



BARNES DENNIG
Accounting • Tax • Business Insight

Auditors' Report to the Board of Trustees

NORTHERN KENTUCKY COOPERATIVE FOR
EDUCATIONAL SERVICES, INC.

November 9, 2022



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 June 16, 2022.

Audit of 2022 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 plan to issue an unmodified (clean) opinion on the financial statements**
- **We plan to issue an unmodified (clean) opinion on the major federal program (ESF)**
- **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**
 - None noted in the current year
- **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 a few adjustments recorded during the course of the audit:
 - Client Prepared: \$73,002 increase to depreciation and accumulated depreciation
 - Client Prepared: \$93,490 increase to fixed assets and decrease to repairs and maintenance exp.
 - Client Prepared: \$44,630 increase to sick leave accrual and related expenses
 - Auditor Prepared: \$516 decrease to net assets and increase to misc. expenses
 - Auditor Prepared: \$32,867 increase in accounts payable and expenses
 - Auditor Prepared: \$10,822 increase to accounts receivable and restricted receipts
- There were no uncorrected adjustments due to materiality levels.

BEST PRACTICES

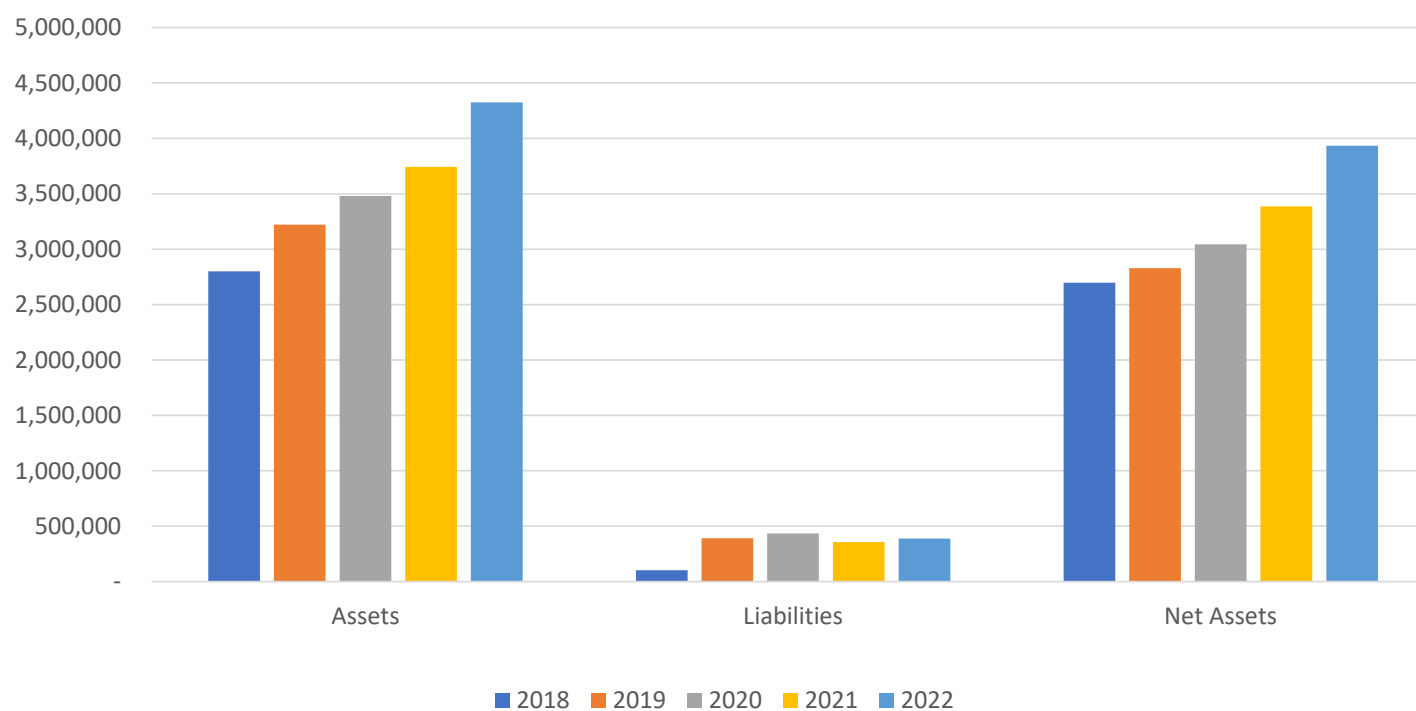
- Reconcile accounts to supporting documents

In order to make the financial reports generated by the accounting system as meaningful as possible the Company should reconcile the general ledger accounts for cash, accounts receivable, accounts payable, and accruals to supporting documentation on a monthly basis. A benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period, which makes it easier to perform future reconciliations.

- Use a monthly closing calendar for a more timely closing

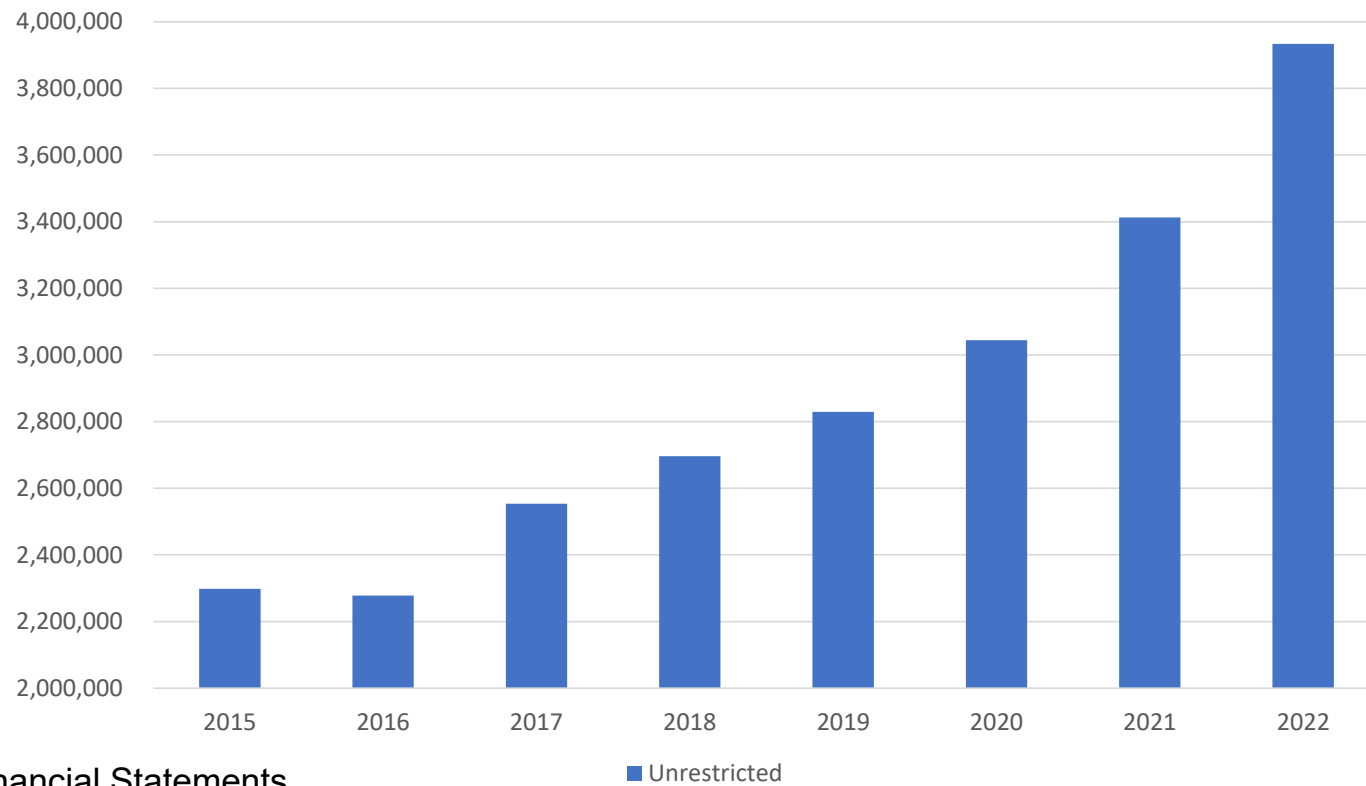
We recommend that the Company establish a formal monthly closing calendar listing all the items needed to close the books, the people responsible for providing the information to accounting, and the date on which the information is needed. The recurring journal entries needed for the close should be among the items required.

STATEMENT OF FINANCIAL POSITION TRENDS



Source: Audited Financial Statements

NET ASSETS TRENDS



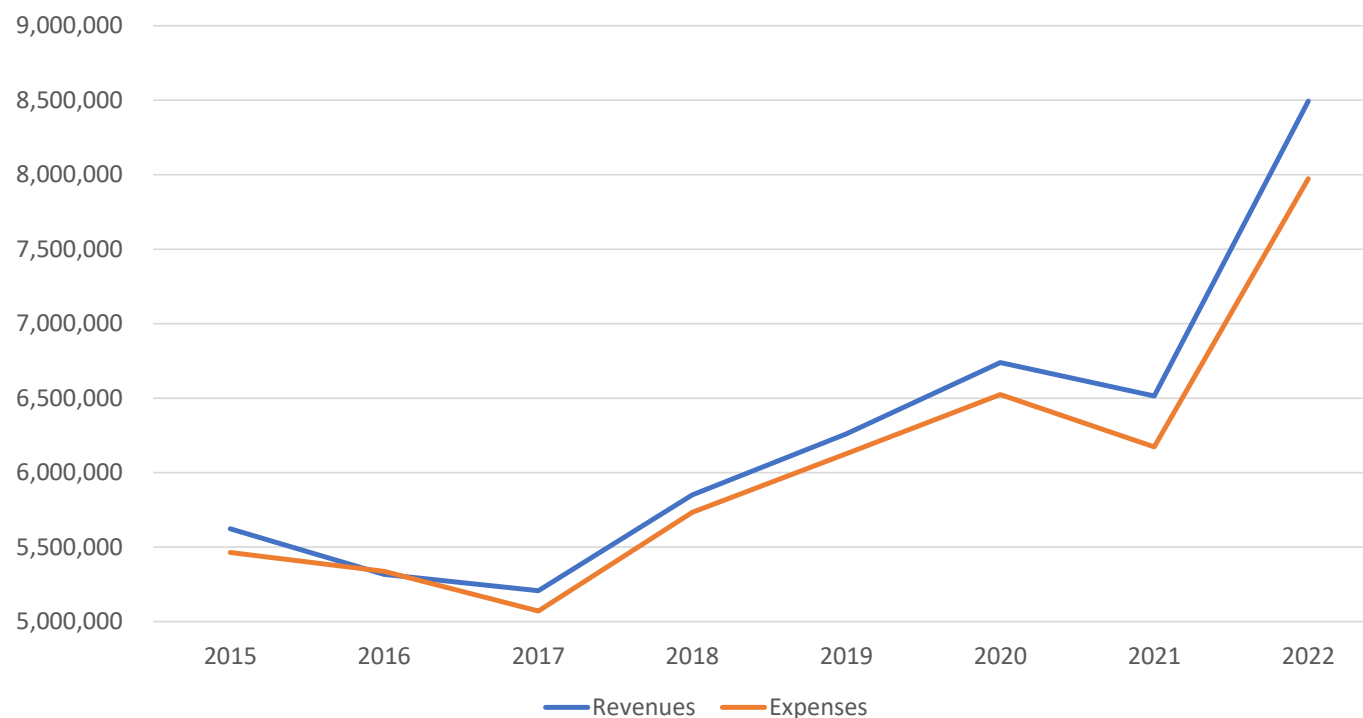
Source: Audited Financial Statements

STATEMENT OF FINANCIAL POSITION ANALYSIS

Account	2022	2021	Change
Cash	\$1,959,000	\$1,578,000	\$381,000
Receivables, net	724,000	563,000	161,000
Fixed assets, net	1,641,000	1,621,000	20,000
Other assets	-0-	9,000	(9,000)
Total assets	\$4,324,000	\$3,771,000	\$553,000
Various liabilities	\$92,000	\$70,000	\$22,000
Accounts payable	34,000	-0-	34,000
Long-term debt	264,000	288,000	(24,000)
Net assets	3,934,000	3,413,000	521,000
Total liabilities & net assets	\$4,324,000	\$3,771,000	\$553,000

Source: Audited Financial Statements

STATEMENT OF ACTIVITIES TRENDS



Source: Audited Financial Statements

STATEMENT OF ACTIVITIES ANALYSIS

Description	2022	2021	Change
Federal receipts	\$3,065,000	\$1,864,000	\$1,201,000
State receipts	1,765,000	1,509,000	256,000
Slots/Tuition	1,552,000	1,587,000	(35,000)
Other	2,112,000	1,581,000	531,000
Total revenues	8,494,000	6,541,000	1,953,000
Personnel and fringe	\$5,327,000	\$4,670,000	\$657,000
Other	2,646,000	1,503,000	1,143,000
Total expenses	7,973,000	6,173,000	1,800,000
Change in net assets	\$521,000	\$368,000	153,000

Source: Audited Financial Statements

NEW ACCOUNTING STANDARDS

- Leases (ASU 2016-02)
 - Effective for FY2023
 - Recognition of a right-of-use asset and lease liability on the Statement of Financial Position
 - Leases greater than 12 months
- Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU 2020-07)
 - Effective for FY2023
 - Separate presentation in Statement of Activities, by type
 - Disclosure of policy, monetization and utilization

OTHER MATTERS

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