



Paul D. Joyce, CPA  
State Examiner

# INDIANA STATE BOARD OF ACCOUNTS

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December 30, 2024

Charter School Board  
Seven Oaks Classical School, Inc.  
Monroe County, Indiana

We have reviewed the audit report of the Seven Oaks Classical School, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2023 to June 30, 2024. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of the Seven Oaks Classical School, Inc. as of June 30, 2024, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the Indiana State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for the Seven Oaks Classical School, Inc., was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA  
Deputy State Examiner

**Seven Oaks Classical School, Inc.**

Financial Statements  
Together with Independent Auditor's Report

For the Years Ended June 30, 2024 and 2023



# Seven Oaks Classical School, Inc.

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## Table of Contents

	<b>Page</b>
<b>Independent Auditor's Report</b> .....	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities and Change in Net Assets .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows .....	6
Notes to the Financial Statements .....	7 - 12
<b>Other Report</b> .....	13
<b>Schedule of Lead Auditor</b> .....	14



# Donovan CPAs

## *Independent Auditor's Report*

The Board of Directors  
Seven Oaks Classical School, Inc.  
Ellettsville, Indiana

### **Opinion**

We audited the financial statements of Seven Oaks Classical School, Inc. (the School), which comprise the statements of financial position as of June 30, 2024 and 2023 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2024 and 2023 and the results of its operations, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 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 School's ability to continue as a going concern for one year after the date the financial statements are issued.

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## **Auditor's Responsibilities 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 including our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee an audit conducted in accordance with GAAS 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, 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, 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 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School'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 School'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 we identified during the audits.



Donovan CPAs  
Indianapolis, Indiana  
September 24, 2024

**Seven Oaks Classical School, Inc.**  
**Statements of Financial Position**  
**June 30, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,585,026	\$ 1,177,058
<b>Fixed Assets</b>		
Land	444,810	407,310
Buildings and improvements	10,928,719	10,646,742
Equipment	78,903	94,356
Vehicles	15,000	-
Less: accumulated depreciation	(1,205,038)	(849,733)
Fixed assets, net	10,262,394	10,298,675
<b>Other Assets</b>		
Cash - restricted	813,772	778,591
<b>Total Assets</b>	\$ 12,661,192	\$ 12,254,324
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of note payable	\$ 5,188	\$ 4,887
Current portion of bonds payable	130,000	-
Accounts payable and accrued expenses	382,695	340,530
Refundable advance	344,411	-
Total current liabilities	862,294	345,417
<b>Long-Term Liabilities</b>		
Note payable, net of current portion	120,892	125,242
Bonds payable, net of current portion	9,574,167	9,715,000
Plus: unamortized premium on bonds payable	630,094	649,784
Less: unamortized bond issuance costs	(322,417)	(332,492)
Long-term liabilities, net of unamortized bond issuance costs	10,002,736	10,157,534
<b>Total Liabilities</b>	10,865,030	10,502,951
<b>Net Assets, Without Donor Restrictions</b>	1,796,162	1,751,373
<b>Total Liabilities and Net Assets</b>	\$ 12,661,192	\$ 12,254,324

See independent auditor's report and notes to the financial statements

**Seven Oaks Classical School, Inc.**  
**Statements of Activities and Change in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Revenue and Support</b>		
State education support	\$ 3,717,821	\$ 3,484,189
Grant revenue	1,317,967	1,047,416
Contributions	122,117	30,403
Other income	112,083	152,660
Total revenue and support	5,269,988	4,714,668
 <b>Expenses</b>		
Program services	4,440,512	3,885,182
Management and general	928,913	1,173,809
Total expenses	5,369,425	5,058,991
 <b>Change in Net Assets from Operations</b>	(99,437)	(344,323)
 <b>Other Income (Loss)</b>		
Employee retention tax credit income, net of expenses	-	719,873
Rental income	51,944	48,707
Interest income	93,271	44,260
Loss on sale of fixed assets	(989)	-
Total other income	144,226	812,840
 <b>Change in Net Assets</b>	44,789	468,517
 <b>Net Assets, Beginning of Year</b>	1,751,373	1,282,856
 <b>Net Assets, End of Year</b>	\$ 1,796,162	\$ 1,751,373

See independent auditor's report and notes to the financial statements

**Seven Oaks Classical School, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2024 and 2023**

	2024			2023		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	\$ 2,253,926	\$ 661,779	\$ 2,915,705	\$ 1,932,161	\$ 838,351	\$ 2,770,512
Employee benefits	426,170	90,707	516,877	370,431	144,701	515,132
Interest	486,850	-	486,850	486,288	-	486,288
Classroom and office supplies	385,908	25,002	410,910	275,235	20,062	295,297
Depreciation	372,249	-	372,249	368,914	-	368,914
Occupancy	193,703	15,649	209,352	193,924	17,021	210,945
Professional services	147,359	31,124	178,483	141,351	36,376	177,727
Information technology	101,266	-	101,266	50,539	-	50,539
Authorizer oversight fees	-	80,102	80,102	-	97,713	97,713
Insurance	61,157	-	61,157	49,228	-	49,228
Travel	7,401	1,001	8,402	-	1,327	1,327
Staff development	576	-	576	15,173	-	15,173
Equipment	-	-	-	-	-	-
Other	3,947	23,549	27,496	1,938	18,258	20,196
Total functional expenses	<u>\$ 4,440,512</u>	<u>\$ 928,913</u>	<u>\$ 5,369,425</u>	<u>\$ 3,885,182</u>	<u>\$ 1,173,809</u>	<u>\$ 5,058,991</u>

See independent auditor's report and notes to the financial statements

**Seven Oaks Classical School, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Operating Activities</b>		
Change in net assets	\$ 44,789	\$ 468,517
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	372,249	368,914
Loss on sale of fixed assets	989	-
Amortization of premium on bonds payable	(19,690)	(19,690)
Amortization of bond issuance costs	10,075	10,075
Change in certain assets and liabilities:		
Accounts payable and accrued expenses	42,165	1,873
Refundable advance	344,411	-
Net change in cash from operating activities	<u>794,988</u>	<u>829,689</u>
<b>Investing Activities</b>		
Purchases of fixed assets	(354,957)	(2,261,093)
Cash proceeds from sale of fixed assets	18,000	-
Net change in cash from investing activities	<u>(336,957)</u>	<u>(2,261,093)</u>
<b>Financing Activities</b>		
Principal payments on notes payable	(4,049)	(4,729)
Principal payment on bonds payable	(10,833)	-
Net change in cash from investing activities	<u>(14,882)</u>	<u>(4,729)</u>
<b>Net Change in Cash</b>	443,149	(1,436,133)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,955,649</u>	<u>3,391,782</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 2,398,798</u>	<u>\$ 1,955,649</u>
<b>Cash and Cash Equivalents, End of Year</b>		
Cash and cash equivalents - unrestricted	\$ 1,585,026	\$ 1,177,058
Cash - restricted	813,772	778,591
Total cash and cash equivalents, end of year	<u>\$ 2,398,798</u>	<u>\$ 1,955,649</u>
<b>Supplemental Information</b>		
Cash paid for interest	\$ 466,402	\$ 476,673

See independent auditor's report and notes to the financial statements

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 1 – Nature of Activities**

General

Seven Oaks Classical School, Inc. (the School) is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Grace College. The charter agreement remains in effect until June 2028 and is renewable thereafter by mutual consent. During the 2023 - 2024 academic year, the School served approximately 515 students in kindergarten through twelfth grade (approximately 500 students during the 2022 - 2023 school year).

**Note 2 – Summary of Significant Accounting Policies**

Financial Statement Presentation

The School reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources available for the operating objectives of the School; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

As of June 30, 2024 and 2023, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. The School held a certificate of deposit account at June 30, 2024 and 2024, which met the definition of a cash equivalent.

Fixed Assets

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases of less than \$5,000 individually are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Buildings and improvements are depreciated over 30 years. Equipment and vehicles are depreciated over 5 years.

Bond Issuance Costs

The School incurred costs totaling \$352,642 associated with the bond issuance. Amortization of these bond issuance costs is provided on a straight-line basis over the term of the bonds (35 years). Amortization expense for both years ended June 30, 2024 and 2023 was \$10,075 and is included in interest expense. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct reduction from the carrying amount of the related debt liability on the statements of financial position.

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

Taxes on Income

The School received a determination from the U.S. Treasury Department stating it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2024 and 2023, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School examined this issue and determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2020 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through September 24, 2024, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**Note 3 – Refundable Advance**

The School was awarded a Charter School Facility Grant to provide for facility costs. The grant is considered an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. The refundable grant advance totaled \$344,411 and \$-0- as of June 30, 2024 and June 30, 2023, respectively. The School intends to expend the entire balance during the year ending June 30, 2025.

**Note 4 – Revenue Recognition**

Revenue Recognition Policy

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Incurring approved costs is considered satisfaction of the performance obligations.

The School also receives contributions and grants from private organizations and individuals, which are recorded in accordance with the terms of the underlying agreement.

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 4 – Revenue Recognition (Continued)**

Disaggregation of Revenue

Revenue is disaggregated on the statements of activities and change in net assets.

**Note 5 – Employee Retention Credits**

The Coronavirus Aid, Relief, and Economic Security Act includes a provision for the Employee Retention Credit (ERC) program. The ERC is a refundable tax credit for employers equal to 50 percent of qualified wages paid after March 12, 2020 and before June 30, 2021. The School engaged an independent third party to assist with calculating and applying for these credits. During the year ended June 30, 2023, the School received and recognized credits totaling \$876,487 and interest totaling \$62,507. The School incurred fees to the independent third party equal to 25% of the total credits received, which totaled \$219,121 and is netted against the income. These combined amounts totaled \$719,873 and is included as other income on the statements of activities and change in net assets.

**Note 6 – Restricted Cash**

Restricted cash is comprised of the following as of June 30:

	2024	2023
Bond reserve fund	\$ 633,007	\$ 617,226
Repair and replacement fund	136,389	89,273
Bond service fund	44,376	58,404
Revenue fund	-	13,688
	\$ 813,772	\$ 778,591

*Bond reserve fund* – reserved for the payment of principal and interest on the bonds

*Repair and replacement fund* – reserved for repairs and replacements

*Bond service fund* – funded monthly by the School and used to pay bi-annual debt service payments

*Revenue fund* – reserved for revenue-generating

**Note 7 – Line of Credit**

The School had a \$200,000 revolving line of credit with Owen County State Bank that matured March 2024. The School did not renew the line of credit. As of June 30, 2023, the School had no borrowing on the line of credit.

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 8 – Bonds Payable**

The School consolidated existing debt and remodeled, refurbished, expanded, and equipped the School’s existing facilities through the issuance of bonds. The Series 2021 Bonds total \$9,715,000 with principal payments increasing from \$130,000 to \$585,000, beginning in June 2025 and maturing in June 2056. Interest payments are made annually with rates ranging from 4.25% to 5.00% in accordance with the bond agreements. The bonds are secured by land, building, and improvements.

The premium on the Series 2021 bonds totaled \$689,164 and is being amortized over the 35-year life of the bonds, beginning July 2021. The amortization of \$19,690 per year is netted against interest expense.

The bond agreement contains certain covenants requiring:

- submission of audited financial statements within 180 days after the end of the fiscal year;
- a minimum 30 days’ cash on hand as of each June 30, and;
- a minimum debt service coverage ratio of 1.10 to 1.00, measured annually;

The School met all the covenants as of June 30, 2024.

Principal maturities of bonds payable are as follows for the years ending June 30:

2025	\$	130,000
2026		140,000
2027		145,000
2028		150,000
2029		155,000
Thereafter		8,984,167
		8,984,167
	\$	9,704,167

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 9 – Note Payable**

The School has a note payable to Owen County State Bank bearing interest at 6%, with monthly payments of principal and interest totaling \$1,044, maturing July 2039. The note is secured by a mortgage on the 121 E. Association Street property.

Principal maturities of the note payable are as follows for the years ending June 30:

2025	\$	5,188
2026		5,509
2027		5,848
2028		6,209
2028		6,592
Thereafter		96,734
	<u>\$</u>	<u>126,080</u>

**Note 10 – Retirement Plan**

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for electing teaching faculty to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2023 (the latest year reported), TRF was approximately 88% funded.

The School also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, the School contributes 7.5% of each employee's defined compensation.

Retirement plan expense was \$179,598 and \$174,187 for the years ended June 30, 2024 and 2023, respectively.

**Note 11 – Commitments**

As the sponsoring organization, Grace College exercises certain oversight responsibilities. Grace College assesses an authorizer oversight fee equal to 2.5% (3.0% for the 2022-2023 school year) of state tuition support received. The fees were \$80,102 and \$97,713 for the years ended June 30, 2024 and 2023, respectively.

The charter agreement requires the School to establish an escrow of \$30,000 should a dissolution occur, which has been established and is cash and cash equivalents on the statements of financial position.

**Seven Oaks Classical School, Inc.**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2024 and 2023**

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**Note 12 – Risks and Uncertainties**

The School provides education instruction services to families primarily residing in Ellettsville, Indiana and greater Monroe County, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments potentially subjecting the School to concentrations of credit risk consist principally of funds from the State of Indiana. In addition, deposits maintained at Owen County State Bank are insured up to the FDIC insurance limit of \$250,000. As of June 30, 2024, approximately \$1.4 million in cash was uninsured.

**Note 13 – Liquidity**

The School's only financial assets are cash and cash equivalents, excluding restricted cash. Financial assets available to meet cash needs for general expenditures within one year totaled \$1,555,026 and \$1,147,058 as of June 30, 2024 and 2023, respectively, which excludes restricted cash and the escrow account balance of \$30,000 (Note 11).

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note 14 – Functional Expenses Reporting**

The costs of providing educational activities are summarized on a functional basis in the statements of activities and change in net assets. Management of the School categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**Seven Oaks Classical School, Inc.**  
**Other Report**  
**For the Year Ended June 30, 2024**

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The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Seven Oaks Classical School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its Guidelines for the Audits of Charter Schools Performed by Private Examiners pertaining to matters addressed in its Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.

**Seven Oaks Classical School, Inc.**  
**Schedule of Lead Auditor**  
**For the Years Ended June 30, 2024 and 2023**

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