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January 25, 2022

Charter School Board
Seven Oaks Classical School, Inc.
200 E. Association Street
Ellettsville, IN 47429

We have reviewed the audit report of Seven Oaks Classical School, Inc., which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2020 to June 30, 2021. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Seven Oaks Classical School, Inc. as of June 30, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Emphasis of Matter paragraph included in the Independent Auditors' Report and further detailed in Note 12.

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

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

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

SEVEN OAKS CLASSICAL SCHOOL, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
 FINANCIAL STATEMENTS	
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 - 13
 OTHER REPORT	 14



Donovan CPAs

Independent Auditors' Report

The Board of Directors
Seven Oaks Classical School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Seven Oaks Classical School, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seven Oaks Classical School, Inc. as of June 30, 2021 and 2020, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, net assets as of June 30, 2020 have been adjusted to correct an error pertaining to a grant receivable and related revenue that should have been recognized during the year ended June 30, 2020 in the amount of \$146,902. This correction is reflected in the accompanying financial statements as an increase in grant receivable as of June 30, 2020, a corresponding increase in grant revenue for the year ended June 30, 2020, and an increase in net assets as of June 30, 2020. Our opinion is not modified with respect to this matter.

DONOVAN

A handwritten signature in dark ink, appearing to read "DONOVAN", with a stylized, cursive-like font.

Indianapolis, Indiana
December 13, 2021

SEVEN OAKS CLASSICAL SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 602,961	\$ 349,682
Grant receivable	-	146,902
<i>Total current assets</i>	<u>602,961</u>	<u>496,584</u>
PROPERTY AND EQUIPMENT		
Land	363,810	333,810
Buildings and improvements	2,767,504	2,606,301
Equipment	8,990	8,990
Construction in process	134,147	-
Less: accumulated depreciation	<u>(379,194)</u>	<u>(286,565)</u>
<i>Property and equipment, net</i>	<u>2,895,257</u>	<u>2,662,536</u>
OTHER ASSETS		
Cash - restricted	<u>7,789,085</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,287,303</u>	<u>\$ 3,159,120</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	\$ 4,336	\$ 277,782
Accounts payable and accrued expenses	287,893	216,700
Refundable advance - CARES Act funding	-	48,198
<i>Total current liabilities</i>	<u>292,229</u>	<u>542,680</u>
LONG-TERM LIABILITIES		
Notes payable, net of current portion	134,201	2,129,068
Bonds payable	9,715,000	-
Plus: unamortized premium on bonds payable	689,164	-
Less: unamortized bond issuance costs	<u>(352,642)</u>	<u>-</u>
<i>Long-term liabilities, net of unamortized bond issuance costs</i>	<u>10,185,723</u>	<u>2,129,068</u>
<i>Total liabilities</i>	10,477,952	2,671,748
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>809,351</u>	<u>487,372</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,287,303</u>	<u>\$ 3,159,120</u>

See independent auditors' report and accompanying notes to the financial statements

SEVEN OAKS CLASSICAL SCHOOL, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT		
State education support	\$ 2,639,767	\$ 2,304,789
Grant revenue	974,370	908,955
Contributions	27,823	6,923
Other income	110,123	57,064
	<u>3,752,083</u>	<u>3,277,731</u>
<i>Total revenue and support</i>		
EXPENSES		
Program services	2,701,764	2,271,630
Management and general	776,538	700,480
	<u>3,478,302</u>	<u>2,972,110</u>
<i>Total expenses</i>		
CHANGE IN NET ASSETS FROM OPERATIONS	273,781	305,621
PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME	<u>48,198</u>	<u>314,602</u>
CHANGE IN NET ASSETS	321,979	620,223
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>487,372</u>	<u>(132,851)</u>
NET ASSETS, END OF YEAR	<u>\$ 809,351</u>	<u>\$ 487,372</u>

See independent auditors' report and accompanying notes to the financial statements

SEVEN OAKS CLASSICAL SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,522,961	\$ 533,710	\$ 2,056,671	\$ 1,245,309	\$ 465,945	\$ 1,711,254
Employee benefits	329,890	86,402	416,292	305,299	82,111	387,410
Classroom and office supplies	200,663	17,968	218,631	182,148	16,690	198,838
Occupancy	202,272	16,076	218,348	127,866	15,547	143,413
Professional services	138,393	37,531	175,924	139,858	55,702	195,560
Interest	98,293	-	98,293	69,470	-	69,470
Depreciation	92,629	-	92,629	88,460	-	88,460
Information technology	58,832	-	58,832	71,461	-	71,461
Authorizer oversight fees	-	72,083	72,083	-	58,390	58,390
Insurance	39,300	-	39,300	21,684	-	21,684
Staff development	13,194	-	13,194	9,234	-	9,234
Equipment	2,728	-	2,728	8,117	-	8,117
Travel	-	841	841	-	1,970	1,970
Other	2,609	11,927	14,536	2,724	4,125	6,849
<i>Total functional expenses</i>	<u>\$ 2,701,764</u>	<u>\$ 776,538</u>	<u>\$ 3,478,302</u>	<u>\$ 2,271,630</u>	<u>\$ 700,480</u>	<u>\$ 2,972,110</u>

See independent auditors' report and accompanying notes to the financial statements

SEVEN OAKS CLASSICAL SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 321,979	\$ 620,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	92,629	88,460
Paycheck Protection Program loan forgiveness income	(48,198)	(314,602)
Change in certain assets and liabilities:		
Grant receivable	146,902	(146,902)
Prepaid expenses	-	9,600
Accounts payable and accrued expenses	<u>71,193</u>	<u>10,171</u>
<i>Net cash provided by operating activities</i>	<u>584,505</u>	<u>266,950</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(191,203)</u>	<u>(213,074)</u>
FINANCING ACTIVITIES		
Payments on line of credit	-	(40,000)
Proceeds from note payable	-	144,800
Proceeds from Paycheck Protection Program loan payable	-	362,800
Proceeds from bonds payable	9,917,375	-
Principal payments on notes payable	<u>(2,268,313)</u>	<u>(272,940)</u>
<i>Net cash provided by financing activities</i>	<u>7,649,062</u>	<u>194,660</u>
NET CHANGE IN CASH	8,042,364	248,536
CASH, BEGINNING OF YEAR	<u>349,682</u>	<u>101,146</u>
CASH, END OF YEAR	<u>\$ 8,392,046</u>	<u>\$ 349,682</u>
CASH, END OF YEAR		
Cash - unrestricted	\$ 602,961	\$ 349,682
Cash - restricted	<u>7,789,085</u>	<u>-</u>
<i>Total cash, end of year</i>	<u>\$ 8,392,046</u>	<u>\$ 349,682</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 71,393	\$ 70,470
Bond issuance costs financed through bonds payable	352,642	-

See independent auditors' report and accompanying notes to the financial statements

SEVEN OAKS CLASSICAL SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. During the 2020-2021 academic year, the School served approximately 400 students in kindergarten through twelfth grade. During the 2019-2020 academic year, the School served approximately 345 students in kindergarten through eleventh grade.

During June 2021, the School entered into a \$9,715,000 bond issuance (Note 6) to consolidate existing debt and remodel, refurbish, expand, and equip the School’s existing school facilities. Beginning stages of construction began as of June 2021 and management anticipates completion by the start of the 2022-2023 school year.

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 that are 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, 2021 and 2020, the School had only net assets without donor restrictions.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which requires management to make estimates and assumptions that affect 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. There were no cash equivalents at June 30, 2021 and 2020.

Property and Equipment – 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 and equipment is depreciated over 5 years.

Bond Issuance Costs – In June 2021, the School incurred costs totaling \$352,642 associated with the bond issuance. Amortization of these bond issuance costs will be provided on a straight-line basis over the term of the bonds, beginning July 2021. 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, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – The School has received a determination from the U.S. Treasury Department stating that 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, 2021 and 2020, 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 be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is 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 has examined this issue and has determined there are no material contingent tax liabilities or questionable tax positions. Tax years ended after June 30, 2017 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 13, 2021, 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 2 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective July 1, 2020, the School adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The School has applied the provisions of this ASU to the June 30, 2021 and 2020 financial statements. There was no material impact on the financial statements.

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 agreements.

SEVEN OAKS CLASSICAL SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION, Continued

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

NOTE 3 - RESTRICTED CASH

Restricted cash is comprised of the following as of June 30, 2021:

Project fund	\$	6,865,853
Bond reserve fund		617,450
Bond capitalized interest fund		260,000
Bond service fund		24,994
Bond expenses		14,288
Repair and replacement fund		3,500
Earnest funds		3,000
	\$	7,789,085

Project fund – reserved for real estate purchase, construction, and building improvements

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

Bond capitalized interest fund – reserved for payment of interest during construction phase

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

Repair and replacement fund – reserved for repairs and replacements

Earnest funds – represents funds on earnest for purchase of property

NOTE 4 - LINE OF CREDIT

The School has a \$200,000 revolving line of credit with Owen County State Bank that matures in September 2022. Borrowings bear interest at the bank’s prime rate plus 1% (a total of 4.25% at June 30, 2021) and are secured by substantially all assets of the School. As of June 30, 2021 and 2020, 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, 2021 and 2020

NOTE 5 - PAYCHECK PROTECTION PROGRAM

On April 23, 2020, the School was granted a loan from Old National Bank in the amount of \$362,800, pursuant to the Paycheck Protection Program (“PPP”) under Division A, Title I of the CARES Act. Under the terms of the PPP, the loan funds are to be forgiven if they are used for qualifying expenses as described in the CARES Act. As of June 30, 2020, the School evaluated the expenses to which the funds were applied and determined the loan requirements had been met for the \$314,602 of qualified expenses incurred through that date and recognized that amount as PPP loan forgiveness income during the year ended June 30, 2020. The remaining funds were spent on qualified expenses during the year ended June 30, 2021 and recognized as PPP loan forgiveness income. The School was notified by Old National Bank on November 2, 2020 that the PPP loan has been forgiven in full.

NOTE 6 - BONDS PAYABLE

In June 2021, the School executed a transaction to consolidate existing debt and remodel, refurbish, expand, and equip the School’s existing school facilities through the issuance of bonds. The Series 2021 Bonds total \$9,715,000 with principal payments that increase 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 will be 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, 2021.

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

2022	\$	-
2023		-
2024		-
2025		130,000
2026		140,000
Thereafter		<u>9,445,000</u>
	\$	<u><u>9,715,000</u></u>

SEVEN OAKS CLASSICAL SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Note payable to State Board of Education, payable \$100,000 semi-annually (January 1 and July 1) plus interest at 1% per annum until July 2027	\$ -	\$ 1,500,000
Note payable to IFF, payable \$6,484 monthly, including interest at 5.375% per annum until December 2021	-	659,286
Note payable to IFF, payable \$2,988 monthly, including interest at 5.875% per annum until September 2023	-	105,833
Note payable to Owen County State Bank, payable \$1,044 monthly, including interest at 6% per annum until July 2039	138,537	141,731
	<u>138,537</u>	<u>2,406,850</u>
Less: current portion	<u>(4,336)</u>	<u>(277,782)</u>
Long-term portion	<u>\$ 134,201</u>	<u>\$ 2,129,068</u>

The note payable to the State Board of Education was the result of the Common School Funds Charter School Innovation Fund Advancement program. This note was secured by the School's future tuition support payments on the School's basic grant. The note was paid off with the proceeds from the bonds.

The IFF notes payable were secured by the mortgage of the school building and financed equipment. The notes were paid off with the proceeds from the bonds.

The Owen County State Bank note payable is secured by the mortgage of the 121 E. Association Street property.

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

2022	\$ 4,336
2023	4,603
2024	4,887
2025	5,188
2026	5,509
Thereafter	<u>114,014</u>
	<u>\$ 138,537</u>

SEVEN OAKS CLASSICAL SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 8 - 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, 2020 (the latest year funding status was reported), TRF was more than 100% 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 \$81,849 and \$84,798 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 - COMMITMENTS

The School operates under a charter granted by Grace College. As the sponsoring organization, Grace College exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Grace College an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$72,083 and \$58,390 for the years ended June 30, 2021 and 2020, respectively. The charter remains in effect until September 2023 and is renewable thereafter by mutual consent.

The charter agreement requires the School to establish an escrow of no less than \$25,000, should a dissolution occur. As of June 30, 2021, this account has been established and is included in the balance of cash on the statements of financial statements.

The School entered into a contract with C.H. Garmong & Son, Inc. ("the Builder") to provide the facility upgrade and expansion (see Note 1). The work is projected to be completed by the start of the 2022-2023 school year, with certain milestones to be met along the way. The contract requires the Builder to retain architects, consultants, and contractors at the Builder's expense, as well as providing the School with monthly quality and progress reports. The total project cost is projected to be \$7 million.

NOTE 10 - 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.

SEVEN OAKS CLASSICAL SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 10 - RISKS AND UNCERTAINTIES, Continued

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 that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Owen County State Bank are insured up to the FDIC insurance limit.

NOTE 11 - LIQUIDITY

The School's financial assets include cash and grant receivable. Financial assets available to meet cash needs for general expenditures within one year totaled \$577,961 and \$496,584 as of June 30, 2021 and 2020, respectively, which excludes restricted cash and the \$25,000 escrow account (Note 9).

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. In addition, the School has a \$200,000 line of credit available (see Note 4) to meet future financial obligations.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Net assets as of July 1, 2020 have been adjusted to properly account for grants revenue and related receivables that should have been recognized during the year ended June 30, 2020. The School submitted a reimbursement request on June 29, 2020 for expenses related to the period from January to June 2020, which should have been recorded as a receivable as of June 30, 2020. This amounted to \$146,902 of additional revenue for the year ended June 30, 2020.

Management has reviewed its treatment and determined a prior period adjustment is required to properly reflect revenue recognition. Net assets as of July 1, 2020 have been increased by \$146,902.

NOTE 13 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has 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 Years Ended June 30, 2021

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*.