



Monthly Financial Update

Kentucky State University

August 2023

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.

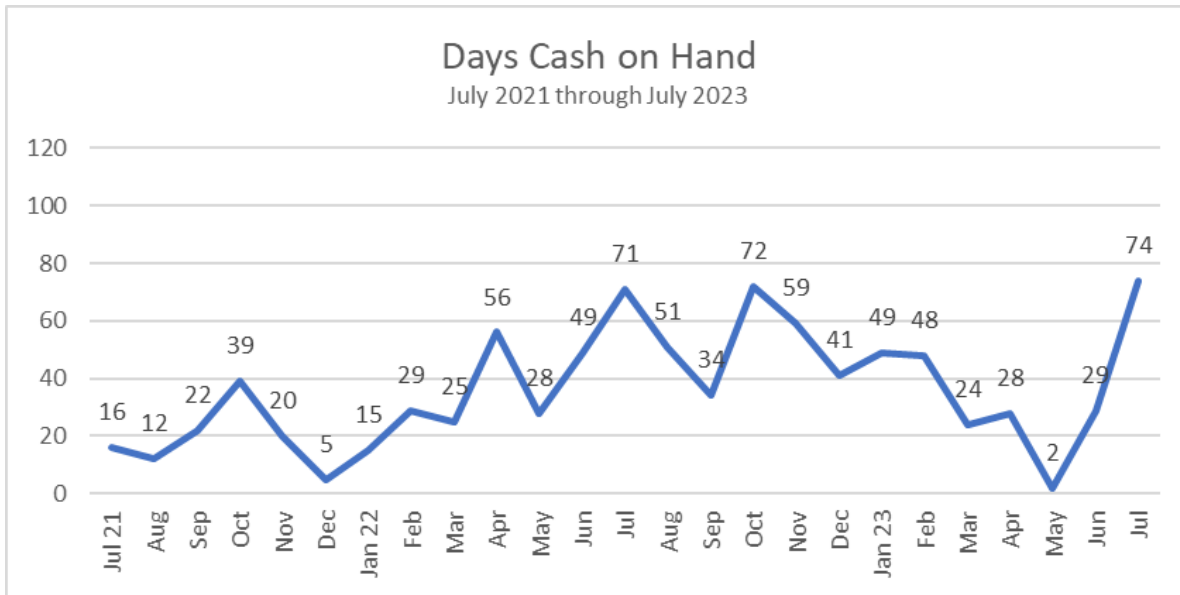
Cash Position

The university's cash balance (unaudited) on July 31, 2023, was \$14,814,096. The June cash balance includes the following reserved items:

- \$2.1 million is reserved for asset preservation projects and is not available for general expenditure. This reserve is held by Kentucky State University (KSU) and represents the available balance of student fees collected for asset preservation projects.
- \$3.8 million is held by the state and reserved for various capital projects, including \$3.4 million of "Asset Preservation Pool" projects approved to be funded with state bonds in the 2022-2024 biennial budget.



Days cash on hand (DCOH) increased to 74 days as of July 31, 2023, consistent with last July due to receipt of the first quarter allotment for fiscal year 2024. Excluding the \$5.9 million reserved for asset preservation and other capital projects, DCOH available to support operations was 44 days at the end of July. Industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses. As the university is well below industry standards, the Council on Postsecondary Education (CPE) will continue to closely monitor the university's cash position and will work with university leadership on a plan to build cash reserves.



Financial Reporting

As shared in previous reports, CPE contracted with Moss Adams to provide independent verification of KSU's progress on the Management Improvement Plan. Verification work is now underway for the first quarter of fiscal year 2024 on the following monthly deliverables:

- Master list of budgeted positions reconciled to departmental budgets
- Budget to actual reports for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- Budget projections for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- 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 14 days of end of each month
- Previous month's accounting ledger closed by the 15th day of each month
- Credit card account reconciliations
- Cash position report, cash forecast and other financial information

As reported in CPE's Quarterly Report for Q4 2023, KSU demonstrated progress on the monthly deliverables; however, several items were not implemented or were partially implemented. Some of the incompletions were likely due to the failure to provide supporting documentation to Moss Adams in a timely manner and we are working with KSU and Moss Adams to improve the verification process.

Related to financial reporting and shared in last month's report, KSU is completing a Banner accounting system optimization project entailing a revised chart of accounts and implementation/utilization of system-delivered reports. Additionally, KSU is completing 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, endowment

utilization/stewardship reporting, budget to actual reports and student accounts receivable aging reports.

KSU is currently utilizing Your Part-Time Controller (YPTC), an external service provider, to assist with the following critical processes/functions:

- Budget to Actual Reporting/Budget Projections
- Student Accounts Receivable and Collections Reporting
- Cash Forecasting

CPE and Moss Adams met recently with KSU and YPTC staff to validate the accuracy and integrity of the procedures and internal controls related to the above functions. All three functions will greatly benefit from the optimization projects referenced previously as the functions are currently performed manually. Additionally, the processes/reports will benefit from the knowledge and experience gained from continued monthly completion and review by senior leadership, leading to refinements to the processes.

Moving Forward

Obtaining a complete financial reporting and assessment of the institution is still a work in progress, but the situation is improving as reported in the Q4 2023 Quarterly Report. 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.

CPE assigned a project manager to assist KSU in scheduling the completion of deliverables and submitting the related reporting for the Q1 2024 Quarterly Report. Weekly meetings are held with each KSU point of contact for the corresponding deliverable to track progress and help ensure deadlines are met. Preliminarily, it appears that more progress will be captured this quarter.

The university is communicating with the Southern Association of Colleges and Schools Commission on Colleges, 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. Completion of the audited financial statements for fiscal years 2021 and 2022 in the near future is critical; CPE is working with KSU and the external audit firm to facilitate the completion of the audits. An update on the outcome of these communications will be provided in future reports.

CPE has \$10 million of HB 250 (2022) incentive funding to allocate in FY 2024 and will determine what deliverables must be successfully completed to support the release of those funds at its September 19, 2020, meeting. CPE is working with President Akakpo on the

planned uses for these funds so that they will be invested in projects that will support the mission of the university and generate new revenue in the future.