

Morgan and Associates, LLC

Brenda K. Morgan, CPA

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January 14, 2021

To the Board of Directors
Kentucky Educational Development Corporation

We have audited the financial statements of Kentucky Educational Development Corporation for the year ended June 30, 2021, and have issued our report thereon dated December 10, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and the Uniform Guidance

As stated in our engagement letter dated June 29, 2021, our responsibility, as described by professional standards, was to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Kentucky Educational Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether Kentucky Educational Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about Kentucky Educational Development Corporation's compliance with the types of compliance requirements

described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Kentucky Educational Development Corporation's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on Kentucky Educational Development Corporation's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, was to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our engagement letter.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kentucky Educational Development Corporation are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives of assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Kentucky Educational Development Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Morgan and Associates, LLC

**EXIT CONFERENCE
KENTUCKY EDUCATIONAL DEVELOPMENT CORPORATION
NANCY HUTCHINSON, EXECUTIVE DIRECTOR
JUNE 30, 2021**

Date: December 10, 2021
Auditors Present: Brenda K. Morgan
Executive Director: Nancy Hutchinson
Business Manager: Tammy Vonderheide

1. The Organization Failed To Follow Established Procedures For Disbursements

Condition: During our disbursement testing we noted three disbursements that do not appear to be coded correctly.

Criteria: Directors should be sure all disbursements are coded to the correct line items in their budget.

Cause: Failure to follow established procedures.

Effect: Expenditures may not be appropriate and allowable.

Recommendation: We recommend that disbursements be coded to the correct expense account and that all credit card purchases be reviewed to ensure they are allowable purchases.

Initials: NRH Response or Additional Information: _____
CNDV

OTHER MATTERS:

1. Do you have any knowledge of any events occurring subsequent to the fiscal year 2021 through the present day, which may have a material effect on the financial statements?

Initials: NRH Response or Additional Information: No
CNDV

Prior Year Comments: None

ATTACHMENTS: Audit Adjustments

We agree with the attached adjustments and will make them to our records.

Initials MAH. DV

This audit will be issued as soon as internal review is completed. Morgan and Associates, LLC staff will not contact any official after the date of this exit conference. If any actions occur after this exit conference date, which affect any audit findings, it is the responsibility of the official to provide that information to Morgan and Associates, LLC. Please mail or fax documentation to the following address:

Morgan and Associates, LLC
Certified Public Accounting
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West Liberty, Kentucky 41472
Phone: (606) 743-1884
Fax: (6006) 743-1895

I acknowledge receiving a copy of the exit conference and the attachments as listed above.

Executive Director: Jane G. Hutchison Date: 12/10/21

Business Manager: Jimmy D. Vonderheide Date: 12/10/21

Auditor: Brenda K Morgan, CPA Date: 12/10/2021