



Monthly Financial Update

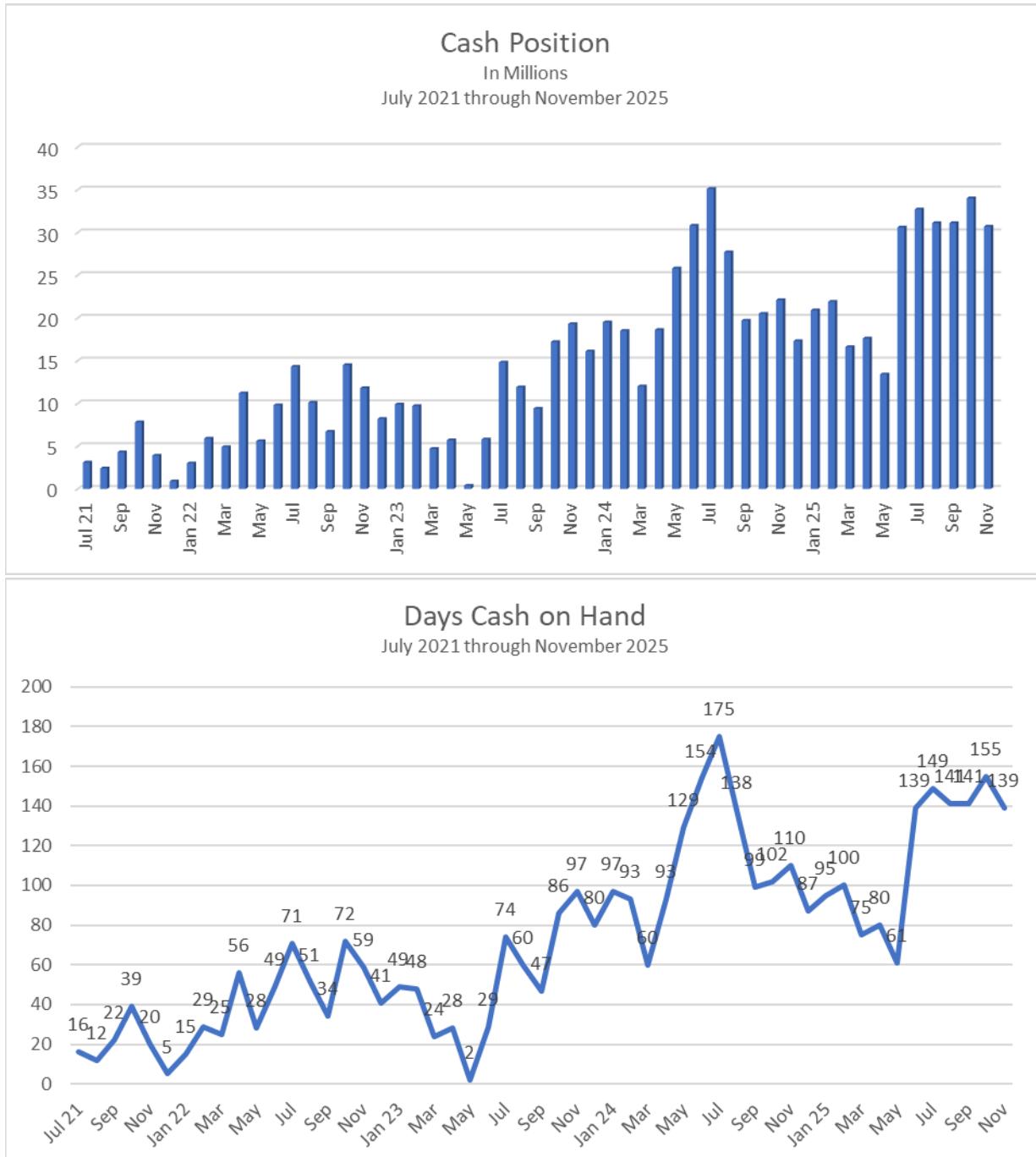
Kentucky State University

December 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 November 30, 2025 was \$30,653,398, representing 139 days cash on hand (DCOH) to support future operations and capital projects. The November 2025 cash position was down from the October 2025 cash position, as depicted below:



Of note, the October to November cash flow trends have been inconsistent in prior years due to the timing of federal fund drawdowns.

The November 30, 2025 cash position includes \$32.2 million of reserves for the following items:

- \$25.4 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.
- \$2.1 million in land grant match appropriations is held by KSU and reserved for land grant initiatives.
- \$2.0 million in grant funds from CPE is held by KSU and reserved for various projects.
- \$1.0 million is held by KSU and reserved for endowed initiatives.
- \$0.4 million in litigation support appropriations is held by KSU and reserved for future litigation support.
- \$0.1 million is held by KSU and reserved for the Center for Economic Education and Financial Literacy.
- \$0.05 million is held by KSU and reserved for the closeout of KSU’s Perkins loan program.

Excluding the \$26.6 million reserved for capital projects (first two items above), DCOH available to support operations was 19 days at the end of November. However, excluding the \$32.2 million of total reserves, DCOH was -7 days, indicating the institution used restricted and designated funds for general operating expenses in November.

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 June 30, 2026 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 was utilizing Your Part-Time Controller (YPTC), an external service provider, to assist with certain financial tasks on an ad hoc basis. With the new fiscal year, KSU discontinued utilizing YPTC, however KSU continued to utilize Protiviti, a business consulting firm, to assist in compiling the 2024 audited financial statements. As with YPTC, 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, it will become easier to monitor the fiscal status of the institution. KSU recently hired a new Chief Financial Officer which will provide leadership and increased capacity in the finance unit to assist in completing these tasks.

Attached is the reporting package submitted by KSU for November 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. Two items to note related to the budget to actual reports:
 - For the four months ended November 30, 2025, combined salaries and benefits expense for Education and General (E&G) and Auxiliary Operations decreased approximately \$0.5 million compared to last November, which is positive given the low cash position. Given that salaries and benefits represent the largest expense category, it is imperative for the institution to monitor carefully and minimize in order to preserve cash and build reserves.
 - KSU did not report uncollected amounts within the budget to actual reports, however reported the following in the footnotes: "The uncollected amount for both E&G and Auxiliary was \$2,485,817 as of 12.16.25."
- 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 November cash balances.
- KSU reported total balances owed for enrolled students of \$3.6 million as of November 30, 2025, representing a decrease of \$1.8 million from October 31, 2025 balances. The \$3.6 million outstanding balance as of November 30, 2025 represents an increase of \$1.1 million compared to November 30, 2024. KSU reported total balances owed for non-enrolled students of \$22.5 million as of November 30, 2025, however balances owed over 730 days, or \$20.7 million, has been written off in the general ledger. In addition, all or a portion of the other balances 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 \$2.6 million as of November 30, 2025, up from \$2.0 million reported as of October 31, 2025. The \$2.6 million reported for November 30, 2025 was slightly down from the \$2.9 million reported as of November 30, 2024. The outstanding payables at the end of November 2025 were comprised of the following: 40% of invoices with purchase orders, 53% 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 November 30, 2025. See below for the related aging summary:

<u>% of Total in Category</u>		
Aging in Days	Invoice w/PO	Invoice w/o PO
0-30	27.2%	74.8%
31-60	28.0%	21.4%
61-90	32.4%	1.9%
91-120	0.1%	0.0%
120+	12.2%	1.9%

KSU reported that the American Express, Fifth Third Corporate Card, and Diners Club payables were current as of November 30, 2025.

The reporting period for KSU's Management Improvement Plan ended on June 30, 2025. CPE

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 7, 2025, KSU was moved from Warning to Probation for Good Cause for 12 months for failure to comply with the standard related to Title IV program responsibilities and audits of financial aid programs. The SACSCOC Disclosure Statement Regarding the Status of Kentucky State university can be found at the following link:

<https://sacscoc.app.box.com/s/fvtpuqlwmxrfqf74ojwby9zamfrbw5r>.

Blue & Co, LLC, 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 the fiscal year 2024 audited financial statements were completed on December 4, 2025. CPE will review the completed audited financial statements for FY 2024 and provide an updated financial health assessment utilizing the Composite Financial Index (CFI) methodology.