



BARNES DENNIG
Accounting • Tax • Business Insight

Auditors' Report to the Board of Trustees

NORTHERN KENTUCKY COOPERATIVE FOR
EDUCATIONAL SERVICES, INC.

November 15, 2023



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 20, 2023.

Audit of 2023 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.

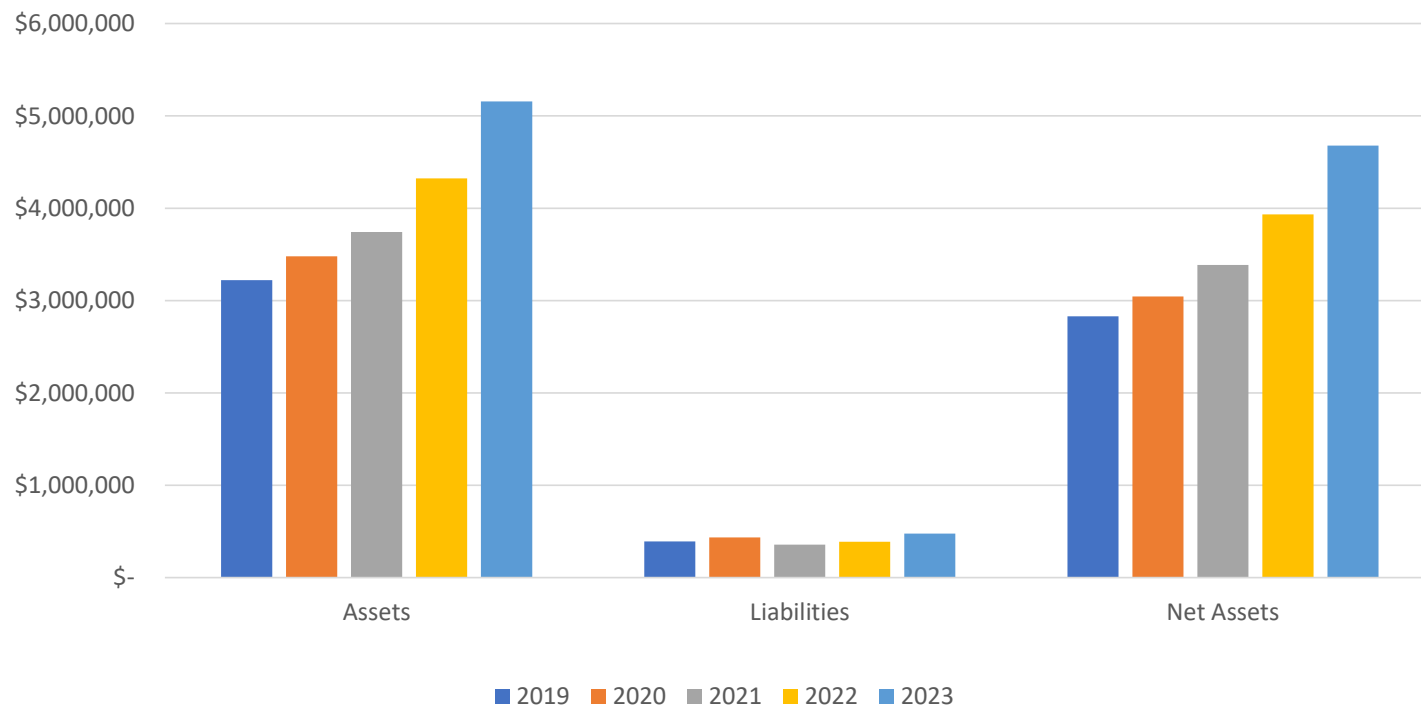
EXECUTIVE SUMMARY

- **We plan to issue an unmodified (clean) opinion on the financial statements**
- **We plan to issue an unmodified (clean) opinion on the major federal programs (Arts in Mind/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**
 - Adoption of ASU 2016-02, *Leases*
 - Recognition of right-of-use asset and lease liability for operating leases; enhanced disclosures
 - Adoption of ASU 2020-07, *Contributed Nonfinancial Assets* – “*Gifts in-kind*”
 - Enhanced disclosures
- **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

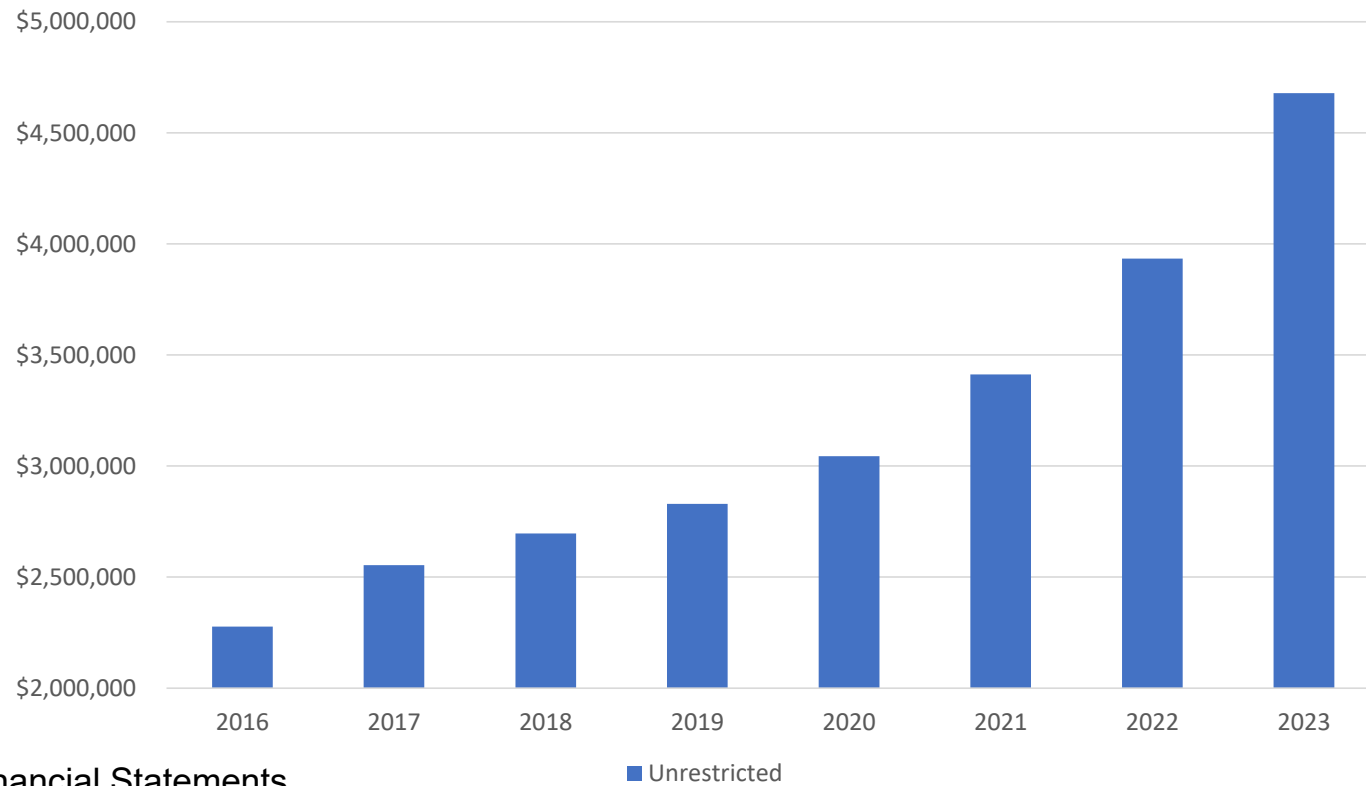
- There were a few adjustments recorded during the course of the audit:
 - \$335,269 increase to fixed assets and decrease to expenses
 - \$15,558 decrease to net assets and decrease to expenses to match NKCES records
- There was one uncorrected adjustment due to materiality levels.
 - \$17,993 increase to right of use (ROU) asset, \$10,264 increase to ROU accumulated amortization \$8,292 increase to lease liability, and \$563 increase to rent expense

STATEMENT OF FINANCIAL POSITION TRENDS



Source: Audited Financial Statements

NET ASSETS TRENDS



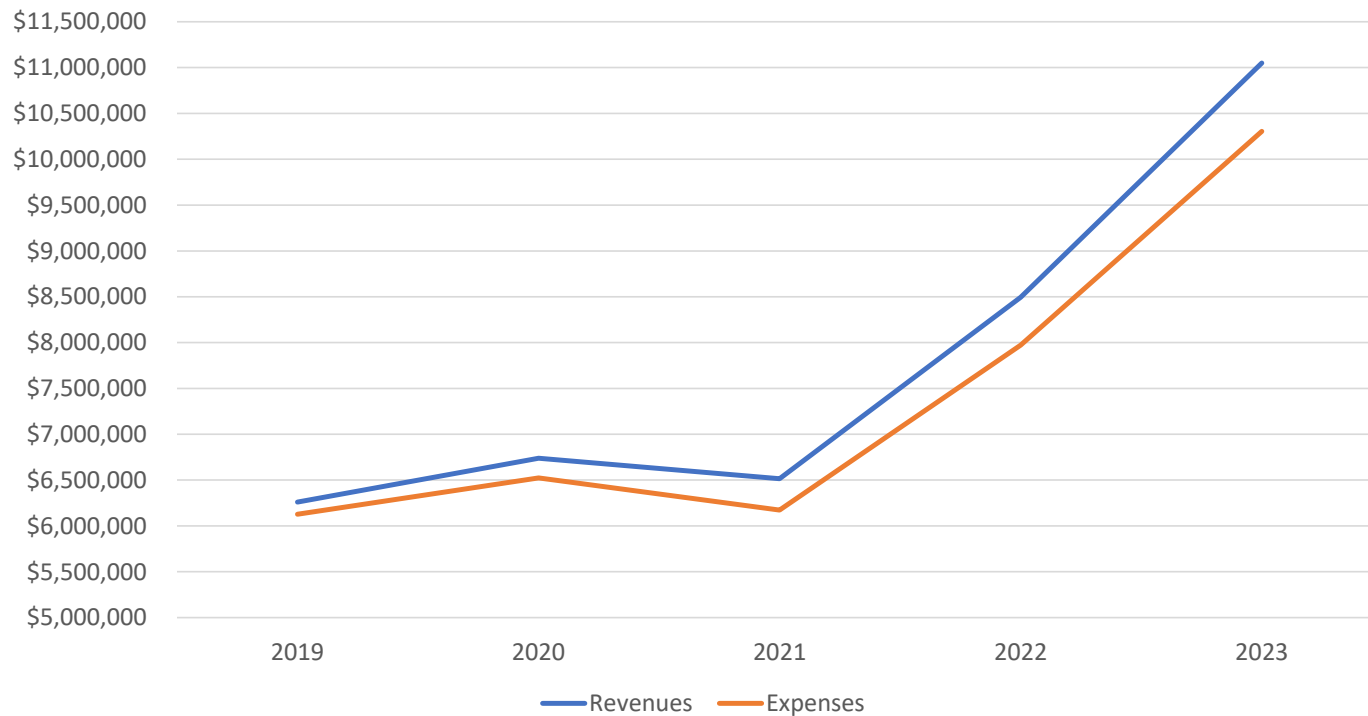
Source: Audited Financial Statements

STATEMENT OF FINANCIAL POSITION ANALYSIS

Account	2023	2022	Change
Cash	\$2,108,000	\$1,959,000	\$149,000
Receivables, net	1,062,000	724,000	338,000
Fixed assets, net	1,887,000	1,641,000	246,000
Other assets	99,000	-0-	99,000
Total assets	\$5,156,000	\$4,324,000	\$832,000
Various liabilities	\$193,000	\$92,000	\$101,000
Accounts payable	47,000	34,000	13,000
Long-term debt	237,000	264,000	(27,000)
Net assets	4,679,000	3,934,000	745,000
Total liabilities & net assets	\$5,156,000	\$4,324,000	\$832,000

Source: Audited Financial Statements

STATEMENT OF ACTIVITIES TRENDS



Source: Audited Financial Statements

STATEMENT OF ACTIVITIES ANALYSIS

Description	2023	2022	Change
Federal receipts	\$4,571,000	\$3,065,000	\$1,506,000
State receipts	1,867,000	1,765,000	102,000
Slots/Tuition	1,866,000	1,552,000	314,000
Other	2,746,000	2,112,000	634,000
Total revenues	11,050,000	8,494,000	2,556,000
Personnel and fringe	\$6,384,000	\$5,327,000	\$1,057,000
Other	3,921,000	2,646,000	1,275,000
Total expenses	10,305,000	7,973,000	2,332,000
Change in net assets	\$745,000	\$521,000	224,000

Source: Audited Financial Statements

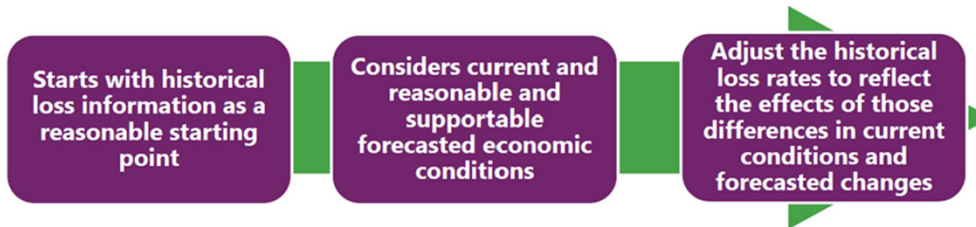
NEW ACCOUNTING STANDARDS

➤ Accounting Standards Update

➤ Financial Instruments – Credit Losses (ASU 2016-13)

- Effective for fiscal year 2024
- Recognition of expected credit losses (i.e., bad debt allowance) for all trade receivables
- Example calculation from ASC 326 based on aging schedule methodology

Past-Due Status	Amortized Cost Basis	Credit Loss Rate	Expected Credit Loss Estimate
Current	\$ 5,984,698	0.27%	\$ 16,159
1–30 days past due	8,272	7.2%	596
31–60 days past due	2,882	23.4%	674
61–90 days past due	842	52.2%	440
More than 90 days past due	1,100	73.8%	812
	<u>\$ 5,997,794</u>		<u>\$ 18,681</u>



OTHER MATTERS

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