



# *Beyond* > THE NUMBERS

## AUDITORS' REPORT TO AUDIT COMMITTEE

Year Ended June 30, 2019

November 13, 2019



# 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 July 11, 2019.

- Audit of 2019 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 the 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

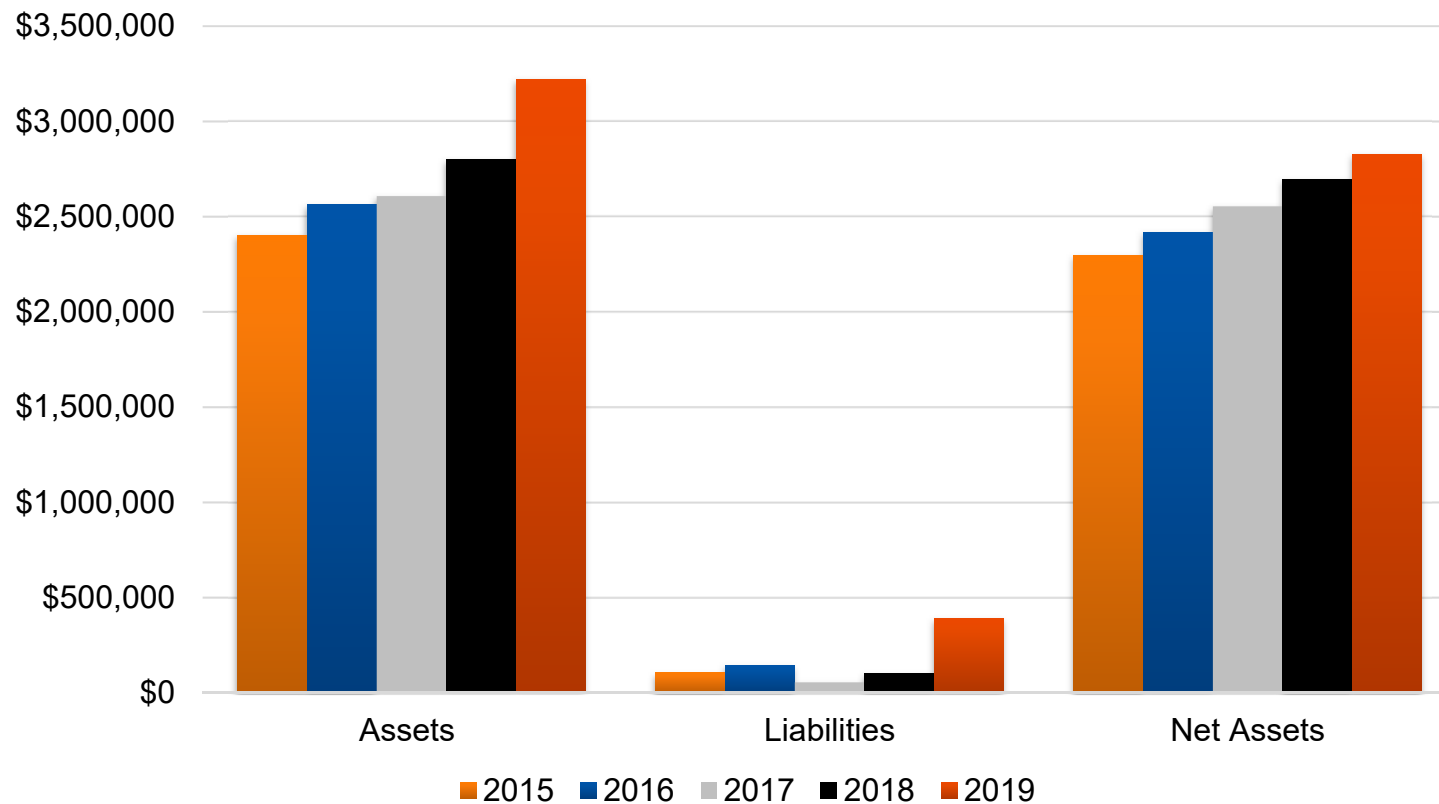
- ✓ **We issued an unmodified (clean) opinion on the financial statements**
- ✓ **We issued an unmodified (clean) opinion on the major federal program (IDEA-B)**
- ✓ **We received excellent cooperation from NKCES's finance staff.**
  - ✓ No disagreements or difficulties encountered during the audit
  - ✓ No consultations with other independent accountants
- ✓ **Significant Accounting Policies are discussed in Note 1 to the financial statements**
  - ✓ ASU 2016-14: Presentation of Financial Statements of Not-for-Profit Entities
- ✓ **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

## Audit Adjustments

- There were a few adjustments recorded during the course of the audit:
  - ✓ Client Prepared: \$9,502 increase to sick leave reserve
  - ✓ Client Prepared: \$23,260 increase in accounts payable
  - ✓ Client Prepared: \$8,576 increase in grants receivable
  - ✓ Auditor Prepared: \$25,000 decrease in grant receipts spent
  - ✓ Client Prepared: \$29,244 decrease in accounts receivable
  - ✓ Client Prepared: \$3,290 increase in program expenses related to bank loan
- There were no uncorrected (due to materiality levels) audit adjustments

# STATEMENT OF FINANCIAL POSITION TRENDS



Source: Audited Financial Statements

# STATEMENT OF FINANCIAL POSITION ANALYSIS

Account	2019	2018	Change
Cash	\$ 1,062,000	\$ 989,000	\$ 73,000
Receivables, net	437,000	431,000	6,000
Fixed assets, net	1,723,000	1,329,000	394,000
Other assets	-0-	51,000	(51,000)
Total Assets	\$ 3,222,000	\$ 2,800,000	\$ 422,000
Various liabilities	\$ 38,000	\$19,000	\$ 19,000
Accounts payable	23,000	85,000	(62,000)
Long-term debt	332,000	-0-	332,000
Net assets	2,829,000	2,696,000	133,000
Total Liabilities & Net Assets	\$ 3,222,000	\$ 2,800,000	\$ 422,000

Source: Audited Financial Statements



# STATEMENT OF ACTIVITIES ANALYSIS

Description	2019	2018	Change
Federal receipts	\$ 1,687,000	\$ 1,681,000	\$ 6,000
State receipts	1,644,000	1,415,000	229,000
Slots/Tuition	1,435,000	1,437,000	(2,000)
Other	1,494,000	1,318,000	176,000
Total Revenues	6,260,000	5,851,000	409,000
Personnel and Fringe	4,040,000	4,055,000	(15,000)
Other	2,087,000	1,678,000	409,000
Total Expenses	6,127,000	5,733,000	394,000
Change in net assets	\$ 133,000	\$ 118,000	\$ 15,000

Source: Audited Financial Statements



# NEW ACCOUNTING STANDARDS

- Accounting Standard Updates
- Revenue from Contracts with Customers (ASU 2014-09)
  - Effective for 2019
  - Could impact recognition of revenue due to contract specifications
- Leases (ASU 2016-02)
  - Effective for 2020
  - Recognition of a right-of-use asset and lease liability on the Statement of Financial Position
  - Leases greater than 12 months

# OTHER MATTERS

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

# Not-For-Profits

> ARE IN GOOD HANDS



## ➤ Making a Difference One Not-for-Profit at a Time

Funding. Whether those dollars come from donations, memberships or grants, this is the single biggest success factor for not-for-profits. Getting funding when needed is not easy. Those who receive government grants may be receiving late payments, which translate into lower reserves and increases in lines of credit. Dependence on a few major donors can be negative if that funding doesn't come through. Managing a not-for-profit's revenue and cash can become a complex juggling act.

Add to that a demand for increased transparency, consolidation of not-for-profit organizations, increased use of technology and changing accounting standards, and not-for-profits face an array of issues unlike most other industries. This requires that they work with a team of accounting professionals who understand what not-for-profits face day-in and day-out: who are dedicated to their success; who understand how saving one starfish can really make a difference (see sidebar).

Not only do we have a team of professionals dedicated to serving more than 200 not-for-profits, our people serve on many boards which gives us unique insights into a variety of not-for-profits.

**The following are the types of not-for-profit entities we have expertise in serving:**

- Cultural Arts
- Foundations
- Healthcare
- Education
- Government & Public Sector
- HUD-Funded
- Membership Organizations
- Mental Health Agencies
- Religious Organizations
- Social Service Organizations

At Barnes Denning, it's about going beyond to make a difference one starfish not-for-profit at a time. Contact us to see how we can help strengthen your organization so you can work on doing more to fulfill your mission.

Want to know if you are prepared to handle your organization's future? Request a copy of our Not-For-Profit Compensation & Benefits Benchmarking Study.

## The Starfish Story

*(Adapted from "The Star Thrower"  
by Lauren Eiseley)*

One day the executive director of a not-for-profit was walking along the beach, when he noticed a young woman picking up starfish and gently throwing them into the ocean.

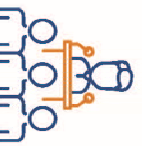
He approached and asked, "Young lady, what are you doing?"

"Throwing starfish back into the ocean. The surf is up and the tide is going out. If I don't throw them back, they'll die," she replied.

The man said, "Don't you realize there are miles and miles of beach and hundreds of starfish? You can't possibly make a difference!"

After listening politely, the young woman bent down, picked up another starfish and threw it into the sea. Then smiling at the executive director she said, "It made a difference for that one."

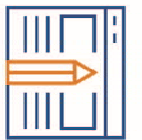
All of these resources and beyond are available online.



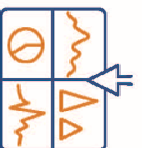
UPCOMING  
EVENTS



SEMINAR  
PLAYBACK



BLOG  
POSTS



BENCHMARKING  
REPORTS



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# NOMINATE A PROJECT FOR OUTREACH DAY: OCTOBER 2019



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*"Be grateful for the opportunities to use your talents and gifts to make a better way for your clients, colleagues, community, family and self."*



Let us bring a team to your campus to help you achieve your mission!



## industries we serve



**CONSTRUCTION**



**HEALTHCARE**



**MANUFACTURING**



**NOT-FOR-PROFIT**



**PROFESSIONAL FIRMS**



**REAL ESTATE**



**TECHNOLOGY**



**WHOLESALE /  
DISTRIBUTION**



# WEALTH MANAGEMENT



## Financial Services

- Establishment of trusts including:
- Formation of private foundations
- Business valuation
- Educational funding
- Cash flow and budgeting for individuals
- Stock option analysis
- Insurance needs
- Preservation of financial assets
- Succession planning
- Retirement planning
- Estate and gift tax planning

➤ **Contact:**

George Sparks, Director  
gsparks@barnesdennig.com  
513-241-8313

# MERGERS & ACQUISITIONS



## Transaction Advisory Group

### ➤ **Services for businesses:**

- Growth and Succession Planning
- Capital Raising
- Mergers & Acquisitions
- Business Valuation
- Financial and Tax Due Diligence
- Quality of Earnings Reports
- Transaction Accounting
- Financial Management Services

### ➤ **Contact:**

Dino Lucarelli, Director  
dlucarelli@barnesdennig.com  
513-241-8313



# BOOKKEEPING

get your business and financial



## ➤ **Services:**

- **Business Consulting Services**
- **Operational Strategy**
- **Bookkeeping**
- **Accounting Consulting for Start-Up Success**
- **QuickBooks® Training and Consulting**
- **Outsource Controller Services**

## ➤ **Contact:**

Tricia Reynolds, Principal  
treynolds@ducksinarow.com  
877-851-9270

# Resources



**REQUEST THE  
BENCHMARKING REPORT**



**REGISTER FOR  
OUR NEXT EVENT**



**TAX & ESTATE  
PLANNING GUIDES**



**CLIENT STORIES**



**SUBSCRIBE**



**BLOG**



**CLIENT TESTIMONIALS**



**SEMINARS PLAYBACK**



# Events

Date	Forum	Topic	Registration
May 22, 2019	Manufacturing Roundtable	2019 Compensation & Benefits Benchmarking Study Results Revealed	<a href="#">LEARN MORE &amp; RSVP</a>
May 23, 2019	Construction Roundtable	What Contractors Need to Know about Revenue Recognition	<a href="#">LEARN MORE &amp; RSVP</a>
June 5, 2019	18th Annual Not-for-Profit Leadership Summit	Not-for-Profit Leadership Summit	<a href="#">LEARN MORE &amp; RSVP</a>
September 19, 2019	Accounting & Auditing Standards Seminar	Accounting & Auditing Standards Seminar	<a href="#">LEARN MORE &amp; RSVP</a>
October 31, 2019	Not-for-Profit Roundtable	2019 Compensation, Benefits & Benchmarking Study Results Revealed	<a href="#">LEARN MORE &amp; RSVP</a>
November 6, 2019	Manufacturing Annual Seminar	Alan Beaulieu Presents his Economic Forecast for 2020	<a href="#">LEARN MORE &amp; RSVP</a>

# OUR LEADERSHIP



Kathy Ahearn, CPA



Steve Bailey, CPA



Andy Bertke, CPA/PFS,  
MBA, CFF



Alan Bieber, CPA, CVA, Esq.



Brad Chaffin, CPA



Joe Conover, CPA



Scott Cress, CPA,  
CVA, CM&AA



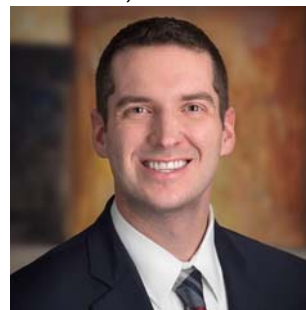
Chip Dennig, CPA



Jim Donnellon, CPA



Rob Ford, CPA



Patrick Frambes, CPA



Cheryl Ganim, CPA



# OUR LEADERSHIP



Eric Goodman, CPA



Tom Groskopf, CPA,  
CVA, MBA



Steve Hube, CPA



Paula Hume, CPA



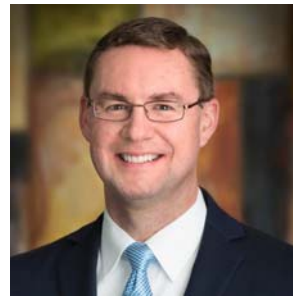
Ellen Joram, CPA



Harold Kremer, CPA,  
CVA, ABV



Dino Lucarelli, CPA



Chad Martin, CPA, CFE



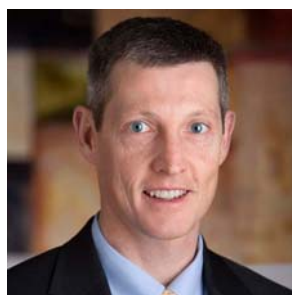
Cindy Padilla, CPA



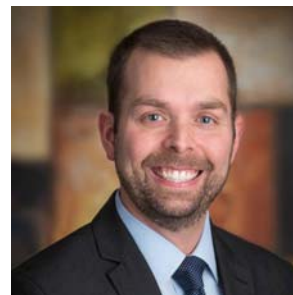
Dave Phelps, CPA



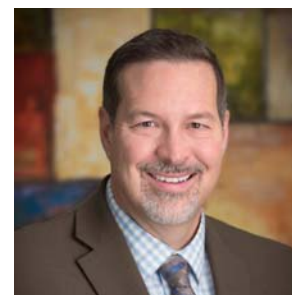
Jay Rammes, CPA



Robert Ramsay, CPA,  
CISA, CITP, HITRUST CCSFP



Reid Schlotterbeck,  
CPA



George Sparks,  
CPA/PFS



Linda Weigand,  
CPA, JD