McKeever Varga & Senko
Certified Public Accountants
Personal Financial Planners
Business Consultants

May 31, 2022

To the Board of Directors and Management of
POLISH FALCONS OF AMERICA
Pittsburgh, Pennsylvania

We have audited the statutory basis financial statements of Polish Falcons of America for the year ended December 31, 2021, and we will issue our report thereon dated May 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 25, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Polish Falcons of America are described in Note 1 to the statutory basis financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the Aggregate Reserve for Life Certificates and Contracts is based on actuarial assumptions and calculations. We evaluated the key factors and assumptions used to develop the Aggregate Reserve in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the Interest Maintenance Reserve is calculated in accordance with statutory accounting requirements. The reserve amount is computed using statutory based factors of the related investments. We evaluated the computation components in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

> The disclosure of the basis of accounting in Note 1.B. to the financial statements. The noted highlights some differences between GAAP and the accounting principles prescribed by the Insurance Department of the Commonwealth of Pennsylvania.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

The audit discovered material misstatement and presentation differences that resulted in adjusting journal entries as shown in Attachment A, to correct the statutory basis financial statements of Polish Falcons of America at December 31, 2021. Management has corrected such misstatements. The material misstatements were detected as a result of audit procedures and were corrected by management at December 31, 2021.

As of May 31, 2022, the Society is in the process of making the necessary changes in order for the Year 2021 Annual Statement to agree with the Year 2021 Audited Financial Statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 31, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would like to discuss the following items –

1. Unpaid Death Claims
    a. It was noted during testing that one policy was erroneously removed from the unpaid claims listing without being remitted or paid out. The policy was still reserved as part of Exhibit 5.
2. Annuity Payouts and Death Claims
    a. It was noted during testing that for one monthly payout there was no form in the file to indicate the amount being withdrawn. Management printed their notes screen from 2018 indicating that the individual had called to request a change to their monthly payout amount. MVS recommends that management have individuals sign forms for all such changes.

Other Audit Findings or Issues (Continued)

   b. It was noted during testing that one file didn't have Secretary/Treasurer approval on the payout form. This individual had two policies paid out and the appropriate approvals were noted on the claim form for the other policy. It was noted that both policy numbers were listed on each claim form indicating that the individual would have payouts under multiple policies. MVS recommends that management include approvals on all claim forms.

3. Personnel Files

   a. It was noted during testing of the Census data for the Pension Plan that poor documentation was kept in the personnel files for one employee. This employee was hired and terminated multiple times since 2012. There was no information in the file regarding the employee's re-hire or termination after 2018.

4. Reinsurance

   a. It was noted during testing that there was one policy that should have been sent to reinsurance per the reinsurance policy that was not sent. Per management, the net risk was only slightly over retention, as such, management opted not to send to reinsurance. MVS recommends that management document in their files any decisions to deviate from their policies.

5. New Policy Testing

   a. It was noted during testing that there was one policy for which an individual was initially denied a life insurance policy. Management offered the individual a different type of insurance product for which they were accepted, however; a new application was not filled out and approved. There were notes in the file regarding the changes to the policy and the rationale of management.

6. Investment Policy Testing

   a. It was noted per review of management's investment policy that determinations on suitable investments are based on Moody's or S&P ratings criteria. There were three bonds noted that were purchased during 2021 for which there were no Moody's or S&P ratings, but rather, the determination was based on ratings from Egan Jones. MVS recommends that management update their investment policy to reflect how investment decisions are made in practice.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles prescribed by the Insurance Department of the Commonwealth of Pennsylvania, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and Management of Polish Falcons of America and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

McKeever Varga & Senko

Certified Public Accountants

Attachment A

POLISH FALCONS OF AMERICA
SUMMARY OF AUDIT ADJUSTING ENTRIES
DECEMBER 31, 2021

Account	Description	Debit	Credit
Adjusting Journal Entry # 1			
To reclassify buyout of bowling alley to asset purchase			
125200	Milwaukee Building	72,000	
491300	Donation Affiliated Organization		72,000
Adjusting Journal Entry # 2			
To reclassify contributed building at fair market value to a surplus adjustment			
49130	Donation Affiliated Organization	350,000	
30000	Unassigned Surplus		350,000
Adjusting Journal Entry # 3			
To reclassify realized gain on sale of asset due to increased asset basis from bowling alley purchase			
495000	Gain on Sale of Asset	72,000	
125200	Milwaukee Building		72,000

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NPO-CX-12.2: Audit Difference Evaluation Form

Entity: Polish Falcons of America

Statement of Financial Position Date: 12/31/2021

Completed by: DMM

Date: 5/26/2022

Instructions: This form may be used to accumulate audit differences (AD) that are not considered clearly trivial in amount, nature, or circumstances (documented at Step 5 of NPO-CX-2.1). This form should not include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. This form also provides a space to document any misstatements of disclosures (including quantitative and qualitative disclosures) that are considered when evaluating misstatements in the aggregate. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1112 before completing this form.

				Financial Statement Effect—Amount of Over (Under) Statement of:						
Description (Nature) of Audit Difference (AD)	**Factual (F), Judgmental (J), or Projected (P)**	**Cause**	**W/P Reference**	**Total Assets**	**Total Liabilities**	**Net Assets**	**Revenues**	**Expenses**	**Change in Net Assets**	**Working Capital**
Contract loans overstated	F	Entry recorded improperly	F-1	$1,251			$1,251		$1,251	
Accrued PTO overstated	F	Error in calculation	GG-3		$2,373			$2,373	-$2,373	
Net investment income overstated	F	Error with prior year accruals on Schedule of Net Investment Income	J-1; 5-3b	$1,470			$1,470		$1,470	
Accrued Income Differences	J	Differences between Annual Statement and US Bank	B-7a	-$4,467			-$4,467		-$4,467	
									$0	
Total				-$1,746	$2,373	$0	-$1,746	$2,373	-$4,119	$0
Less Audit Adjustments Subsequently Booked									$0	
Unadjusted AD—Current Year (Iron Curtain Method)				-$1,746	$2,373	$0	-$1,746	$2,373	-$4,119	$0
Effect of Unadjusted AD—Prior Years									$0	
Combined Current and Prior Year AD (Rollover Method)				-$1,746	$2,373	$0	-$1,746	$2,373	-$4,119	$0
Financial Statement Caption Totals									$0	
Current Year AD as % of FS Captions (Iron Curtain Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Current and Prior Year AD as % of FS Captions (Rollover Method)				0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements of amounts in the table are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

Effects would not be significant to the users of the financial statements

Misstatements of Disclosures: Accumulate and describe any misstatements of disclosures, including qualitative and quantitative disclosures, that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole.

The misstatements would not have any material effect on disclosures

Conclusion: Based on the results of the evaluation performed above, as well as the consideration of qualitative factors and misstatements by nature or circumstances, uncorrected audit differences, individually and in the aggregate, ○ do ◉ do not cause the financial statements taken as a whole to be materially misstated.