



Monthly Financial Update

Kentucky State University

December 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

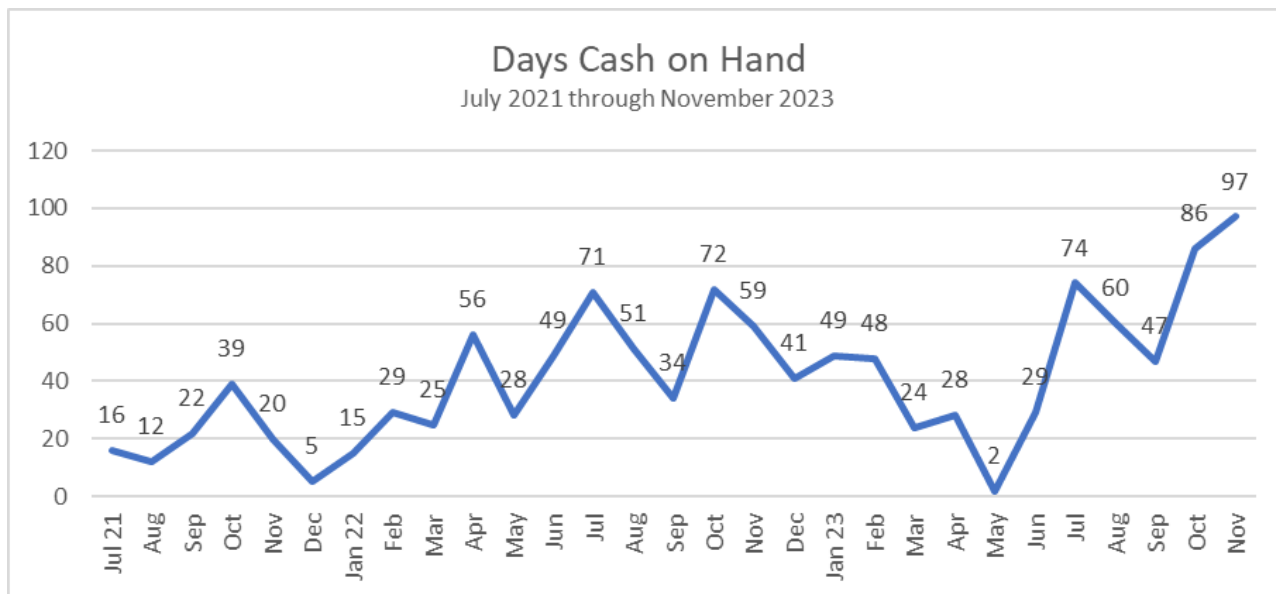
The university's cash balance (unaudited) on November 30, 2023, was \$19,343,473. The November cash balance includes the following reserved items:

- \$2.1 million is reserved for asset preservation projects and is not available for general expenditure. This reserve is held by KSU and represents the available balance of student fees collected for asset preservation projects.
- \$4.7 million is held by the State and reserved for various capital projects, including \$3.3 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 97 days as of November 30, 2023, significantly higher than the 59 DCOH as the end of last November. CPE is reviewing cash flows, however the increased cash position as of November 30, 2023 appears to be due to timing of draws on grants and contracts. Excluding the \$6.8 million reserved for asset preservation and other capital projects, DCOH available to support operations is 63 days at the end of November. 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,

CPE will continue to closely monitor the university’s cash position and will also 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 second 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 Moss Adam’s October 2023 Management Improvement Plan Monthly Validation Summary for Q1 2024, KSU demonstrated progress on the monthly deliverables; however, several items were not implemented or were partially implemented. In general, while there is still much work to be done, more progress was made toward monthly Management Improvement Plan deliverables in Q1 2024 than in the previous quarter and we expect that to have continued

in Q2 2024. CPE is monitoring KSU's progress on these monthly deliverables and is working with KSU and Moss Adams to improve the verification process.

Related to financial reporting and shared in previous reports, 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 earlier this year 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.

As a follow up from their on-site visit in November, Moss Adams suggested modifications to procedures for verification of monthly financial deliverables to help best ensure compliance. Those procedures have been adopted and will be implemented in upcoming monthly verification cycles.

Moving Forward

Obtaining a complete financial reporting and assessment of the institution is still a work in progress, but the situation is improving. 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.

As reported in Moss Adam's Management Improvement Plan Quarterly Report for Q1 2024, KSU demonstrated progress on the various deliverables due for the quarter; however, several items were not implemented or were partially implemented. CPE is monitoring KSU's progress on the Management Improvement Plan deliverables and assisting where needed. 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, 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. CPE is continuing this monitoring practice for the current quarter.

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>.

Blue & Co, LLC, KSU's external audit firm, issued its report on the fiscal year 2021 audit on October 27, 2023, and expects to complete the fiscal year 2022 and 2023 audits in the first and second quarters of calendar year 2024, respectively. The audited financial statements may be viewed upon review and acceptance by the KSU Board of Regents at the following webpage: <https://www.kysu.edu/finance-and-administration/index.php>. CPE will review the audited financial statements for fiscal years 2021-2023 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 2024 upon completion of the fiscal year 2023 audit.