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January 17, 2023

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, 2021 to June 30, 2022. 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, 2022 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 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 cursive script that reads "Tammy R. White".

Tammy R. White, CPA  
Deputy State Examiner

**SEVEN OAKS CLASSICAL SCHOOL, INC.**

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2022 and 2021



## TABLE OF CONTENTS

	<b>Page</b>
<b>INDEPENDENT AUDITORS' 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 - 13
 <b>OTHER REPORT</b> .....	 14



## *Independent Auditors' Report*

The Board of Directors  
Seven Oaks Classical School, Inc.

### **Opinion**

We have audited the financial statements of Seven Oaks Classical School, Inc. (the "School"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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.

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

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## **Auditors' 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 auditors' report that includes our opinion. 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 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, 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 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 that we identified during the audits.

DONOVAN



Indianapolis, Indiana  
December 13, 2022

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 551,020	\$ 602,961
<b>PROPERTY AND EQUIPMENT</b>		
Land	407,310	363,810
Buildings and improvements	3,378,210	2,767,504
Equipment	51,054	8,990
Construction in process	6,066,660	134,147
Less: accumulated depreciation	<u>(480,819)</u>	<u>(379,194)</u>
<i>Property and equipment, net</i>	<u>9,422,415</u>	<u>2,895,257</u>
<b>OTHER ASSETS</b>		
Cash - restricted	<u>2,840,762</u>	<u>7,789,085</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,814,197</u></u>	<u><u>\$ 11,287,303</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of note payable	\$ 4,603	\$ 4,336
Accounts payable and accrued expenses	338,657	287,893
Construction costs payable	<u>1,015,919</u>	<u>-</u>
<i>Total current liabilities</i>	<u>1,359,179</u>	<u>292,229</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	130,255	134,201
Bonds payable	9,715,000	9,715,000
Plus: unamortized premium on bonds payable	669,474	689,164
Less: unamortized bond issuance costs	<u>(342,567)</u>	<u>(352,642)</u>
<i>Long-term liabilities, net of unamortized bond issuance costs</i>	<u>10,172,162</u>	<u>10,185,723</u>
<i>Total liabilities</i>	11,531,341	10,477,952
<b>NET ASSETS, WITHOUT DONOR RESTRICTIONS</b>	<u>1,282,856</u>	<u>809,351</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 12,814,197</u></u>	<u><u>\$ 11,287,303</u></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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>REVENUE AND SUPPORT</b>		
State education support	\$ 3,147,378	\$ 2,639,767
Grant revenue	1,199,782	974,370
Contributions	41,619	27,823
Other income	152,545	110,123
	<u>4,541,324</u>	<u>3,752,083</u>
<i>Total revenue and support</i>		
<b>EXPENSES</b>		
Program services	3,097,155	2,701,764
Management and general	970,664	776,538
	<u>4,067,819</u>	<u>3,478,302</u>
<i>Total expenses</i>		
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	473,505	273,781
<b>PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS INCOME</b>	<u>-</u>	<u>48,198</u>
<b>CHANGE IN NET ASSETS</b>	473,505	321,979
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>809,351</u>	<u>487,372</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,282,856</u>	<u>\$ 809,351</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, 2022 and 2021**

	<u>2022</u>			<u>2021</u>		
	<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	\$ 1,828,334	\$ 690,343	\$ 2,518,677	\$ 1,522,961	\$ 533,710	\$ 2,056,671
Employee benefits	349,989	119,755	469,744	329,890	86,402	416,292
Classroom and office supplies	269,831	17,871	287,702	200,663	17,968	218,631
Occupancy	173,971	16,635	190,606	202,272	16,076	218,348
Professional services	148,312	25,797	174,109	138,393	37,531	175,924
Interest	107,611	-	107,611	98,293	-	98,293
Depreciation	101,625	-	101,625	92,629	-	92,629
Authorizer oversight fees	-	82,127	82,127	-	72,083	72,083
Information technology	62,348	-	62,348	58,832	-	58,832
Insurance	32,573	-	32,573	39,300	-	39,300
Staff development	21,630	-	21,630	13,194	-	13,194
Travel	-	1,778	1,778	-	841	841
Equipment	71	-	71	2,728	-	2,728
Other	860	16,358	17,218	2,609	11,927	14,536
<i>Total functional expenses</i>	<u>\$ 3,097,155</u>	<u>\$ 970,664</u>	<u>\$ 4,067,819</u>	<u>\$ 2,701,764</u>	<u>\$ 776,538</u>	<u>\$ 3,478,302</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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 473,505	\$ 321,979
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,625	92,629
Amortization of premium on bonds payable	(19,690)	-
Amortization of bond issuance costs	10,075	-
Paycheck Protection Program loan forgiveness income	-	(48,198)
Change in certain assets and liabilities:		
Grant receivable	-	146,902
Accounts payable and accrued expenses	50,764	71,193
<i>Net cash provided by operating activities</i>	<u>616,279</u>	<u>584,505</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(5,612,864)</u>	<u>(191,203)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from bonds payable	-	9,917,375
Principal payments on notes payable	<u>(3,679)</u>	<u>(2,268,313)</u>
<i>Net cash provided by (used in) financing activities</i>	<u>(3,679)</u>	<u>7,649,062</u>
<b>NET CHANGE IN CASH</b>	(5,000,264)	8,042,364
<b>CASH, BEGINNING OF YEAR</b>	<u>8,392,046</u>	<u>349,682</u>
<b>CASH, END OF YEAR</b>	<u>\$ 3,391,782</u>	<u>\$ 8,392,046</u>
<b>CASH, END OF YEAR</b>		
Cash - unrestricted	\$ 551,020	\$ 602,961
Cash - restricted	<u>2,840,762</u>	<u>7,789,085</u>
<i>Total cash, end of year</i>	<u>\$ 3,391,782</u>	<u>\$ 8,392,046</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest, including bond interest capitalized	\$ 487,814	\$ 71,393
Bond interest capitalized during construction phase	376,436	-
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, 2022 and 2021**

**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 2021-2022 academic year, the School served approximately 470 students in kindergarten through twelfth grade (approximately 400 students during the 2020-2021 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 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, 2022 and 2021, 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 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, 2022 and 2021.

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. Beginning July 2021, amortization of these bond issuance costs is provided on a straight-line basis over the term of the bonds (35 years). Amortization expense for the year ended June 30, 2022 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, 2022 and 2021**

**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, 2022 and 2021, 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, 2018 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 13, 2022, 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 – 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.

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

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 3 - RESTRICTED CASH**

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

	<u>2022</u>	<u>2021</u>
Project fund	\$ 2,059,600	\$ 6,865,853
Bond reserve fund	617,453	617,450
Bond capitalized interest fund	85,011	260,000
Repair and replacement fund	45,501	3,500
Bond service fund	33,197	24,994
Bond expenses fund	-	14,288
Earnest funds	-	3,000
	<u>\$ 2,840,762</u>	<u>\$ 7,789,085</u>

*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

*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

*Bond expense fund* – reserved to pay bond issuance costs

*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 March 2024. Borrowings bear interest at the bank’s prime rate plus 1% (a total of 5.75% at June 30, 2022) and are secured by substantially all assets of the School. As of June 30, 2022 and 2021, the School had no borrowing on the line of credit.

**NOTE 5 - BONDS PAYABLE**

In June 2021, the School executed a transaction to consolidate existing debt and remodel, refurbish, expand, and equip the School’s existing 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.

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 5 - BONDS PAYABLE, Continued**

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.

During the year ended June 30, 2022, the construction period interest incurred on the bond proceeds used for construction of the new school facility totaled \$376,436 and has been capitalized as part of construction in progress.

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, 2022.

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

2023	\$	-
2024		-
2025		130,000
2026		140,000
2027		145,000
Thereafter		<u>9,300,000</u>
	\$	<u>9,715,000</u>

**NOTE 6 - 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. The outstanding balance of the note payable was \$134,858 and \$138,537 as of June 30, 2022 and 2021, respectively.

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

2023	\$	4,603
2024		4,887
2025		5,188
2026		5,509
2027		5,848
Thereafter		<u>108,823</u>
	\$	<u>134,858</u>

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 7 - PAYCHECK PROTECTION PROGRAM**

On April 23, 2020, the School qualified and received a loan totaling \$362,800 from Old National Bank pursuant to the Paycheck Protection Program (“PPP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The proceeds from PPP notes payable could be used for costs related to payroll, employee healthcare, rent, and utilities. Under the terms of the PPP, the loan funds would be forgiven if they were used for qualifying expenses as described in the CARES Act. The School evaluated the expenses to which these funds were applied and determined the loan requirements were met and therefore would be forgiven for the allowable expenses incurred. Allowable expenses incurred totaled \$48,198 during the year ended June 30, 2021. An additional \$314,602 in allowable expenses were incurred prior to July 1, 2020. The School elected to recognize the funds as a contribution in accordance with FASB ASC 958-605 by reflecting the amount of funds expended during the year as PPP loan forgiveness income. The School was notified by Old National Bank on November 2, 2020 that the entire balance of the PPP loan was forgiven in full.

**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, 2021 (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 \$121,252 and \$81,849 for the years ended June 30, 2022 and 2021, 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 \$82,127 and \$72,083 for the years ended June 30, 2022 and 2021, 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 \$30,000, should a dissolution occur. As of June 30, 2022 and 2021, this account has been established and is included in the balance of cash on the statements of financial position.

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 9 - COMMITMENTS, Continued**

The School entered into a contract with C.H. Garmong & Son, Inc. (“the Builder”) to provide the facility upgrade and expansion. The work is projected to be completed during the 2022-2023 school year. 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. As of June 30, 2022, the remaining balance to finish the project is estimated at \$1.1 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.

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 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, 2022 and 2021 and regularly throughout the years then ended, funds held at Owen County State Bank exceeded FDIC insurance limits.

**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 \$521,020 and \$577,961 as of June 30, 2022 and 2021, respectively, which excludes restricted cash and the escrow account balance of \$30,000 and \$25,000 as of June 30, 2022 and 2021, respectively (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.

**SEVEN OAKS CLASSICAL SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 12 - 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, 2022**

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*.