KAIROS Academies: St. Louis

REPORT TO THE BOARD OF DIRECTORS

June 30, 2021

Kerber, Eck & Braeckel LLP
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To the Board of Directors
Kairos Academies and Affiliate
2315 Miami Street
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We have audited the combined financial statements of Kairos Academies and Affiliate as of and for the year ended June 30, 2021, and have issued our report thereon dated November 16, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 6, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the combined financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with the modified cash basis of accounting. Our audit of the combined financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the combined financial statements are free of material misstatement. An audit of combined financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Kairos Academies and Affiliate solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the combined financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated November 16, 2021.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity’s Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Kairos Academies and Affiliate is included in Note B to the combined financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2021. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the combined financial statements prepared by management and are based on management’s current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combined financial statements and because of the possibility that future events affecting them may differ markedly from management’s current judgments.

The most sensitive accounting estimate affecting the combined financial statements were:

> Management’s estimated of depreciation expense is based on the estimated useful life of each asset as described in Note B.
>
> Functional allocation of expenses to program services and management and general are based on estimated time and effort as described in Note F.

We evaluated the key factors and assumptions used to develop estimates noted above and determined that they reasonable in relation to the basic combined financial statements taken as a whole.

Financial Statement Disclosure

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the combined financial statements was:

> The uncertainty of the continued financial and operational impact of COVID-19 on the entities as described in Note C.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the combined financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached *Adjusted Journal Entries Report* summarizes the misstatements that we identified as a result of our audit procedures and corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the combined financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated November 16, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with Kairos Academies and Affiliate, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entities, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Kairos Academies and Affiliate's auditors.

After establishing the initial terms of the engagement, we evaluated the existence of control and economic interest as it relates to issuing consolidated financial statements of Kairos Academies and Kairos Academies Vanguard. This evaluation resulted in the determination that both control and economic interest was not present as required to issue consolidated financial statements. However, given the entities are commonly managed and have significant interrelated activities the entities have elected to present combined financial statements.

This report is intended solely for the information and use of Board of Directors, management, and others within Kairos Academies and Affiliate and is not intended to be and should not be used by anyone other than these specified parties

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
November 16, 2021

Client: ***Kairos Academies***
Engagement: ***2021 - Kairos Academies***
Period Ending: ***6/30/2021***
Trial Balance: ***1700 - Trial Balance***
Workpaper: ***2205 - Adjusting Journal Entries Report***

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 101		**3140**		
PBC - To reconcile bank confirm to TB				
10 1112	PNC MONEY MARKET		1,251.00	
10 2321 6319 1000	Exec Admin - Professional Services		2.00	
10 1112	PNC MONEY MARKET			2.00
10 5141	Interest on Investments			1.00
10 5192	Donations			1,250.00
Total			**1,253.00**	**1,253.00**
Adjusting Journal Entries JE # 102		**3615**		
To capitalize shade structure				
KEB - NEED	Land Improvements		29,121.00	
40 2542 6531 1000	IMPROVEMENTS OTHER THAN BUILD			29,121.00
Total			**29,121.00**	**29,121.00**
Adjusting Journal Entries JE # 103		**6430**		
To reclass amounts paid for employee benefits, taxes and retirement to separate accounts for proper FS reporting and ratio				
KAV - 66005	Payroll Taxes		59,463.00	
KAV - 66010	Employee Benefits		63,551.00	
KAV - 66015	Employer Match Contribution		18,465.00	
KAV - 66000	Payroll Expenses			141,479.00
Total			**141,479.00**	**141,479.00**
Adjusting Journal Entries JE # 104		**6440**		
To reclass certain KAV salaries and benefits to program costs for FS reporting				
:B - Functional Reclas	Program Salaries		705,388.00	
:B - Functional Reclas	Program Benefits		58,091.00	
:B - Functional Reclas	Program Payroll Taxes		49,792.00	
:B - Functional Reclas	Program Pension		16,597.00	
KAV - 66000	Payroll Expenses			705,388.00
KAV - 66005	Payroll Taxes			49,792.00
KAV - 66010	Employee Benefits			58,091.00
KAV - 66015	Employer Match Contribution			16,597.00
Total			**829,868.00**	**829,868.00**