



BARNES DENNIG

Accounting • Tax • Business Insight

Auditors' Report to the Board of Trustees

NORTHERN KENTUCKY COOPERATIVE FOR
EDUCATIONAL SERVICES, INC.

November 12, 2025



REQUIRED COMMUNICATIONS

Introduction

We are pleased to serve Northern Kentucky Cooperative for Educational Services (NKCES) as its independent auditors and look forward to continuing our relationship. We provide the information on the following pages to assist you in performing your oversight responsibilities. This information is intended solely for the information and use of the Board of Directors, the Finance Committee and management and is not intended to be and should not be used by anyone other than these specified parties.

Planned Audit Scope

Communicated in our Engagement Letter dated April 17, 2025.

Audit of 2025 financial statements in accordance with generally accepted auditing standards and *Government Auditing Standards*.

Single Audit compliance audit in accordance with Uniform Guidance.

Preparation of IRS Forms 990.

REQUIRED COMMUNICATIONS

Auditor and Management Responsibilities

- The financial statements are the responsibility of NKCES's management.
- As NKCES's auditors, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.
- The internal controls are the responsibility of management. As part of our audit, we considered the internal control of NKCES. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- Our audit of the financial statements does not relieve you or management of your responsibilities.
- Refer to our engagement letter with NKCES for further information on the responsibilities of management and Barnes Dennig.

EXECUTIVE SUMMARY

- **We plan to issue an unmodified (clean) opinion on the financial statements**
- **We plan to issue an unmodified (clean) opinion on the major federal program (School Based Mental Health)**
- **We received excellent cooperation from Angie, Tonya and the rest of the staff.**
 - No disagreements or difficulties encountered during the audit
 - No consultations with other independent accountants
- **Significant Accounting Policies are discussed in Note 1 to the financial statements**
- **Internal accounting estimates**
 - Depreciable lives of fixed assets
 - Allocation of functional expenses
- **No internal control matters are reportable**
- **We are not aware of any matters related to fraud or illegal acts that require communication**
- **Other written communication – management representation letter**

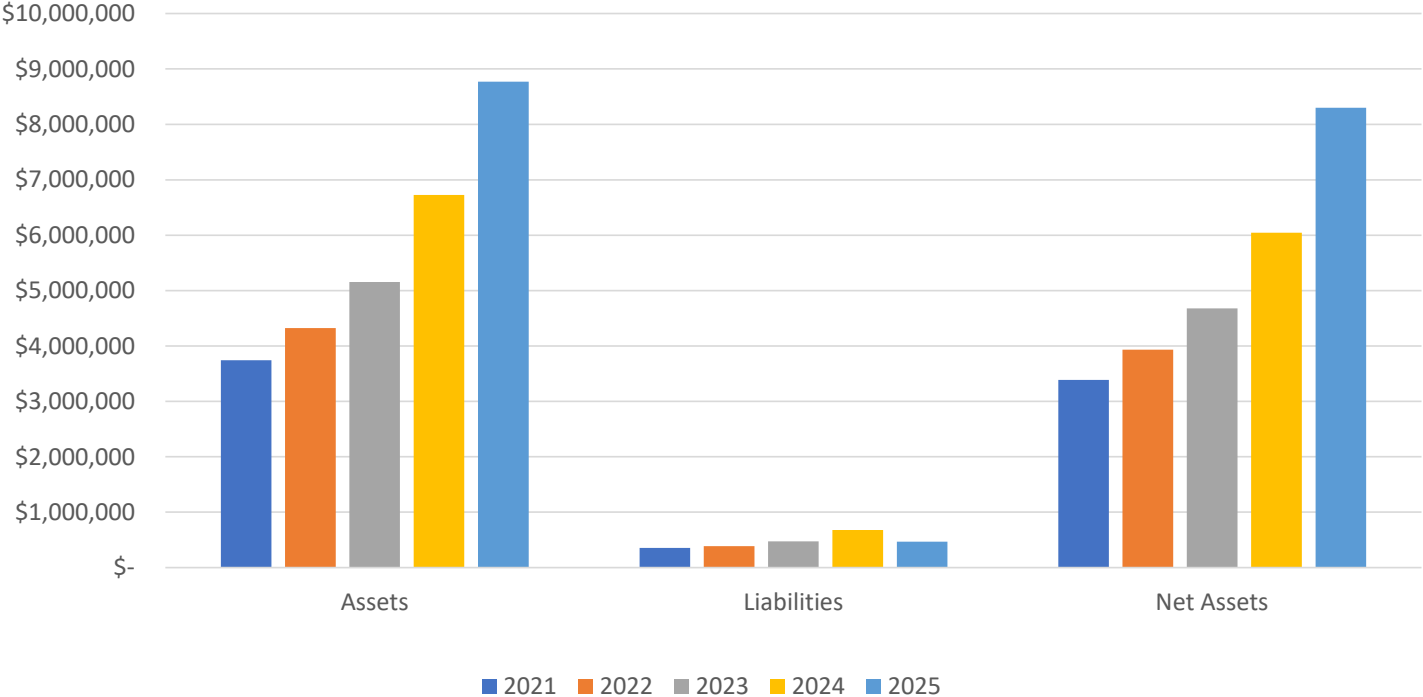
AUDIT ADJUSTMENTS

- There were 4 adjustments recorded during the course of the audit:
 - \$36,064 increase to right of use (ROU) asset, \$9,041 increase to ROU asset accumulated amortization, \$27,023 increase to lease liability
 - \$590,560 increase in restricted state receipts and decrease in restricted federal receipts related to the DAIL program
 - \$7,010 decrease in other expenses and decrease in unrestricted net assets

BEST PRACTICES / RECOMMENDATIONS

- It was noted during the audit that an adjustment needed to be made for net assets to roll forward from the prior year. A similar adjustment was made in the prior year. As a result, BD recommends that the entity post all audit adjustments to the books in the year under audit in order for net assets to roll forward correctly.

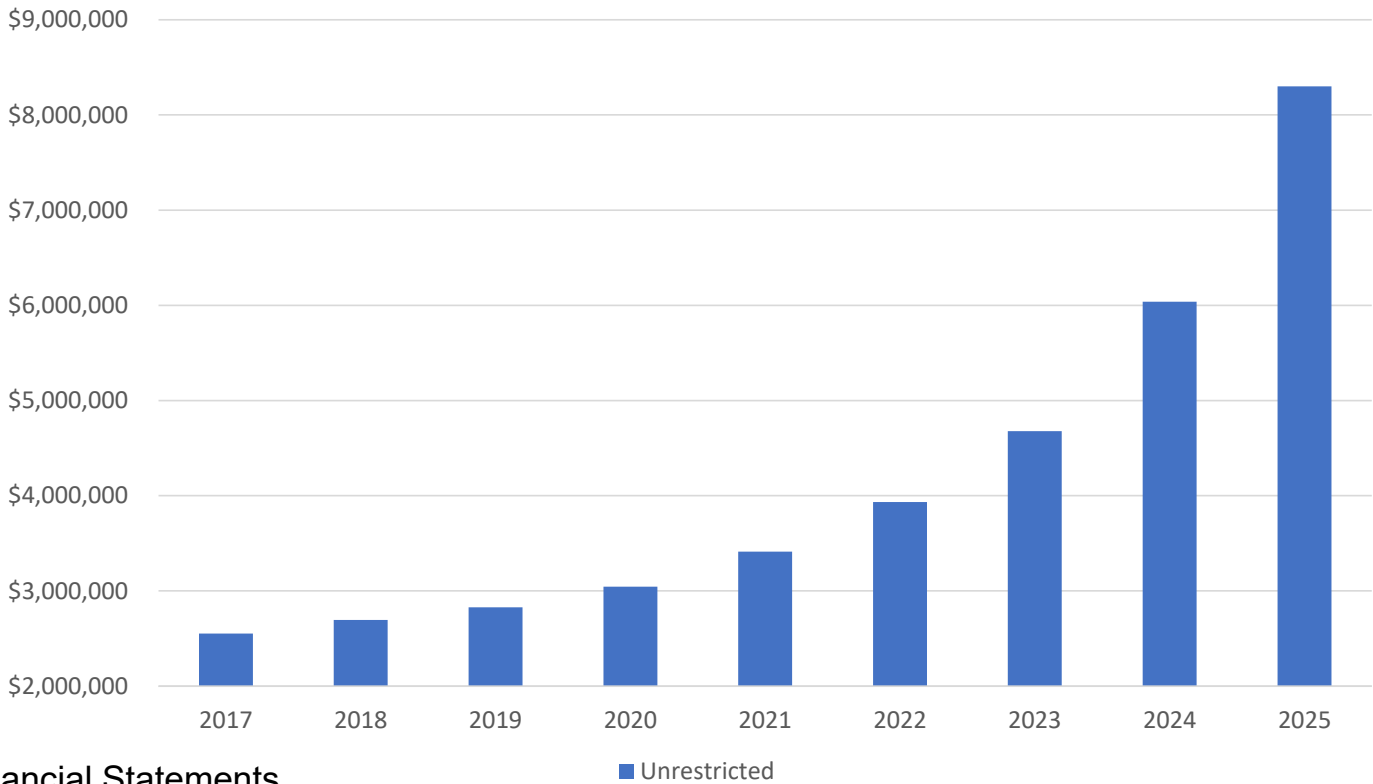
STATEMENT OF FINANCIAL POSITION TRENDS



Source: Audited Financial Statements



NET ASSETS TRENDS



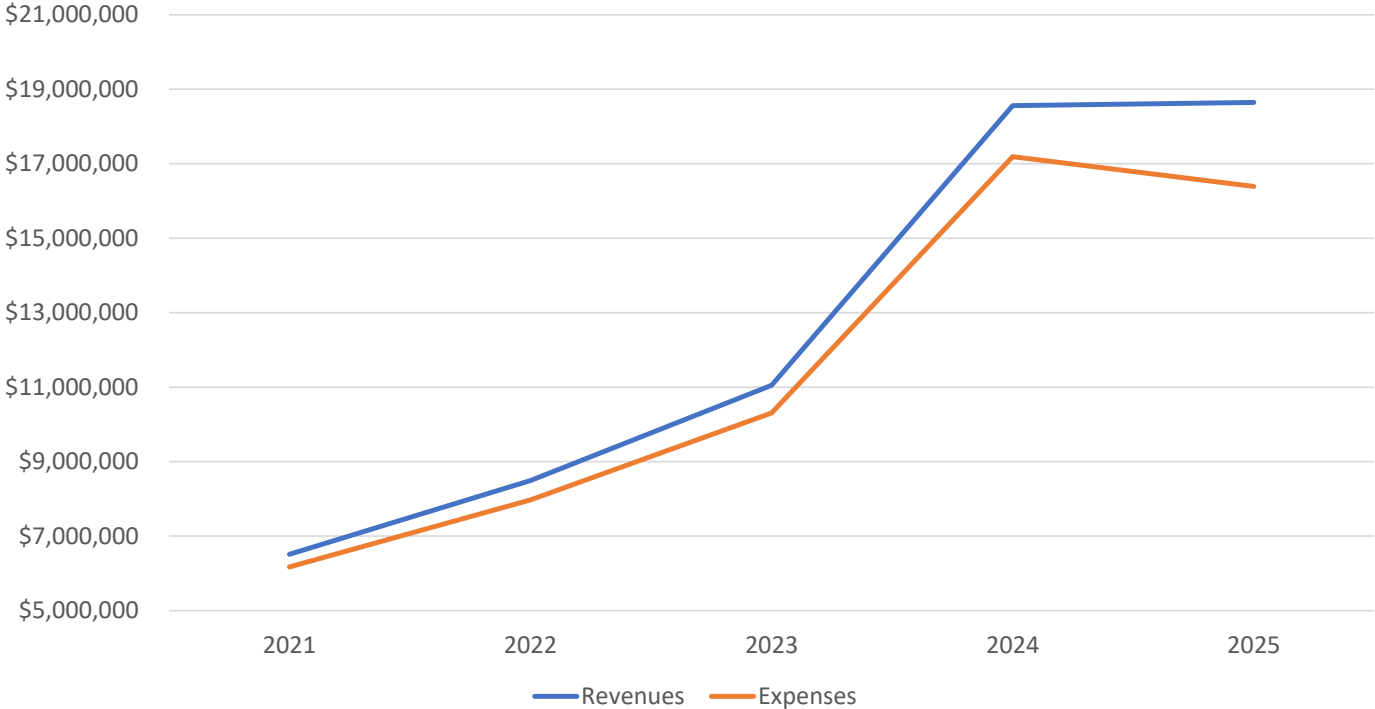
Source: Audited Financial Statements

STATEMENT OF FINANCIAL POSITION ANALYSIS

| Account | 2025 | 2024 | Change |
|--------------------------------|-------------|-------------|-------------|
| Cash | \$6,211,000 | \$3,191,000 | \$3,020,000 |
| Receivables, net | 544,000 | 1,363,000 | (819,000) |
| Fixed assets, net | 1,989,000 | 1,981,000 | 8,000 |
| Other assets | 27,000 | 193,000 | (166,000) |
| Total assets | \$8,771,000 | \$6,728,000 | \$2,043,000 |
| Various liabilities | \$205,000 | \$190,000 | \$15,000 |
| Accounts payable | 68,000 | 274,000 | (206,000) |
| Long-term debt | 198,000 | 217,000 | (19,000) |
| Net assets | 8,300,000 | 6,047,000 | 2,253,000 |
| Total liabilities & net assets | \$8,771,000 | \$6,728,000 | \$2,043,000 |

Source: Audited Financial Statements

STATEMENT OF ACTIVITIES TRENDS



Source: Audited Financial Statements

STATEMENT OF ACTIVITIES ANALYSIS

| Description | 2025 | 2024 | Change |
|-----------------------------|--------------------|--------------------|------------------|
| Federal receipts | \$9,120,000 | \$10,263,000 | (\$1,143,000) |
| State receipts | 2,774,000 | 2,592,000 | 182,000 |
| Slots/Tuition | 2,282,000 | 2,271,000 | 11,000 |
| Other | 4,468,000 | 3,432,000 | 1,036,000 |
| Total revenues | 18,644,000 | 18,558,000 | 86,000 |
| Personnel and fringe | \$8,092,000 | \$7,718,000 | \$374,000 |
| Contracted service | 714,000 | 2,416,000 | (1,702,000) |
| Program expenses | 4,211,000 | 2,795,000 | 1,416,000 |
| Other | 3,374,000 | 4,261,000 | (887,000) |
| Total expenses | 16,391,000 | 17,190,000 | (799,000) |
| Change in net assets | \$2,253,000 | \$1,368,000 | \$885,000 |

Source: Audited Financial Statements

OTHER MATTERS

- Commitments
- Contingencies
- Fraud
- Subsequent Events
- Executive Session