

# **Northern Kentucky Cooperative for Educational Services, Inc.**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2025  
With Independent Auditors' Report**

DRAFT 10/6/25

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**June 30, 2025**

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## Independent Auditors' Report

To the People of Kentucky  
Honorable Andy Beshear  
Holly M. Johnson, Secretary, Finance and Administration Cabinet  
Dr. Robbie Fletcher, Commissioner, Department of Education  
Jay Hartz, Director, Legislative Research Commission  
Board of Directors Northern Kentucky Cooperative for Educational Services, Inc.  
Cold Spring, Kentucky

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Northern Kentucky Cooperative for Educational Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Kentucky Cooperative for Educational Services, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Kentucky Cooperative for Educational Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Kentucky Cooperative for Educational Service Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

**Independent Auditors' Report  
(Continued)**

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northern Kentucky Cooperative for Educational Services Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Kentucky Cooperative for Educational Service Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of activities by program is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Independent Auditors' Report  
(Continued)**

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **TBD 2025**, on our consideration of Northern Kentucky Cooperative for Educational Service, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern Kentucky Cooperative for Educational Service Inc's internal control over financial reporting and compliance.

**TBD 2025**

Crestview Hills, Kentucky

DRAFT 10/6/25

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Financial Position  
June 30, 2025**

**Assets**

**Current assets:**

Cash	\$ 6,210,859
Grant funds receivable	477,395
Accounts receivable	<u>66,552</u>
Total current assets	<u>6,754,806</u>

**Non-current assets:**

Property and equipment, net	1,988,596
Right of use assets - operating leases, net	<u>27,023</u>
Total non-current assets	<u>2,015,619</u>
Total assets	<u><u>\$ 8,770,425</u></u>

**Liabilities and Net Assets**

**Current liabilities:**

Current portion of accrued sick leave	\$ 20,130
Current portion of long-term debt	22,491
Current portion of lease liability - operating leases	7,239
Accounts payable	68,000
Accrued expenses	4,439
Deferred revenue	<u>11,366</u>
Total current liabilities	<u>133,665</u>

**Non-current liabilities:**

Accrued sick leave, net of current portion	141,783
Long-term debt, net of current portion	175,108
Lease liability - operating leases	<u>19,784</u>
Total non-current liabilities	<u>336,675</u>
Total liabilities	<u>470,340</u>

**Net Assets**

Net assets without donor restrictions:	
Undesignated	8,219,128
Designated for sick leave earned	<u>80,957</u>
Total net assets	<u>8,300,085</u>
Total liabilities and net assets	<u><u>\$ 8,770,425</u></u>

The accompanying notes are an integral part of these financial statements

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Activities  
Year Ended June 30, 2025**

**Revenues, gains and other support:**

Sick leave escrow	\$ 75,160
Memberships	283,131
Slots/tuition	2,282,125
Interest	205,311
Registrations	693,921
Local grant receipts	152,697
Sponsorships	16,448
Partner services	19,404
Refunds and reimbursements	16,420
Purchasing rebates	115,421
Indirect costs receipts	1,494,397
Rent	40,000
SEEK funds/ADA	238,208
Miscellaneous revenues	17,374
Employee Retention Credit	1,099,290
State receipts	2,774,153
Federal receipts	9,120,431
	<hr/>
Total revenues, gains and other support	18,643,891

**Expenses:**

Personnel	6,551,535
Fringe	1,540,890
Professional services	306,921
Contracted service	714,075
Repair and maintenance	319,048
Insurance	119,466
Office expense	945,673
Program expenses	4,211,375
Depreciation	135,976
Indirect costs	1,494,400
Other expenses	51,141
	<hr/>
Total expenses	16,390,500

**Change in net assets** 2,253,391

**Net assets, beginning of year** 6,046,694

**Net assets, end of year** \$ 8,300,085

The accompanying notes are an integral part of these financial statements

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Statement of Functional Expenses Year Ended June 30, 2025

	<u>Cooperative Programs</u>	<u>Operating</u>	<u>Total</u>
<b>Salaries and benefits:</b>			
Personnel	\$ 5,809,317	\$ 742,218	\$ 6,551,535
Fringe	1,356,505	184,385	1,540,890
	<u>7,165,822</u>	<u>926,603</u>	<u>8,092,425</u>
<b>Total salaries and benefits</b>			
	<u>7,165,822</u>	<u>926,603</u>	<u>8,092,425</u>
<b>Other expenses:</b>			
Professional services	217,763	89,158	306,921
Contracted service	549,739	164,336	714,075
Repairs and maintenance	237,095	81,953	319,048
Insurance	51,262	68,204	119,466
Office expense	809,690	135,983	945,673
Program expenses	4,073,510	137,865	4,211,375
Depreciation	-	135,976	135,976
Indirect costs	1,494,400	-	1,494,400
Other expenses	51,141	-	51,141
	<u>7,484,600</u>	<u>813,475</u>	<u>8,298,075</u>
<b>Total other expenses</b>			
	<u>7,484,600</u>	<u>813,475</u>	<u>8,298,075</u>
<b>Total expenses</b>	<u>\$ 14,650,422</u>	<u>\$ 1,740,078</u>	<u>\$ 16,390,500</u>

The accompanying notes are an integral part of these financial statements



**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Cash Flows  
Year Ended June 30, 2025**

**Cash flows from operating activities**

Change in net assets	\$ 2,253,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	135,976
Changes in:	
Grant funds receivable	874,200
Accounts receivable	(55,533)
Prepaid expenses	159,381
Accounts payable	(206,030)
Accrued sick leave	19,039
Accrued expenses	1,437
Deferred revenue	866
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Net cash provided by operating activities	3,182,727

**Cash flows from investing activities**

Purchases of property and equipment	(143,339)
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**Cash flows from financing activities**

Principal payments on long-term debt	(19,822)
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Net change in cash	3,019,566
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Cash, beginning of year	3,191,293
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Cash, end of year	<u>\$ 6,210,859</u>
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**Supplemental cash flows information:**

Cash paid for interest	<u>\$ 16,178</u>
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The accompanying notes are an integral part of these financial statements

# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Financial Statements**

### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Nature of Operations***

Northern Kentucky Cooperative for Educational Services, Inc. (the Cooperative), is a non-profit corporation that provides special education services jointly with local school districts and other education agencies; provides professional development programs for its members and other members of the education-related community; maintains relationships with other Kentucky cooperatives in order to provide centralized purchasing for member districts; coordinates and administers federal programs for participating local school districts; and serves as a fiscal agent for local, state, and federal programs.

#### ***Program Descriptions***

##### **Regional School Program**

The Cooperative was instrumental in the development of a Regional School Program (RSP) serving school age students who have a variety of complex needs in the region. RSP is a collaborative effort among local school districts and is the umbrella to three programs: Northern Kentucky Success Academy, Restore Program, and Pathways Program (descriptions to follow). RSP functions through the cooperative, located in Cold Spring, utilizing an Advisory Board. The Advisory Board consists of the Directors of Special Education from each participating district, the Executive Director of NKCES, and administration from Regional School Programs. The Advisory Board meets quarterly throughout the year to discuss topics such as costs, budgets, policies, procedures, transitions, alignment with Kentucky's educational standards, and implementation of special education procedures. Funding for RSP is received from the Commonwealth of Kentucky based on Average Daily Attendance and from slot tuition paid by participating districts to cover excess costs.

##### **Northern Kentucky Success Academy**

The NKY Success Academy is an alternative school program that serves students in grades 6-12. The NKY Success Academy is designed to serve students who have demonstrated significant barriers to learning in the typical and traditional school setting. Students have access to full term courses and the opportunity to recover credits from previous terms. During the 2024-2025 school year, three districts participated in The NKY Success Academy.

##### **Restore Program**

The Restore Program serves students in grades K-12. The Restore Program provides a placement on a continuum of services for students in participating districts with an Individual Educational Plan (IEP). The program provides a high degree of structure in self-contained classrooms within the alternative setting. The Restore Program is designed to serve students who have demonstrated significant barriers to learning in the typical and traditional school setting and have also been identified as having specialized individual needs in order for them to reach their highest potential. During the 2024-2025 school year, twelve districts participated in the Restore Program.

# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Financial Statements (Continued)**

### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Program Descriptions (Continued)***

##### **Pathways Program**

The Pathways Program serves students in grades K-12. The Pathways Program provides a placement on a continuum of services for students in participating districts with an IEP. The program provides self-contained classrooms within the alternative setting. The Pathways Program specializes in working with students who have moderate and severe disabilities. The program is designed to have a high degree of structure, schedules based on the individual student needs, and a low student-to-staff ratio in order to provide appropriate services for each student. Students in the program participate in community-based learning in addition to the classroom. During the 2024-2025 school year, nine districts participated in the Pathways Program.

##### **IDEA B Special Education Cooperative**

The Kentucky Department of Education (KDE) awards the federal IDEA state-share restricted funds to the Cooperative based upon a grant proposal presented to them in the prior fiscal year. Working collaboratively with member school districts, KDE, and other regional cooperatives and with a focus on equity, achievement, and integrity, the Cooperative uses these funds in an effort to improve educational outcomes for students with disabilities.

##### **Professional Development**

The Cooperative coordinates multiple trainings and activities for member schools and others. Occasionally, there is a small fee charged for these events to cover the cost of supplies, guest speakers, and other needed items. Registration fees and expenses incurred as a result of these trainings are run through this account.

##### **Special Ed PD**

The Cooperative coordinates multiple trainings and activities for member schools and others in the area of special education. Occasionally, there is a fee charged for these events to cover the cost of supplies, guest speakers, and other needed items. Registration fees and expenses incurred as a result of these trainings are run through this account. All excess funds are spent on the IDEA Program.

##### **WHS Crusade for Children**

This grant is provided by the WHAS Crusade for Children Advisory Panel and provides funds to purchase assistive technology items that will be available for use by students with special needs in the public school districts in Northern Kentucky through an established loan library at the Cooperative.

## **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

### **Notes to Financial Statements (Continued)**

#### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Program Descriptions (Continued)***

##### **Family Resource and Youth Service Centers**

Through a Memorandum of Agreement, the Cooperative serves as the fiscal agent for finances related to the compensation and benefits for employees of the Division of Family Resource and Youth Services Centers (DFRYSC) as well as for expenses related to training school district employees responsible for overseeing the Family Resource and Youth Centers (FRYSC) operated statewide. DFRYSC is an agency of the Commonwealth of Kentucky that directs the efforts of these school-based centers to help academically at-risk students succeed in school by helping to minimize or eliminate non-cognitive barriers to learning. In 2024-2025, the sources for funding such activities were approximately 80% from state funds and 20% from Federal funds.

##### **English Learner (ESL Local)**

The Cooperative's English Learner (EL) program was created to assist member school districts with the special needs of students whose primary language is other than English. The program's goals are as follows: to help English learners achieve academic success and to ensure that districts are in compliance with state and federal guidelines regarding English Learners. To provide support to member districts, NKCES employs one EL program consultant. The EL consultants screen potential EL students; create Program Service Plans (PSP's) using stakeholder input; assist teachers with PSP implementation; provide direct services to students; administer the state EL assessment; monitor students who have exited the program and re-designated as fully English proficient; offer professional development opportunities and consultation to school employees; and provide general guidance to districts. The program is funded largely by participating school district contributions and somewhat by federal grants made available by the Kentucky Department of Education to those districts but assigned to the Cooperative.

##### **Department for Aging and Independent Living**

Through a Memorandum of Agreement, the Cooperative serves as the fiscal agent for state-funded finances related to the compensation and benefits for employees of the Department for Aging and Independent Living (DAIL). DAIL is an agency of the Commonwealth of Kentucky that coordinates a statewide health and safety program targeting Kentucky's senior population and their caregivers.

##### **Healthy Schools**

This Memorandum of Agreement is entered into by and between the Commonwealth of Kentucky, the Kentucky Department of Education, and NKCES to establish an agreement to recruit and work with twelve schools within our member districts to improve the nutrition and physical activity environment of the schools. NKCES will work with the schools to develop school health teams, conduct a school health assessment, and implement an action plan.

## **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

### **Notes to Financial Statements (Continued)**

#### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Program Descriptions (Continued)***

##### **Title III EL**

The NKCES Title III Consortium ensures that English Learners (ELs) can participate meaningfully and equitably in educational programs and services. The EL Consultant use the students' Home Language Surveys, which are administered to all students during enrollment to identify potential EL students using the State Education Agency (SEA) criteria. Once identified, the EL Consultant creates and share Program Services Plans (PSPs) for all EL students. In addition, she manages all EL-related Infinite Campus data for local member districts. The annual English language proficiency test, ACCESS, is also planned and implemented by the EL Consultants for the local member districts. The EL Consultant provides training for EL and content teachers on research-based direct and sheltered language instruction for English Learners. The EL Consultant works to ensure that EL students in each district have equal opportunities to meaningfully participate in all curricular and extra-curricular activities. She also works to avoid unnecessary segregation of EL students. While the EL Consultant is only available to provide direct services to those students whose districts participate in the local program, they are able to provide other support services in all of the districts in the NKCES Title III Consortium.

##### **Substance Prevention Framework**

The Department of Health and Human Services, more specifically The Substance Abuse and Mental Health Services Administration, awards this grant to Northern Kentucky Cooperative for Educational Services for a 5 year project period. Recipients of this award are required to collect and report certain data in order to meet its obligations under the Government Performance and Results Act. This federal grant provides prevention services, outreach engagement, training, and technical assistance activities. The team works directly with our member districts to engage students and community members in Northern Kentucky.

##### **Department for Community Based Services (DCBS)**

Through a Memorandum of Agreement, the Cooperative serves as the fiscal agent for state-funded finances related to the compensation and benefits for employees of the Division of Guardianship. The Department of Community Based Services (DCBS) is an agency of the Commonwealth of Kentucky, Cabinet for Health and Family Services, and Division of Guardianship. This entity employs individuals for the administration of the traumatic brain trust fund board and provides and implements services and functions of the Division of Guardianship in accordance with KRS 378.06.

## **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

### **Notes to Financial Statements (Continued)**

#### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Program Descriptions (Continued)***

##### **Positive Action**

The Office of Justice Programs (OJP), U.S. Department of Justice (DOJ) has awarded the Positive Action grant to NKCES, which is an award under the OJP funding opportunity entitled "STOP School Violence: Units for local government, federally recognized Indian tribes, public agencies, nonprofit entities to include private schools- Training on preventing violence." This was a 3 year program, but has been extended by 1 year, allowing us with work with our member districts and close community partners to stop school violence.

##### **CRRSA**

This is the Coronavirus Response and Relief Supplemental Appropriations grant which will provide hiring a team to assist schools and districts in their efforts to accelerate learning and address social-emotional needs due to school closures and inconsistencies of student participation in remote learning during the COVID-19 pandemic. The carry out the work of this grant, the following hires have been made: a CRRSA Coordinator, 2 Learning Acceleration Specialists, and 2 Social-Emotional Learning Specialists. They will take a regional approach with a statewide impact and coordinate with schools/districts to help determine specific needs, analyze data, and plan services with their coaches and staff.

##### **DEI Grant**

The Diversity, Equity, and Inclusion Coordinator grant provides a coordinator at NKCES to meet with school and district leaders to offer proactive strategies that will help assess and implement diversity, equity, and inclusion efforts. This position will support the development and dissemination of KDE's Equity Toolkit, Equity Dashboard, and Equity Playbook. This position will also collaborate with the Office of Special Education as well as the CRRSA team.

##### **PERS Effectiveness Coach**

Through a Memorandum of Agreement (MOA), the Kentucky Department of Education contracts with the Cooperative to provide a Leadership Development Coordinator to provide leadership, support, and service to develop effective principals in Kentucky.

##### **NKU Regional Consultant**

Through a Memorandum of Agreement (MOA), Northern Kentucky University contracts with the Cooperative to provide a Regional Consultant for the Kentucky Center for Mathematics (KCM). This position provides support for Mathematics Achievement Fund (MAF) schools, professional learning experiences at state and district levels, and provides other KCM activities to help educations grow professionally.

# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Financial Statements (Continued)**

### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Program Descriptions (Continued)***

##### **Deeper Learning**

With this grant, NKCES will coordinate the delivery of Deeper Learning professional learning opportunities to Kentucky local school districts. Deeper Learning is a broad term to categorize or characterize multiple learning methods including personalized, higher-order thinking, blended, project-based, problem-based, inquiry-based, work-based, connected learning, experiential learning, and competency-based learning. NKCES, individually and collectively with the Kentucky Association of Educational Cooperatives, will implement a tiered system of co-op teacher learning, teacher piloting, and school/district scaling. By the end of year 3, self-selected districts, schools, and teachers will begin to embed and sustain these newer methods, providing all students with the cognitively-demanding learning modes needed in today's economic environment.

##### **Arts in Education**

This program is funded by the U.S. Department of Education and provides access, with opportunity, and support for the arts to our districts. Arts Integration is an approach to teaching which connects an art form and another subject area to meet student need and increase student engagement and understanding.

##### **Trauma-Informed Schools**

This new four-year program is funded by the Department of Health and Human Services. The grant will provide assistance, resources, and materials to implement Trauma Informed Plans in the districts that opted into the grant.

##### **School-Based Mental Health**

This grant, named Northern Kentucky Institute for Mental Health Services, was awarded by the U.S. Department of Education. The purpose is to increase the number of mental health services providers in our districts with demonstrated need, and to increase the number of credentialed school-based mental health service providers in our districts with demonstrated need who are from diverse backgrounds or from communities served with demonstrated need. It provides for a relatively large number of new staff, including: IHE Liaison, Project Coordinator, .20 Project Director, Human Resources Recruiter, Marketer/Social Media Outreach Coordinator, Operations Coordinator, Regional Mental Health Services Provider, stipended district coordinators and 20 Mental Health Professionals who will work in districts beginning in year two.

# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Financial Statements (Continued)**

### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Program Descriptions (Continued)***

##### **NKU Young Scholars Academy**

The purpose of this MOU is to outline the collaboration of the parties in developing and operating the regional model for YSA. NKU and NKCES are aligned in their aspirations to be nationally recognized for being student-ready and regionally engaged campuses that empower diverse learners for economic and social mobility. In support of student success, this innovative approach will provide students a clear path to their educational success through an early college academy.

##### **American Rescue Plan (ARP)**

NKCES was awarded The Special Education Regional Tech. Assist. Centers American Rescue Plan (ARP) grant by way of Memorandum of Agreement with Kentucky Department of Education. This grant supports Special Education Technical Assistance Centers (SERTACs) in their effort to provide innovative learning opportunities and support for the districts they serve as they work to overcome the challenges faced in our schools resulting from the COVID-19 Pandemic.

##### **School Based Interventions**

NKCES will recruit and work with two schools within their member districts to improve the nutrition and physical activity environment of the schools. NKCES will work with the schools to develop school health teams, conduct a school health assessment, and implement an action plan.

##### **Interact for Health**

The Interact for Health Amplifying Youth Voice Grant was intended to address overall high levels of student mental health challenges by empowering them by implementing the following activities: creation of a Youth Advisory Board, holding the NKY Regional Youth Summit focusing on Suicide prevention, holding the regional Mental Health Roundtable, conducting student focus groups, providing youth opportunities to advocate, purchase mental health promotional items and wellness kits for NKY schools, and the dissemination of mental health / anti-stigma messages.

##### **School Based Mental Health/RSP Counselor**

In accordance with the Northern Kentucky Institute for Empowerment School-Based Mental Health Grant, a project funded by the U.S. Department of Education's School-Based Mental Health grant Program funded through the Office of Safe and Supportive Schools, NKCES and RSP have entered into this counselor agreement. RSP agrees to monitor and support the mental health professional hired and grant coordinator in completing the SBMH Grant District Plan and SBMH Mental Health Provider Data. RSP will submit a completed SBMH Grant District Plan and SBMH Mental Health Provider Data and other other grant requirements. RSP will also provide detailed check history or other documentation for the mental health provider's salary. The current contract is for one year.



# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Financial Statements (Continued)**

### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### ***Financial Statement Presentation***

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Cooperative is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

#### ***Cash***

The Cooperative maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Amounts exceeding the federally insured limits are covered by a collateral agreement, and the collateral is held in the Cooperative's name by the safekeeping department of a third-party commercial bank. The Cooperative has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

#### ***Accounts Receivable***

Accounts receivable are stated at their contractual balances, net of any allowance for credit losses. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The Cooperative begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for credit losses based on the Cooperative's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the Cooperative has used reasonable collection efforts and deems them uncollectible.

Based on this criteria, no allowance for credit losses has been provided at June 30, 2025 since the Cooperative expects no material losses.

#### ***Property and Equipment***

Property and equipment are recorded at cost or, if donated or impaired, at fair value at the time of the gift or determination. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Major improvements are capitalized, while maintenance and repairs are expensed as incurred.

#### ***Revenue Recognition***

The Cooperative recognizes revenue related to membership fees and slot tuition. Membership fees grants access to programs and professional development opportunities provided by the Cooperative. Slot tuition fees are for spots for students of member districts to participate in a specific program. Fees are billed and due within 30 days. Both fees are recognized as revenue over time based on time elapsed. Fees received are for the program year of July 1<sup>st</sup> to June 30<sup>th</sup>.

## **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

### **Notes to Financial Statements (Continued)**

#### **NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### ***Income Taxes***

The Cooperative is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Kentucky law. However, the Cooperative is subject to federal income tax on any unrelated business taxable income.

The Cooperative's IRS Form 990 is subject to review and examination by federal and state authorities. The Cooperative believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

##### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the program and operating categories based upon estimates of the resources used by various activities. The most significant allocations were salaries and related expenses, which were allocated based on time and effort.

##### ***Leases***

The Cooperative determines if an arrangement is a lease at inception. Right of use (ROU) assets for operating leases and lease liabilities are included on the statement of financial position.

ROU assets represents the Cooperative's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Cooperative uses rates implicit in the lease, if readily available. For leases that do not provide an implicit rate, a risk-free rate based on information available at commencement date is used in determining the present value of lease payments. The Cooperative's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Cooperative accounts for lease and non-lease components as a single lease component. There may be variability in future lease payments as the amount of the non-lease component is typically revised from one period to the next. These variable lease payments are recognized in operating expenses in the period in which the obligation for those payments was incurred. The Cooperative's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Cooperative made an accounting policy election that payments under agreements with an initial term of 12 months or less will not be included on the statement of financial position but will be recognized in the statement of activities on a straight-line basis over the term of the agreement. The Cooperative has elected to apply the short-term lease exception on all classes of underlying assets.

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### *Subsequent Events*

Subsequent events have been evaluated through TBD 2025, which is the date the financial statements were available to be issued.

### NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2025 consisted of the following:

Building	\$ 2,839,799
Equipment	343,424
Land	<u>200,000</u>
	3,383,223
Less accumulated depreciation	<u>(1,394,627)</u>
	<u><u>\$ 1,988,596</u></u>

### NOTE 3 ACCRUED SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System or from the County Employees Retirement System, certified and classified employees will receive from the Cooperative an amount equal to 30% of the value of accumulated sick leave. At June 30, 2025 this amount totaled \$161,913 for those employees who are eligible to retire from those retirement systems.

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 4 RETIREMENT PLAN

The Cooperative's full-time employees are provided with one of two pension plans, based on each position's education or certification requirement. The County Employees Retirement System (CERS) covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System (TRS) covers positions requiring teaching certification or otherwise requiring a college degree.

#### General information about the County Employees Retirement System Non-Hazardous

##### *Plan Description*

Employees whose positions do not require a teaching certificate or a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

##### *Benefits Provided*

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components.

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 4 RETIREMENT PLAN (CONTINUED)

Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's spouse will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

#### **Contributions**

Required contributions by the employee are based on the following tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2025, was \$475,183, which consisted of \$368,784 from the Cooperative and \$106,399 from the employees. The contributions have been contributed in full for fiscal year 2025.

#### **General information about the Teachers' Retirement System of the Commonwealth of KY**

##### **Plan Description**

Teaching certified employees of the Cooperative and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the Commonwealth of Kentucky—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <http://trs.ky.gov/financial-reports-information>.

##### **Benefits Provided**

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life or for some defined term, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 4 RETIREMENT PLAN (CONTINUED)

#### *Benefits Provided (Continued)*

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. New employees hired after July 1, 2008 but before December 31, 2021 who retire with less than ten years will receive monthly benefits equal to 1.7% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 10 and 20 years of service will receive monthly benefits equal to 2% of their final average salary for each year of service. New employees hired between July 1, 2008 and December 31, 2021 with between 20 to 26 years of service will receive monthly benefits equal to 2.3% of their final average salary for each year of service. Lastly, new employees hired between July 1, 2008 and December 31, 2021 with between 26 to 30 years of service will receive monthly benefits equal to 2.5% of their final average salary for each year of service. Effective January 1, 2022, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.4% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS. The contribution requirement for TRS for the year ended June 30, 2025, was \$1,008,450, which consisted of \$403,013 from the Cooperative and \$605,436 from the employees. The contributions have been contributed in full for fiscal year 2025.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

## **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

### **Notes to Financial Statements (Continued)**

#### **NOTE 4 RETIREMENT PLAN (CONTINUED)**

##### **Medical Insurance Plan**

###### ***Plan Description***

In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

###### ***Funding Policy***

In order to fund the post-retirement healthcare benefit, 7.50% of the gross annual payroll of members is contributed. Member contributions are 3.75% and 0.75% is paid from state appropriations. Employer contributions are 3.00%. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

#### **NOTE 5 OPEB PLANS**

##### **General information about the Teachers' Retirement System OPEB Plan**

###### ***Plan description***

Teaching-certified employees of the Northern Kentucky Cooperative for Educational Services, Inc. are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) – a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provided retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans.

## NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

### Notes to Financial Statements (Continued)

#### NOTE 5 OPEB PLANS (CONTINUED)

##### Medical Insurance Plan

###### *Plan description*

In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

###### *Benefits provided*

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

###### *Contributions*

In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

##### **General information about the County Employees Retirement System Non-Hazardous OPEB Plan**

###### *Plan description*

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

###### *Benefits*

CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 4 for tier classifications.



# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 5 OPEB PLANS (CONTINUED)

#### **Contributions**

Required contributions by the employee are based on the tier disclosed in Note 4.

#### **Life Insurance Plan**

#### **Plan description**

TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

#### **Benefits provided**

TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

#### **Contributions**

In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

### NOTE 6 LONG-TERM DEBT

Long-term debt at June 30, 2025 consisted of the following:

Note payable to Heritage Bank; interest at 7.625%; monthly payments of principal and interest of \$2,540 through April 2034; unsecured.	\$ 197,599
Less current portion	<u>(22,491)</u>
Long-term portion	<u>\$ 175,108</u>

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 6 LONG-TERM DEBT (CONTINUED)

Annual repayments of long-term debt will be:

2026	\$	22,491
2027		23,478
2028		24,507
2029		25,582
2030		26,704
Thereafter		74,837
		<hr/>
	\$	197,599
		<hr/>

### NOTE 7 LIQUIDITY AND AVAILABILITY

The Cooperative's total financial assets available are as follows as of June 30, 2025:

Cash	\$	6,210,859
Grant funds and accounts receivable		543,947
		<hr/>
Total financial assets available	\$	6,754,806
		<hr/>

The Cooperative regularly monitors liquidity required to meet its operating needs. The Cooperative maintains a goal to have cash on hand sufficient to cover 6 months of operating expenditures.

The Cooperative has various sources of liquidity at its disposal, including cash and accounts receivable. Federal/State grants are awarded at various times throughout the year and funds are drawn down as operational expenditures are incurred in the respective accounts. The Cooperative anticipates that grant revenue available to cover operating expenses of the grants in FY2026 will be \$10.6M.

In addition to financial assets available to meet general expenditures over the next 12 months, the Cooperative operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures during that period. Refer to the statement of cash flows which identifies the sources and uses of the Cooperative's cash and shows positive cash generated by operations in FY2025.

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Notes to Financial Statements (Continued)

### NOTE 8 LEASES

The Cooperative has two long-term leases for a postage machine and a copier extending beyond 12 months. These leases are for 36 months and 63 months and expire September 2026 and June 2029, respectively. The leases do not provide implicit rates. Therefore, the Cooperative elected to use the risk-free rate to determine the present value of future minimum payments. Each lease may contain lease and non-lease components together as a single lease. The Cooperative does not have the option to extend these leases and its options to terminate the leases after the non-cancellable lease term has not been recognized as part of the Cooperative's right to use the assets and liabilities. The total lease cost for the year ended June 30, 2025, was \$8,220.

There are no material variance lease costs associated with the Cooperative's leases.

Operating lease expense	\$	8,220
Short-term lease expense		2,589

Other information related to leases was as follows:

Operating cash flows	\$	8,220
Weighted average remaining lease term		45.92 months
Weighted average discount rate		4.37%

Future minimum lease payments under non-cancellable leases as of June 30, 2025 were as follows:

2026	\$	8,220
2027		7,206
2028		6,840
2029		6,840

Total future minimum lease payments 29,106

Less imputed interest (2,083)

Lease liabilities \$ 27,023

### NOTE 9 EMPLOYEE RETENTION CREDIT GRANT

The Cooperative was eligible for the Employee Retention Credit ("ERC") program under the CARES Act for qualified wages paid to employees. For the year ending June 30, 2025, \$1,099,290 was recognized as miscellaneous revenue on the statement of activities, which represents refunds due for all quarters ended June 30, 2020 through March 31, 2021.

**SUPPLEMENTARY INFORMATION**

DRAFT 10/6/25

# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Statement of Activities by Program Year Ended June 30, 2025

	Operations	School Based Intervention	WHS Crusade for Children	RSP	ESL Local	NKU Regional Consultant	Professional Development	DCBS
Income:								
Unrestricted income	\$ 2,253,362	\$ -	\$ 4,975	\$ 2,374,957	\$ 82,090	\$ 127,888	\$ 1,770,332	\$ -
Restricted receipts	-	4,483	-	-	-	-	-	585,323
Total income	<u>2,253,362</u>	<u>4,483</u>	<u>4,975</u>	<u>2,374,957</u>	<u>82,090</u>	<u>127,888</u>	<u>1,770,332</u>	<u>585,323</u>
Expense:								
Personnel	742,218	-	-	1,368,928	56,797	91,132	-	401,843
Fringe	184,385	-	-	162,509	4,295	27,282	-	120,585
Professional services	89,158	-	-	154,047	337	-	2,510	188
Contracted services	164,336	-	-	2,796	8,000	-	109,881	-
Repairs/maintenance	81,953	-	590	155,508	240	-	18,200	-
Insurance	68,204	-	-	51,077	-	-	-	-
Office expense	135,983	4,075	4,385	29,492	2,424	-	17,319	-
Program expenses	137,865	-	-	22,069	1,753	-	54,551	-
Depreciation	135,976	-	-	-	-	-	-	-
Indirect costs	-	408	-	197,626	7,209	9,474	-	62,707
Other expenses	-	-	-	37,438	1,035	-	118	-
Total expense	<u>1,740,078</u>	<u>4,483</u>	<u>4,975</u>	<u>2,181,490</u>	<u>82,090</u>	<u>127,888</u>	<u>202,579</u>	<u>585,323</u>
Net income	<u>\$ 513,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,567,753</u>	<u>\$ -</u>

(Continued)

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Activities by Program (Continued)**  
**Year Ended June 30, 2025**

	Trauma Informed	FRYSC State	Staff Account	DAIL - State	YSA	FRYSC - Fed	IDEA	Arts in Education
Income:								
Unrestricted income	\$ -	\$ -	\$ 490	\$ -	\$ 69,090	\$ -	\$ -	\$ -
Restricted receipts	1,394,379	1,299,144	-	773,452	-	404,649	1,203,877	1,472,758
Total income	<u>1,394,379</u>	<u>1,299,144</u>	<u>490</u>	<u>773,452</u>	<u>69,090</u>	<u>404,649</u>	<u>1,203,877</u>	<u>1,472,758</u>
Expense:								
Personnel	418,369	948,746	-	502,197	62,310	94,417	585,117	128,258
Fringe	168,004	81,269	-	188,432	3,973	33,200	195,187	53,998
Professional services	1,249	73	-	55	299	-	16,487	395
Contracted services	50,289	-	-	-	-	-	1,000	100,087
Repairs/maintenance	2,950	-	-	-	-	-	45,048	314
Insurance	-	-	-	-	-	-	-	185
Office expense	253,412	-	385	-	-	-	67,402	109,704
Program expenses	329,148	150,850	-	-	-	240,296	197,085	908,961
Depreciation	-	-	-	-	-	-	-	-
Indirect costs	169,985	118,206	-	82,768	6,656	36,736	88,605	170,532
Other expenses	973	-	-	-	-	-	7,946	324
Total expense	<u>1,394,379</u>	<u>1,299,144</u>	<u>385</u>	<u>773,452</u>	<u>73,238</u>	<u>404,649</u>	<u>1,203,877</u>	<u>1,472,758</u>
Net income (loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ (4,148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Activities by Program (Continued)**  
**Year Ended June 30, 2025**

	Title III EL	Healthy Schools	PERS Effectiveness Coach	CRRSA	Mental Health	DEI Grant	Interact for Health	Deeper Learning
Income:								
Unrestricted income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	\$ -
Restricted receipts	10,838	30,800	116,233	60,000	3,313,715	50,731	-	540,814
Total income	<u>10,838</u>	<u>30,800</u>	<u>116,233</u>	<u>60,000</u>	<u>3,313,715</u>	<u>50,731</u>	<u>5,000</u>	<u>540,814</u>
Expense:								
Personnel	1,456	10,000	102,189	32,523	551,019	17,996	-	139,440
Fringe	600	-	5,434	13,452	167,122	5,322	-	40,671
Professional services	300	-	-	78	11,441	-	-	212
Contracted services	-	-	-	4,700	6,999	1,800	4,385	216,235
Repairs/maintenance	2,200	-	-	55	11,269	-	-	222
Insurance	-	-	-	-	-	-	-	-
Office expense	3,698	-	-	6	242,119	392	14,828	1,286
Program expenses	2,390	18,000	-	4,688	1,912,789	20,648	4,460	93,566
Depreciation	-	-	-	-	-	-	-	-
Indirect costs	194	2,800	8,610	4,498	408,062	4,573	3,094	49,182
Other expenses	-	-	-	-	2,895	-	-	-
Total expense	<u>10,838</u>	<u>30,800</u>	<u>116,233</u>	<u>60,000</u>	<u>3,313,715</u>	<u>50,731</u>	<u>26,767</u>	<u>540,814</u>
Net loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,767)</u>	<u>\$ -</u>

(Continued)

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Statement of Activities by Program (Continued)**  
**Year Ended June 30, 2025**

	Special Ed PD	Positive Action	RSP SBMH Counselor	SPF	ARP	Total
Income:						
Unrestricted income	\$ 46,289	\$ -	\$ 14,834	\$ -	\$ -	\$ 6,749,307
Restricted receipts	-	83,053	88,400	388,276	73,659	11,894,584
Total income	<u>46,289</u>	<u>83,053</u>	<u>103,234</u>	<u>388,276</u>	<u>73,659</u>	<u>18,643,891</u>
Expense:						
Personnel	(1,972)	31,463	58,721	196,711	11,657	6,551,535
Fringe	(649)	5,997	18,395	59,655	1,772	1,540,890
Professional services	300	3,356	-	25,598	838	306,921
Contracted services	-	43,067	-	500	-	714,075
Repairs/maintenance	-	-	-	444	55	319,048
Insurance	-	-	-	-	-	119,466
Office expense	14,547	2,647	2,429	37,707	1,433	945,673
Program expenses	25,436	-	14,817	19,533	52,470	4,211,375
Depreciation	-	-	-	-	-	135,976
Indirect costs	3,930	(3,477)	8,872	47,716	5,434	1,494,400
Other expenses	-	-	-	412	-	51,141
Total expense	<u>41,592</u>	<u>83,053</u>	<u>103,234</u>	<u>388,276</u>	<u>73,659</u>	<u>16,390,500</u>
Net income	<u>\$ 4,697</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,253,391</u>

See independent auditors' report



# NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2025

Federal Grantor / Pass-through Grantor / Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>Department of Education</b>			
<b>Direct Federal Program</b>			
School-Based Mental Health	84.184H	N/A	\$ 3,402,115
Arts in Education	84.351	N/A	1,472,758
<b>Passed through Kentucky Department of Education</b>			
IDEA Part B-Special Education Grants to States	84.027	38100004	211,661
IDEA Part B-Special Education Grants to States	84.027	38100004	992,216
Total ALN 84.027			1,203,877
English Language Acquisition Grants	84.365	S365A190017	9,155
English Language Acquisition Grants	84.365	S365A180017	1,683
Total ALN 84.365			10,838
COVID Education Stabilization Funds	84.425D	PON2 540 2300000062	60,000
COVID Education Stabilization Funds	84.425D	PON2 540 2200004456	50,731
Total ALN 84.425D			110,731
COVID Special Ed ARP	84.425U	S45U210026	73,659
COVID Special Ed ARP	84.425U	PON2 540 2200004148	540,814
Total ALN 84.425U			614,473
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	PON2 540 2400002427	4,483
Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	93.981	PON2 250 2500001321	30,800
<b>Total Department of Education</b>			6,850,075
<b>Department of Health and Human Services</b>			
<b>Direct Federal Program</b>			
Substance Abuse and Mental Health Services Projects	93.243	N/A	388,276
Substance Abuse and Mental Health Services Projects	93.243	N/A	1,394,379
Total ALN 93.243			1,782,655
<b>Passed through Kentucky Cabinet for Health and Family Services</b>			
Community-based Child Abuse Prevention Grants	93.590	PON2 730 2400001401	404,649
<b>Total Department of Health and Human Services</b>			2,187,304
<b>United States Department of Justice</b>			
<b>Direct Federal Program</b>			
Stop School Violence	16.839	N/A	83,052
<b>Total United States Department of Justice</b>			83,052
Total Federal Awards			\$ 9,120,431

See independent auditors' report

# **NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

## **Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2025**

### **NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northern Kentucky Cooperative for Education Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 3 INDIRECT COST RATE**

Northern Kentucky Cooperative for Educational Services, Inc. has not elected to use the 10% de minimis cost rate allowed under Uniform Guidance.

### **NOTE 4 SUBRECIPIENTS**

The Cooperative did not have any subrecipients during the year ended June 30, 2025.

See independent auditors' report

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the People of Kentucky  
Honorable Andy Beshear  
Holly M. Johnson, Secretary, Finance and Administration Cabinet  
Dr. Robbie Fletcher, Commissioner, Department of Education  
Jay Hartz, Director, Legislative Research Commission  
Board of Directors, Northern Kentucky Cooperative for Educational Services, Inc.  
Cold Spring, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern Kentucky Cooperative for Educational Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **TBD 2025**.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Northern Kentucky Cooperative for Educational Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Kentucky Cooperative for Educational Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Northern Kentucky Cooperative for Educational Services, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(CONTINUED)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Northern Kentucky Cooperative for Educational Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TBD 2025

Crestview Hills, Kentucky

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the People of Kentucky  
Honorable Andy Beshear  
Holly M. Johnson, Secretary, Finance and Administration Cabinet  
Dr. Robbie Fletcher, Commissioner, Department of Education  
Jay Hartz, Director, Legislative Research Commission  
Board of Directors Northern Kentucky Cooperative for Educational Services, Inc.  
Cold Spring, Kentucky

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Northern Kentucky Cooperative for Educational Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Northern Kentucky Cooperative for Educational Services, Inc.'s major federal programs for the year ended June 30, 2025. Northern Kentucky Cooperative for Educational Services, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northern Kentucky Cooperative for Educational Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Northern Kentucky Cooperative for Educational Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northern Kentucky Cooperative for Educational Service, Inc.'s compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northern Kentucky Cooperative for Educational Services, Inc.'s federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northern Kentucky Cooperative for Educational Service Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northern Kentucky Cooperative for Educational Service Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northern Kentucky Cooperative for Educational Service Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Northern Kentucky Cooperative for Educational Service Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Northern Kentucky Cooperative for Educational Service Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

**Report on Internal Control over Compliance (Continued)**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**TBD 2025**

Crestview Hills, Kentucky

**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2025**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None noted

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None noted

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? \_\_\_\_\_ Yes X No

***Identification of Major Programs***

<b>Assistance Listing No.</b>	<b>Name of Federal Programs or Clusters</b>
84.184	School Based Mental Health

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes \_\_\_\_\_ No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters are reportable.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters are reportable.



**NORTHERN KENTUCKY COOPERATIVE FOR EDUCATIONAL SERVICES, INC.**

**Summary Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2025**

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No matters are reportable.

DRAFT 10/6/25