026	716,963	1,343,411	2,060,374	681,320
2027	793,695	1,318,189	2,111,884	698,354
2028	874,349	1,290,331	2,164,680	715,813
2029–2033	5,730,839	5,931,890	11,662,729	3,859,854
2034–2038	8,439,150	4,756,157	13,195,307	4,366,180
2039–2043	11,859,920	3,069,359	14,929,279	4,942,238
2044–2047	<u>11,949,028</u>	<u>814,700</u>	<u>12,763,728</u>	<u>4,225,347</u>
	<u>\$41,582,566</u>	<u>\$21,276,630</u>	<u>\$62,859,196</u>	<u>\$20,802,300</u>

Required Supplementary Information

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

Budgetary Comparison Schedule – Governmental Funds
(Unaudited)

	2023				2022			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
Expenditures:								
Salaries and wages	2,407,813	2,407,813	2,550,146	(142,333)	1,973,974	1,973,974	2,160,280	(186,306)
Contractual services	51,491	51,491	19,000	32,491	119,200	119,200	33,065	86,135
Miscellaneous	---	---	89,304	(89,304)	5,960	5,960	40,982	(35,022)
Operations	483,600	483,600	1,682,299	(1,198,699)	483,600	483,600	498,814	(15,214)
A+ Contract (Educational Infrastructure Contract)	2,791,208	2,791,208	---	2,791,208	2,652,000	2,652,000	1,831,200	820,800
Workers Compensation	5,600	5,600	---	5,600	2,000	2,000	---	2,000
Amortization	---	---	1,690,018	(1,690,018)	---	---	284,749	(284,749)
Interest	---	---	1,405,072	(1,405,072)	---	---	235,782	(235,782)
Total expenditures/expenses	<u>5,739,712</u>	<u>5,739,712</u>	<u>7,435,839</u>	<u>(1,696,127)</u>	<u>5,236,734</u>	<u>5,236,734</u>	<u>5,084,872</u>	<u>151,862</u>
General revenues:								
Appropriations	5,549,712	5,549,712	5,550,000	288	4,753,134	4,753,134	4,588,000	(165,134)
Grant	---	---	45,931	45,931	---	---	65,605	65,605
Miscellaneous	---	---	53,644	53,644	---	---	55,022	55,022
Fundraising	---	---	74,458	74,458	---	---	45,346	45,346
In-Kind	---	---	22,010	22,010	---	---	---	---
	<u>5,549,712</u>	<u>5,549,712</u>	<u>5,746,043</u>	<u>196,331</u>	<u>4,753,134</u>	<u>4,753,134</u>	<u>4,753,973</u>	<u>839</u>
Program revenues:								
Student store	---	---	112,439	112,439	---	---	49,673	49,673
Extended learning	---	---	105,749	105,749	---	---	44,300	44,300
	<u>---</u>	<u>---</u>	<u>218,188</u>	<u>218,188</u>	<u>---</u>	<u>---</u>	<u>93,973</u>	<u>93,973</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(190,000)</u>	<u>(190,000)</u>	<u>(1,471,608)</u>	<u>1,281,608</u>	<u>(483,600)</u>	<u>(483,600)</u>	<u>(236,926)</u>	<u>246,674</u>
Change in net position	(190,000)	(190,000)	(1,471,608)	1,281,608	(483,600)	(483,600)	(236,926)	246,674
Fund balance/net position:								
Beginning of year	<u>(333,624)</u>	<u>(333,624)</u>	<u>72,599</u>	<u>(406,223)</u>	<u>149,976</u>	<u>149,976</u>	<u>309,525</u>	<u>(159,549)</u>
End of year	<u><u>\$ (523,624)</u></u>	<u><u>\$ (523,624)</u></u>	<u><u>\$ (1,399,009)</u></u>	<u><u>\$ 875,385</u></u>	<u><u>\$ (333,624)</u></u>	<u><u>\$ (333,624)</u></u>	<u><u>\$ 72,599</u></u>	<u><u>\$ (406,223)</u></u>



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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
iLearn Academy Charter School, Inc.

We have audited, 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 (*Government Auditing Standards*), the financial statements of iLearn Academy Charter School, Inc. (“the Academy”), which comprise the statement of financial position as of September 30, 2023, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated March 15, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 opinions 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst + Young LLP

March 15, 2024

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

Schedule of Findings and Responses

Finding No. 2023-001

Area: Financial Statement Close Process

Criteria:

Accounting principles generally accepted in the United States of America (US GAAP) require that transactions and events are recorded in the correct accounting period.

Condition:

During our testing of lease assets, we noted that amortization expense was understated by approximately \$1 million, which was mainly due to an error in posting of the lease amortization that went undetected.

Cause:

There appears to have been a lack of thorough review of the significant transactions recorded in the books.

Effect or potential effect:

Errors may exist and not be identified and corrected in a timely manner resulting in the preparation of misstated financial statements.

Recommendation:

We recommend that a proper review of significant transactions and journal entries be performed at each reporting date.

Views of responsible officials:

iLearn Academy will record amortization expense monthly instead of annually. Reconciling the lease journal entries on a monthly basis will ensure that transactions are recorded in the correct accounting period.