



BARNES DENNIG  
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# Auditors' Report to the Board of Trustees

NORTHERN KENTUCKY COOPERATIVE FOR  
EDUCATIONAL SERVICES, INC.

November 11, 2020



# REQUIRED COMMUNICATIONS

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## ***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 2, 2020.

Audit of 2020 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

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## ***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

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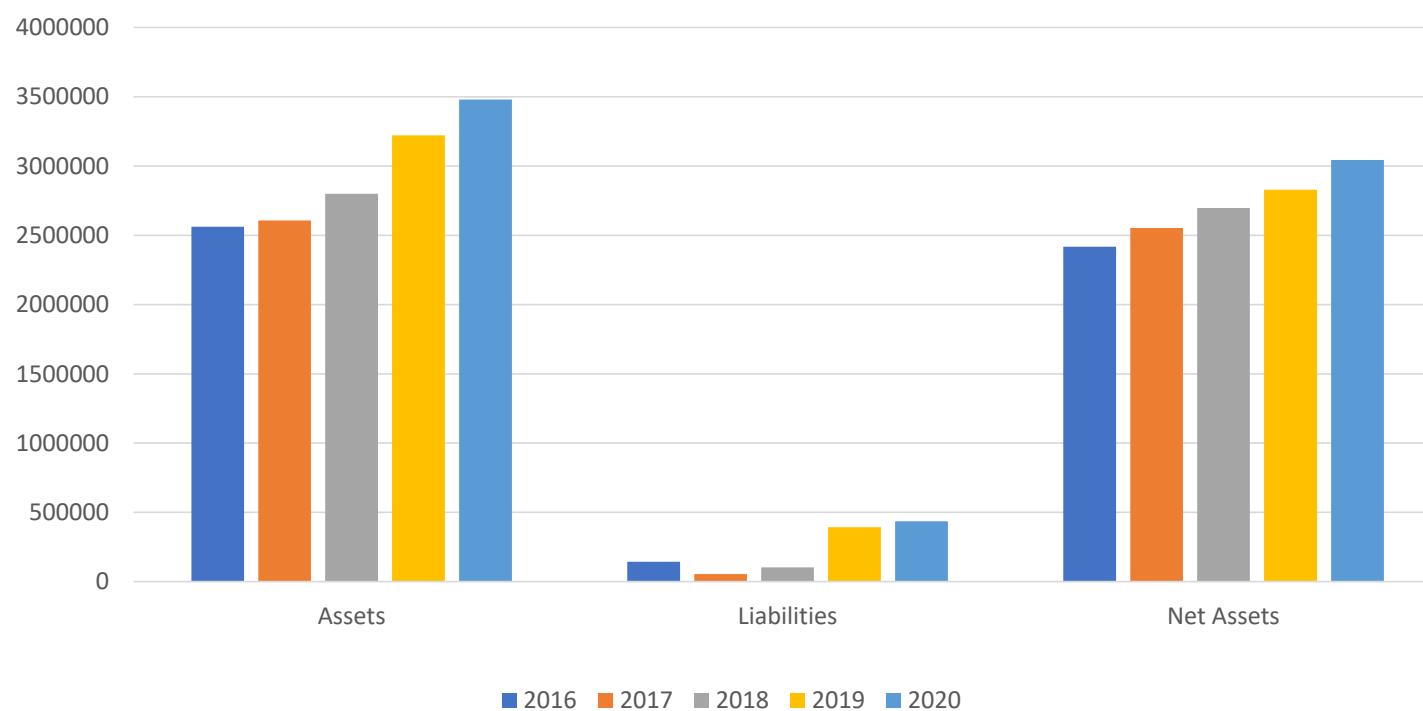
- **We issued an unmodified (clean) opinion on the financial statements**
- **We issued an unmodified (clean) opinion on the major federal program (IDEA-B)**
- **We received excellent cooperation from NKCES's finance staff.**
  - No disagreements or difficulties encountered during the audit
  - No consultations with other independent accountants
- **Significant Accounting Policies are discussed in Note 1 to the financial statements**
  - ASU 2018-08: Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made
- **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

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- There were a few adjustments recorded during the course of the audit:
  - Client Prepared: \$28,242 increase to indirect costs and unrestricted income
  - Client Prepared: \$18,633 increase to accounts payable and expenses
  - Client Prepared: \$38,560 increase to sick leave accrual and related expenses
  - Client Prepared: \$29,244 increase to accounts receivable and bad debt recovery
  - Auditor Prepared: \$45,300 increase to unearned revenue and decrease to federal receipts
  - Auditor Prepared: \$25,522 increase to fixed assets and decrease to R&M and depr. expenses
  - Auditor Prepared: \$14,906 increase to net assets and decrease to related expenses
- There were no uncorrected (due to materiality levels) audit adjustments

# STATEMENT OF FINANCIAL POSITION TRENDS



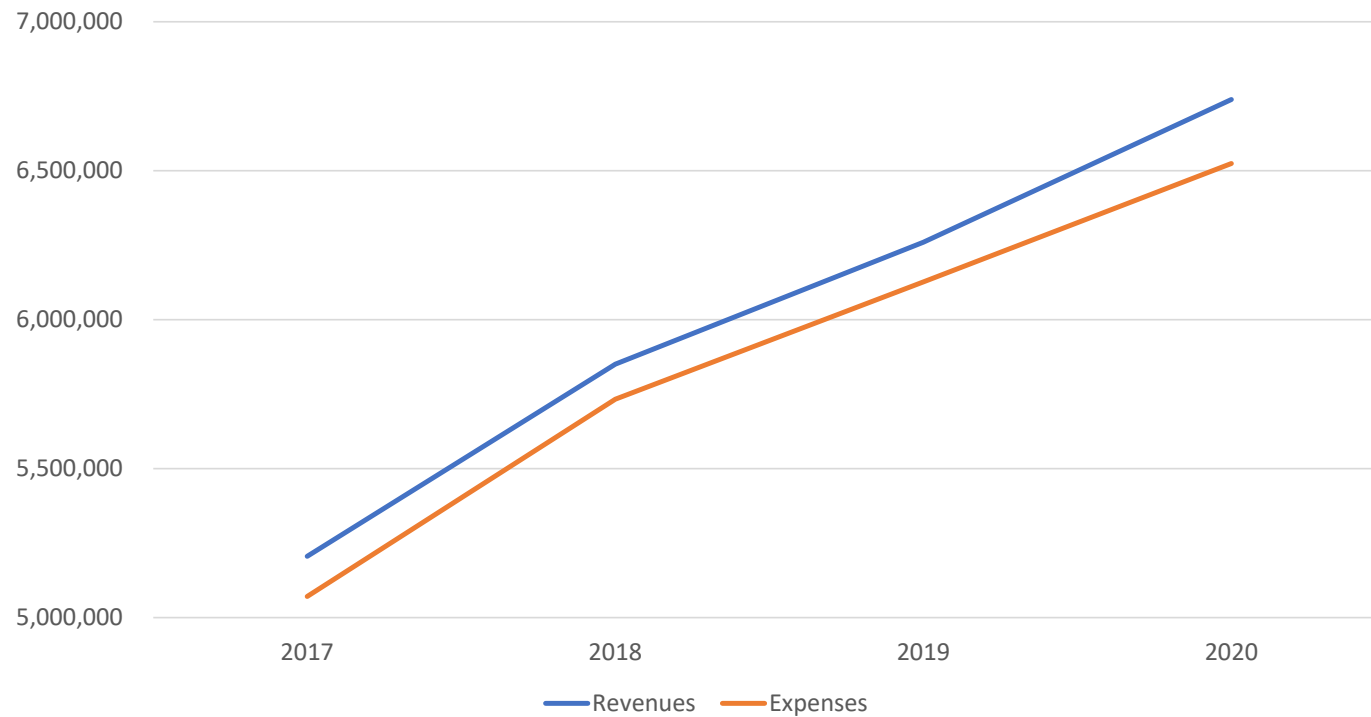
Source: Audited Financial Statements

# STATEMENT OF FINANCIAL POSITION ANALYSIS

Account	2020	2019	Change
Cash	\$1,358,000	\$1,062,000	\$296,000
Receivables, net	435,000	437,000	(2,000)
Fixed assets, net	1,678,000	1,723,000	(45,000)
Other assets	9,000	-0-	9,000
Total assets	\$3,480,000	\$3,222,000	\$258,000
Various liabilities	\$106,000	\$38,000	\$68,000
Accounts payable	19,000	23,000	(4,000)
Long-term debt	311,000	332,000	(21,000)
Net assets	3,044,000	2,829,000	215,000
Total liabilities & net assets	\$3,480,000	\$3,222,000	\$258,000

Source: Audited Financial Statements

# STATEMENT OF ACTIVITIES TRENDS



Source: Audited Financial Statements



# STATEMENT OF ACTIVITIES ANALYSIS

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Description	2020	2019	Change
Federal receipts	\$1,841,000	\$1,687,000	\$154,000
State receipts	1,695,000	1,644,000	51,000
Slots/Tuition	1,553,000	1,435,000	118,000
Other	1,650,000	1,494,000	156,000
Total revenues	6,739,000	6,260,000	479,000
Personnel and fringe	\$4,494,000	\$4,040,000	\$454,000
Other	2,030,000	2,087,000	(57,000)
Total expenses	6,524,000	6,127,000	397,000
Change in net assets	\$215,000	\$ 133,000	82,000

Source: Audited Financial Statements

# NEW ACCOUNTING STANDARDS

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- Revenue from Contracts with Customers (ASU 2014-09)
  - Effective for 2021
  - Could impact recognition of revenue due to contract specifications
- Leases (ASU 2016-02)
  - Effective for 2022
  - Recognition of a right-of-use asset and lease liability on the Statement of Financial Position
  - Leases greater than 12 months

# OTHER MATTERS

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