Monthly Financial Update

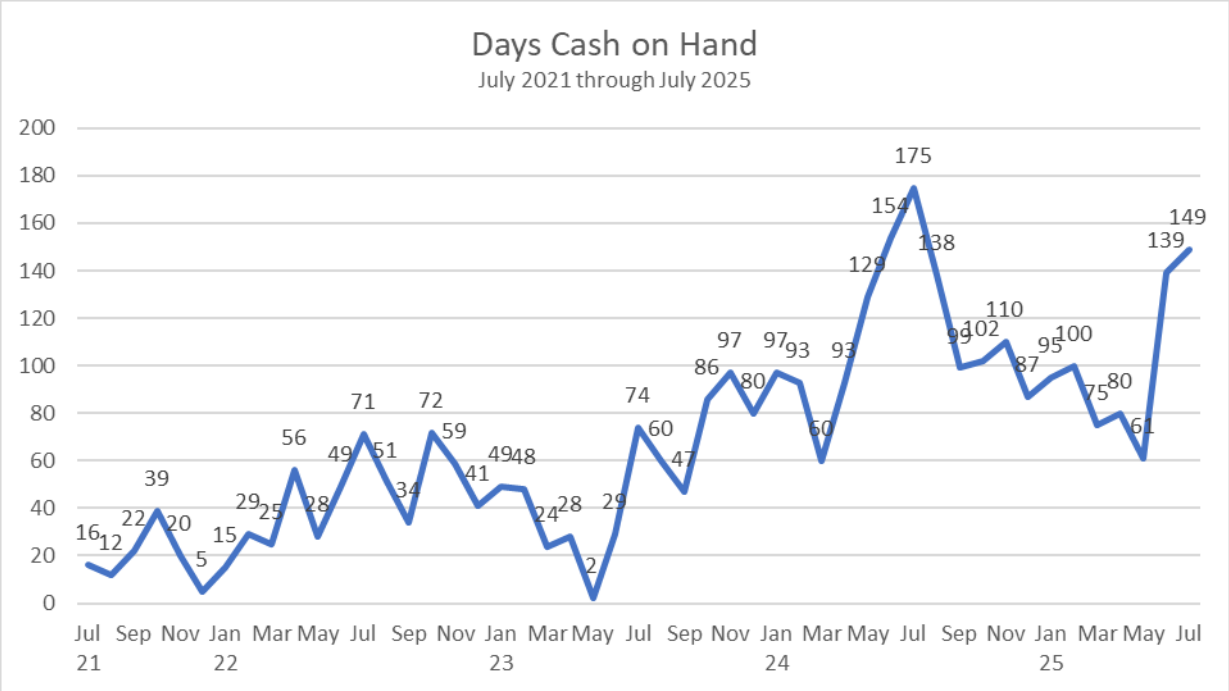
Kentucky State University

August 2025

HB 250, enacted in the 2022 Regular Session of the Kentucky General Assembly, directs the Kentucky Council on Postsecondary Education to provide a monthly financial update on Kentucky State University to the Legislative Research Commission and the Office of the Governor

Cash Position

The university's cash position (unaudited) on July 31, 2025 was $32,689,553, representing 149 days cash on hand (DCOH) to support future operations and capital projects. The July 2025 cash position was up from June 2025, consistent with month-to-month trends in prior years, as depicted below.



The July 31, 2025 cash position includes $33.0 million of reserves for the following items:

- $27.0 million is held by the State and reserved for various capital projects, including "asset preservation pool" projects approved to be funded with state bonds in the 2022-2024 and 2024-2026 biennial budgets.
- $1.2 million is held by KSU and reserved for asset preservation projects. This reserve represents the available balance of student fees collected for asset preservation projects.
- $2.2 million in grant funds from CPE is held by KSU and reserved for various projects.
- $1.4 million in land grant match appropriations is held by KSU and reserved for land grant initiatives.
- $0.9 million is held by KSU and reserved for endowed initiatives.
- $0.2 million in litigation support appropriations is held by KSU and reserved for future litigation support.
- $0.05 million is held by KSU and reserved for the closeout of KSU's Perkins loan program.

Excluding the $28.2 million reserved for capital projects (first two items above), DCOH available to support operations was 20 days at the end of July. However, excluding the $33.0 million of total reserves, DCOH was -2 days, indicating the institution used restricted and designated funds for general operating expenses in July.

KSU's cash position is concerning as industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses. CPE has repeatedly advised the institution regarding improvements needed to collections and various financial controls, as well as a plan to build cash reserves. However, the cash position is unlikely to increase significantly until the institution improves its student collections and financial controls, including implementation of reliable and accurate budgeting, forecasting, and financial reporting. Further, CPE is concerned that the institution could experience a cash shortfall by December 31, 2025 without careful monitoring of its cash inflows and outflows. Budgetary control, student collections and timely federal fund drawdowns will be critical to meet payroll, debt service, and other obligations.

Financial Reporting

As shared in previous reports, CPE contracted with Moss Adams (now Baker Tilly) to provide independent verification of KSU's progress on the Management Improvement Plan. Verification work was completed each month by Baker Tilly on the following monthly deliverables:

- Master list of budgeted positions reconciled to departmental budgets
- Budget to actual reports for E&G and Auxiliaries
- Clearing accounts reconciled within 14 days of end of each month
- Bank accounts reconciled within 14 days of end of each month
- Monthly closing entries posted within 20 days of end of each month
- Previous month's accounting ledger closed by the end of the following month

- Credit card account reconciliations
- Cash position report, cash forecast and other financial information

As reported in Baker Tilly's July 2025 Management Improvement Plan Monthly Validation Summary for Q4 2025 (March 2025 through May 2025), the majority of monthly deliverables were partially implemented as KSU financial staff continued to focus on completion of the 2024 audited financial statements and the Banner/Argos projects described in the following paragraph.

Related to financial reporting and shared in previous reports, KSU plans to complete a Banner accounting system optimization project entailing a revised chart of accounts and implementation/utilization of system-delivered reports. Additionally, KSU plans to complete an Argos reporting tool optimization project to automate several key management reports that are currently generated manually. Successful completion of these optimization projects will facilitate improved accounting and reporting, including GAAP financial statements, budget to actual reports, student accounts receivable aging reports, and endowment utilization/stewardship reporting. Phase one of the new chart of accounts was implemented in July 2025; however the remaining chart of accounts work and other components of the optimization project have been deferred until 2026. Related, KSU plans to transition its payroll processing from ADP to Banner in January 2026, which will provide improved position management and reconciliation.

As reported in prior reports, KSU continues to utilize Protiviti, a business consulting firm, to assist in compiling the 2024 audited financial statements. The use of Protiviti will be reduced or eliminated over time as the financial objectives in the Management Improvement Plan are completed and fully implemented to create structures that will better streamline financial audit compilations.

Moving Forward

Obtaining a complete financial reporting and assessment of the institution is still a work in progress. With successful completion of the Banner/Argos optimization projects, and completion of the monthly and other Management Improvement Plan deliverables, including audited financial statements and quarterly GAAP financial statements, CPE will be able to truly monitor the fiscal status of the institution on a month-to-month basis and provide more information in these reports each month.

Attached is the reporting package submitted by KSU for July 2025. Below are some observations based on our initial review:

- The budget to actual reports are subject to change as the reported amounts have not been fully reconciled to the approved budgets and actual results in Banner. Additionally, the audits for fiscal years 2024 and 2025 are not complete, therefore actual results in Banner are subject to adjustment. One item to note related to the budget to actual reports:
    - Combined salaries and benefits expense for Education and General and Auxiliary Operations increased approximately $0.7 million compared to last July,

which is concerning given the low cash position. CPE has recommended KSU review payroll expense and consider personnel cuts to preserve cash and bring the projected payroll expense within the allocated budget.

- CPE verified reported cash balances to supporting bank statements and state reports, noting reported balances to be accurate. See the Cash Position section above for additional comments on the July cash balances.
- KSU reported total balances owed for enrolled students of $12.2 million as of July 31, 2025, representing an increase of $10.2 million from June 30, 2025 balances, attributable to billing for the fall semester. The $12.2 million outstanding balance as of July 31, 2025 represents a decrease of $0.1 million compared to July 31, 2024. KSU reported total balances owed for non-enrolled students of $23.2 million as of July 31, 2025, however balances owed over 730 days, or $20.8 million, has been written off in the general ledger. In addition, all or a portion of the balances owed over 365 days for non-enrolled students may have been written off in the general ledger. KSU does not regularly reconcile the accounts receivable subsidiary ledger to the general ledger, which creates reporting challenges and inaccuracies.
- KSU's reported total accounts payable of $1.4 million as of July 31, 2025, down from the $2.3 million reported as of June 30, 2025. However, the $1.4 million reported for July 31, 2025 represents an increase from the $1.1 million reported for July 31, 2024. The outstanding payables at the end of July 2025 were comprised of the following: 36% of invoices with purchase orders, 57% of invoices without purchase orders, and 7% of credit card payables. The majority of payables for invoices with and without purchase orders (PO's) were within 60 days as of July 31, 2025, however there was a significant percentage of older payables for invoices without PO's at the end of July 2025. See below for the related aging summary:

	% of Total in Category	
Aging in Days	**Invoice w/PO**	**Invoice w/o PO**
0-30	87.2%	43.8%
31-60	2.0%	28.9%
61-90	9.6%	12.0%
91-120	0.0%	2.7%
120+	1.2%	12.6%

KSU reported that the American Express, Fifth Third Corporate Card, and Diners Club payables were current as of July 31, 2025.

The reporting period for KSU's Management Improvement Plan ended on June 30, 2025. CPE monitored progress on the Management Improvement Plan (MIP) deliverables throughout the reporting period and provided assistance where needed. CPE assigned a project manager in July 2023 to assist KSU in scheduling the completion of deliverables and submitting the related reporting for the quarterly reports, which was beneficial. Weekly meetings were held with each KSU point of contact for the corresponding deliverable to track progress and help ensure deadlines were met. In addition, KSU also assigned its own project manager in fiscal year 2025 to work with staff internally to ensure that deliverables were completed in a timely manner. Note

that all deliverables related to financial incentives were met for both fiscal years 2023 and 2024 and all funds were distributed to KSU. CPE has and will continue to monitor the expenditure of those funds to ensure that the funding specifically dedicated to certain projects are only used for those purposes. In 2025, all remaining objectives and deliverables were assigned new deadlines as adopted by the Council. CPE will work with Baker Tilly in completing its final report on MIP progress with final recommendations by November 1, 2025 as directed by HB 250 (2022).

Baker Tilly's Management Improvement Plan Quarterly Report for Q4 2025 reflected progress on MIP deliverables. Seventy-four percent of deliverables have been implemented; however many items remain partially implemented and one item was not implemented. Below is a summary from Baker Tilly's Q4 2025 report which reflects the status of MIP deliverables as of June 30, 2025:

Deliverable Status	Policies and Procedures	Salary Ranges	Board Training	Academic Programs	Finance	Student Success	Student Academic Programs	Online Programs
Implemented	6	9	17	16	36	12	2	5
Partially Implemented	5	3	0	2	18	2	1	0
Not Implemented	0	0	0	0	1	0	0	0
Undetermined	0	0	0	0	0	0	0	0
Due Later	0	0	0	0	0	0	4	0
Total Objectives	**11**	**12**	**17**	**18**	**55**	**14**	**7**	**5**
Percent Completed	**55%**	**75%**	**100%**	**98%**	**65%**	**86%**	**29%**	**100%**

MIP Total Completion

Total Implemented	103
Total Objectives	139
Percent Completed	**74%**

The majority of deliverables partially implemented and the one deliverable not implemented as of June 30, 2025 relate to the finance area, which is concerning given the circumstances that precipitated the Management Improvement Plan and the $23 million in emergency funding approved in 2022 legislative session.

The University is communicating with the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the U.S. Department of Education, and the National Collegiate Athletics Association regarding noncompliance with various requirements. A negative outcome resulting from these communications could have an adverse financial impact on the University, although demonstration of satisfactory progress towards full compliance should assist in avoiding a major negative outcome. Related to these communications, on December 3, 2023, KSU was placed on Warning by the SACSCOC for significant non-compliance with the Core Requirements or Standards of the Principles of Accreditation, the

accreditation standards of SACSCOC; failure to make timely and significant progress toward correcting the deficiencies that led to the findings of non-compliance; or failure to comply with SACSCOC policies and procedures. For more information on the Warning issued, see the following link for the SACSCOC Disclosure Statement: https://sacscoc.org/app/uploads/2023/12/Disclosure-Statement-KY-State-Univ-Dec-2023.pdf. Also, see the following link to CPE's statement regarding KSU's Warning status: https://content.govdelivery.com/accounts/KYCPE/bulletins/37fca46. SACSCOC completed an on-site visit to KSU's campus in early October and was "continued on Warning" by the SACSCOC board on December 8, 2024. For more information, see the following link for the SACSCOC Disclosure Statement: https://sacscoc.app.box.com/s/m5bpszsmgad6dm0pygih9xpqejhmw7be.

Blue & Co, LLC (Blue), KSU's prior external audit firm, issued its reports on the fiscal year 2021 and 2022 audits on October 27, 2023 and April 15, 2024, respectively. KSU executed a contract with CLA for completion of the fiscal year 2023 external audit and CLA issued the related audit report on May 1, 2025 which can be found here: https://www.kysu.edu/documents/finance-and-administration/2023-KSU-Financial-Statement.pdf. Several material weaknesses in internal control, as well as significant and other deficiencies, were identified in the 2023 external audit. Until the Finance objectives in the MIP are completed, it is likely that subsequent audit reports will continue to include such findings.

CLA will also perform the 2024 and 2025 external audits and work on the fiscal year 2024 audit is underway. CPE will review the audited financial statements for fiscal years subsequent to 2020 and provide an updated financial health assessment utilizing the Composite Financial Index (CFI) methodology used in CPE's November 2021 Financial Assessment Report. The updated financial health assessment will be completed in conjunction with CPE's final report due by November 1, 2025.