



FINANCIAL STATEMENTS

June 30, 2022

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Independent Auditors' Report

Board of Directors
Kairos Academies

Report on the Financial Statements

Opinion

We have audited the financial statements of Kairos Academies, which comprise the statement of assets, liabilities and net assets – modified cash basis as of June 30, 2022, the related statements of revenues, expenses and changes in net assets – modified cash basis, functional expenses – modified cash basis, and cash flows – modified cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets – modified cash basis of Kairos Academies and as of June 30, 2022, and its revenues, expenses and changes in net assets – modified cash basis and its cash flows for the year then ended in accordance with the modified cash basis of accounting as described in Note B.

Basis for Opinion

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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 Kairos Academies and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter-Basis of Accounting

We drew attention to Note B of the financial statements, which described the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Kairos Academies ability to continue as a going concern for one year after the date that the financial statements are issued.

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 and *Governmental 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 *Governmental 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 Kairos Academies' 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 Kairos Academies' 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.

Other Information

Management is responsible for the other information. The other information comprises the schedule of revenues, expenditures, and changes in fund balances – cash basis – governmental funds, schedule of revenues collected by source –cash basis – governmental funds, and schedule of expenditures paid by object –cash basis – governmental funds but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2022 on our consideration of Kairos Academies' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing, and not to provide an opinion on the effectiveness of Kairos Academies' 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 Kairos Academies' internal control over financial reporting and compliance.

Kerber, Eck & Brackel LLP

St. Louis, Missouri
December 28, 2022

Kairos Academies
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
MODIFIED CASH BASIS
June 30, 2022

ASSETS

Cash and cash equivalents	\$ 3,238,721
Property and equipment, net	<u>390,805</u>
Total assets	<u><u>\$ 3,629,526</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accrued personnel costs	\$ 31,566
Net assets	
Without donor restrictions	3,571,099
With donor restrictions	<u>26,861</u>
Total net assets	<u><u>3,597,960</u></u>
Total liabilities and net assets	<u><u>\$ 3,629,526</u></u>

The accompanying notes are an integral part of this financial statement.

Kairos Academies
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
MODIFIED CASH BASIS
Year ended June 30, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES			
Federal revenue	\$ 2,677,513	\$ 102,352	\$ 2,779,865
State revenue	3,990,670	-	3,990,670
Local revenue	929,065	-	929,065
Other	2,804	-	2,804
Released from restrictions	75,491	(75,491)	-
	<hr/>		
Total revenues	7,675,543	26,861	7,702,404
EXPENSES			
Program services	4,777,569	-	4,777,569
Management and general	1,141,116	-	1,141,116
	<hr/>		
Total expenses	5,918,685	-	5,918,685
	<hr/>		
INCREASE IN NET ASSETS	1,756,858	26,861	1,783,719
	<hr/>		
Net assets at July 1, 2021	1,814,241	-	1,814,241
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Net assets at June 30, 2022	\$ 3,571,099	\$ 26,861	\$ 3,597,960
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The accompanying notes are an integral part of this financial statement.

Kairos Academies**STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS****Year ended June 30, 2022**

	Program services	Management and general	Total
Salaries	\$ 912,903	\$ 9,311	\$ 922,214
Payroll taxes and benefits	293,908	4,192	298,100
Conferences, meeting and travel	62,862	1,723	64,585
Contract and professional fees	2,309,338	847,117	3,156,455
Depreciation	51,681	9,692	61,373
Student transportation	1,655	-	1,655
Food service	93,700	-	93,700
Supplies	20,087	22,224	42,311
Insurance	-	20,360	20,360
Occupancy	196,646	61,050	257,696
Textbook and educational materials	181,324	-	181,324
Telephone and communications	-	2,081	2,081
Rent expense	653,465	163,366	816,831
Total expenses	<u>\$ 4,777,569</u>	<u>\$ 1,141,116</u>	<u>\$ 5,918,685</u>

The accompanying notes are an integral part of this financial statement.

Kairos Academies
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
Year ended June 30, 2022

Cash flows from operating activities	
Increase in net assets	\$ 1,783,719
Depreciation expense	61,373
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Change in assets and liabilities	
Increase in accrued personnel costs	<u>28,920</u>
Net cash provided by operating activities	1,874,012
Cash flows from investing activities	
Purchase of property and equipment	<u>(423,057)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	1,450,955
Cash and cash equivalents at July 1, 2021	<u>1,787,766</u>
Cash and cash equivalents at June 30, 2022	<u><u>\$ 3,238,721</u></u>

The accompanying notes are an integral part of this financial statement.

Kairos Academies
NOTES TO FINANCIAL STATEMENTS

NOTE A | NATURE OF ORGANIZATION

Nature of Organization

Kairos Academies (the School) was incorporated on November 14, 2016. The School is a not-for-profit corporation, organized under the laws of the State of Missouri. The School is a tuition-free public charter school in St. Louis, Missouri for students in grades five through twelve. In the current year, the School served grades five through eight and plans to add additional grade levels, annually.

Under the RSMo, the Missouri Charter Public School Commission (Sponsor) granted the School a charter effective until June 30, 2023. The sponsorship agreement is renewable by mutual agreement provided that the School is in compliance with the terms of the charter agreement and unless a written notice of non-renewal is given by either party. During the term of the charter, the Sponsor may also terminate that charter if good cause is shown.

The mission of the School is to develop students not just into freethinkers, ready to thrive in a modern economy, but self-governing citizens, ready to lead both themselves and their communities.

NOTE B | SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. That basis differs from generally accepted accounting principles in that certain assets (such as contributions receivable), certain revenues (such as revenue earned but not yet collected), certain liabilities (such as accounts payable), and certain expenses (such as expenses for goods or services received but not yet paid) are not included in these financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with maturities, when acquired, of three months or less.

Kairos Academies
NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at historical cost. The School capitalizes all purchases of property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment which range from 5 – 7 years.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be satisfied by actions of the School or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity. The donors of these resources may permit the School to use all or part of the income earned, including capital appreciation, on related investments for purposes with or without restrictions.

The School reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are re-classified to net assets without donor restrictions and reported in the Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis as net assets released from restrictions.

Governmental Funding

Revenue from federal, state, or local grants and contracts are recognized as revenue when expenses are incurred and billed.

Functional Expenses

The cost of providing programs and supporting services have been summarized on a functional basis in the Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis. The Statement of Functional Expenses – Modified Cash Basis presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited as disclosed in Note G.

Kairos Academies
NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and changes therein, and disclosures in the financial statements. Actual results could differ from those estimates.

Income Taxes

The School is a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related income under Section 501(a) of the Code. The School files federal informational returns which are subject to audit by the Internal Revenue Service generally for a period of three years from the date they are to be filed.

NOTE C | RISKS AND UNCERTAINTIES

The School is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School maintains commercial insurance, with limitation, to protect it from such risks.

Amounts received from grants or contracts by outside agencies are subject to audit and adjustment by grantor agencies, principally the Missouri Department of Elementary and Secondary Education and the federal government. Any disallowed amounts, including amounts already collected, may constitute a liability of the School. The amounts, if any, which may be disallowed by any grantors cannot be determined at this time. Management believes any such amount would not have a material effect on the accompanying financial statements.

NOTE D | LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets and liquidity resources available within one year for general expenditures consisted of cash and cash equivalents which totals \$3,238,721 at June 30, 2022 of which \$26,861 is restricted for Innovative Approaches to Literacy grant monies due to being received and not spent by fiscal year end. As part of liquidity management, the School has policies to structure financial assets to be available as general expenditures, liabilities, and other obligations come due.

Kairos Academies
NOTES TO FINANCIAL STATEMENTS

NOTE E | PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2022:

Building and improvements	\$	452,178
Less accumulated depreciation		<u>(61,373)</u>
	\$	<u>390,805</u>

NOTE F | CONCENTRATION OF CREDIT RISK

The School's cash and cash equivalent balances at times may exceed federally insured limits. The School has not experienced any losses due to this exposure.

NOTE G | FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries, payroll taxes and benefits are allocated based on time and effort expended. Depreciation and certain occupancy costs based on estimated square footage unless directly allocated to program. The remaining expenses are allocated directly.

NOTE H | RETIREMENT PLAN AND SETTLEMENT AGREEMENT

The School contributes to the Public School Retirement System of the City of St. Louis (Retirement System), a cost-sharing, multi-employer defined benefit pension plan. Participation is mandatory for employees of the St. Louis, Missouri Public School District, the St. Louis Public Library, and the Public School Retirement System under Missouri Revised Statutes, Chapter 105 and 169.

The Retirement System members were required to contribute 9.00% of covered school compensation for the year ended June 30, 2022. The School was required to contribute 14.50% of covered school compensation for the period July 1, 2021 through December 31, 2021 and 14.00% for the period January 1, 2022 through June 30, 2022. The employee and employer contribution rates are determined by the Plan's statute.

The total employer contributions to plan for the year ended June 30, 2022 was \$165,979.

During fiscal year 2022 the School entered into a settlement agreement with the Retirement System for unpaid principal contributions and deductions as determined by a payroll examination for 2019 through 2022. A total amount of \$775,628 is owed to the Retirement System by Kairos Academies. This amount is made up of principal delinquency, interest, audit costs, and attorneys' fees. The first payment in the amount of \$150,000 is due on August 30, 2022 with quarterly payments of \$69,514 starting on September 30, 2022. A final quarterly payment of \$69,514 is due on September 30, 2024.

Kairos Academies
NOTES TO FINANCIAL STATEMENTS

NOTE I | OPERATING LEASES

On August 15, 2019, the School entered into a lease agreement with Concordia Publishing House for educational facilities located in St. Louis, MO. The original lease term was for four years and required a security deposit in the amount of \$23,750. The lease has subsequently been amended to add additional building space, a recreational court, and extend the lease to a total of six years. Per the lease agreement, the annual rent is increased by the consumer price index. Additionally, the lease agreement provides for renovation reimbursements of \$1,053,000 and a construction contract in the amount of \$1,410,080. During fiscal year 2022, a third amendment was made to the lease to rent an additional 17,300 square feet of the building resulting in additional rent of \$263,825 annually. The lease provides for certain lease extensions and a buyout feature related to certain floors of the lease. Total rent expense related to this lease was \$816,831 for the year ended June 30, 2022.

On March 19, 2020, the school entered into a copier lease agreement with Sumner One. The lease requires 60 monthly payments of \$233 and matures March 18, 2025. Rent expense related to this lease was \$2,791 for the year ended June 30, 2022.

Future minimum lease commitments are as follows:

Year ending June 30,	Building Lease	Copier Lease
2023	\$ 1,285,830	\$ 2,791
2024	1,319,705	2,791
2025	1,319,705	2,097
2026	1,066,174	-
2027	1,066,174	-
Thereafter	2,665,435	-
	<u>\$ 8,723,023</u>	<u>\$ 7,679</u>

NOTE J | RELATED PARTIES

During the year ended June 2022, the School entered into an agreement to formalize services provided to the School by Kairos Academies Vanguard. Kairos Academies Vanguard (KAV) was incorporated on June 10, 2019, as a not-for-profit corporation organized under the laws of the State of Missouri. The mission of KAV is to support educational incentives dedicated to developing children in the pedagogical philosophy of the Kairos Method, as pioneered by Kairos Academies. KAV is currently only providing services to the School. The agreement entitles KAV to provide comprehensive professional services that are critical to successfully planning and implementing a financially, operationally, and academically sound school model. Services include, but are not limited to, executive leadership, instructional, and operational management services. Under the agreement, Kairos Academies will compensate KAV \$282,480 per month for these services. Services and fees stated within the formal agreement were effective from April 1, 2022 through June 30, 2022. However, services were being performed and paid to cover the services on the formal agreement prior to April 1, 2022. Total professional services paid to KAV for the year ended June 30, 2022 were \$2,087,967.

Kairos Academies

NOTES TO FINANCIAL STATEMENTS

NOTE K | NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 consisted of \$26,861 received in excess of related expenditures paid for the purpose of Innovative Approaches to Literacy. A total of \$102,352 were received in the current year for this purpose and a total of \$75,491 released from restriction as presented in the Statement of Revenues, Expenses, and Changes in Net Assets-Modified Cash Basis.

NOTE L | SUBSEQUENT EVENTS

In preparing the financial statements, the School has evaluated events and transaction for potential recognition or disclosure through December 28, 2022, the date which the financial statements were available to be issued.

During December 2022, the School entered into two purchase and sales agreements related to the expansion and new location for the School instruction and administrative offices totaling \$2.68 million. The School has 90 days from execution of the agreements to complete due diligence, inspection and to obtain financing related to the property acquisition.

Kairos Academies
SCHEDULE OF REVENUE, EXPENSES, AND CHANGES IN FUND BALANCES – CASH BASIS
GOVERNMENTAL FUNDS – UNAUDITED
Year ended June 30, 2022

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Funds</u>
Revenues				
Local	\$ 682,261	\$ 243,935	\$ -	\$ 926,196
State	3,033,260	957,410	-	3,990,670
Federal	2,779,865	-	-	2,779,865
Other	2,804	-	-	2,804
	<hr/>			
Total revenues	6,498,190	1,201,345	-	7,699,535
Expenditures				
Instruction	1,236,116	1,194,848	-	2,430,964
Student Services	92,521	-	-	92,521
Instructional Staff Support	387,536	6,497	-	394,033
General Administration	1,096,329	-	-	1,096,329
Building Administration	443,634	-	-	443,634
Operation of Plant	1,040,565	-	149,821	1,190,386
Transportation	1,655	-	-	1,655
Food Service	93,700	-	-	93,700
Community Services	227,066	-	-	227,066
	<hr/>			
Total expenditures	4,619,122	1,201,345	149,821	5,970,288
	<hr/>			
Excess of revenues over expenditures	1,879,068	-	(149,821)	1,729,247
<hr/>				
Other sources (uses)				
Transfers in (out)	(149,821)	-	149,821	-
	<hr/>			
Net change in fund balance	1,729,247	-	-	1,729,247
	<hr/>			
Fund balances at July 1, 2021	1,785,119	-	-	1,785,119
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Fund balances at June 30, 2022	\$ 3,514,366	\$ -	\$ -	\$ 3,514,366
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Kairos Academies
SCHEDULE OF REVENUE COLLECTED BY SOURCE – CASH BASIS –
GOVERNMENTAL FUNDS - UNAUDITED
Year ended June 30, 2022

	General Fund	Special Revenue	Capital Projects	Total
Local				
Prop C	\$ 81,312	\$ 243,935	\$ -	\$ 325,247
Earnings on investment	2	-	-	2
Food service	12,216	-	-	12,216
Student activities	5,558	-	-	5,558
Contributions and grant revenue	563,835	-	-	563,835
Other	19,338	-	-	19,338
Total local	682,261	243,935	-	926,196
State				
Basic formula	2,925,072	957,410	-	3,882,482
Basic formula - classroom trust fund	108,188	-	-	108,188
Total state	3,033,260	957,410	-	3,990,670
Federal				
Medicaid	16,968	-	-	16,968
ARP - ESSER III	1,382,499	-	-	1,382,499
CRRSA - ESSER II	242,797	-	-	242,797
IDEA	95,313	-	-	95,313
Food service	66,760	-	-	66,760
Title I - ESEA	73,511	-	-	73,511
Title II, Part A&B, ESEA	7,991	-	-	7,991
Title IV A	7,220	-	-	7,220
Child nutrition program	6,104	-	-	6,104
Other - federal	880,702	-	-	880,702
Total federal	2,779,865	-	-	2,779,865
Other Revenue				
Transportation from other LEAs	2,804	-	-	2,804
Total other revenue	2,804	-	-	2,804
Total revenues	\$ 6,498,190	\$ 1,201,345	\$ -	\$ 7,699,535

Kairos Academies
SCHEDULE OF EXPENDITURES PAID BY OBJECT - CASH BASIS -
GOVERNMENTAL FUNDS - UNAUDITED
Year ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Funds</u>
Salaries	\$ 14,041	\$ 908,173	\$ -	\$ 922,214
Employee benefits	4,928	293,172	-	298,100
Purchased services	4,233,906	-	-	4,233,906
Supplies and materials	366,247	-	-	366,247
Capital outlay	-	-	149,821	149,821
	<u>\$ 4,619,122</u>	<u>\$ 1,201,345</u>	<u>\$ 149,821</u>	<u>\$ 5,970,288</u>