



Monthly Financial Update

Kentucky State University

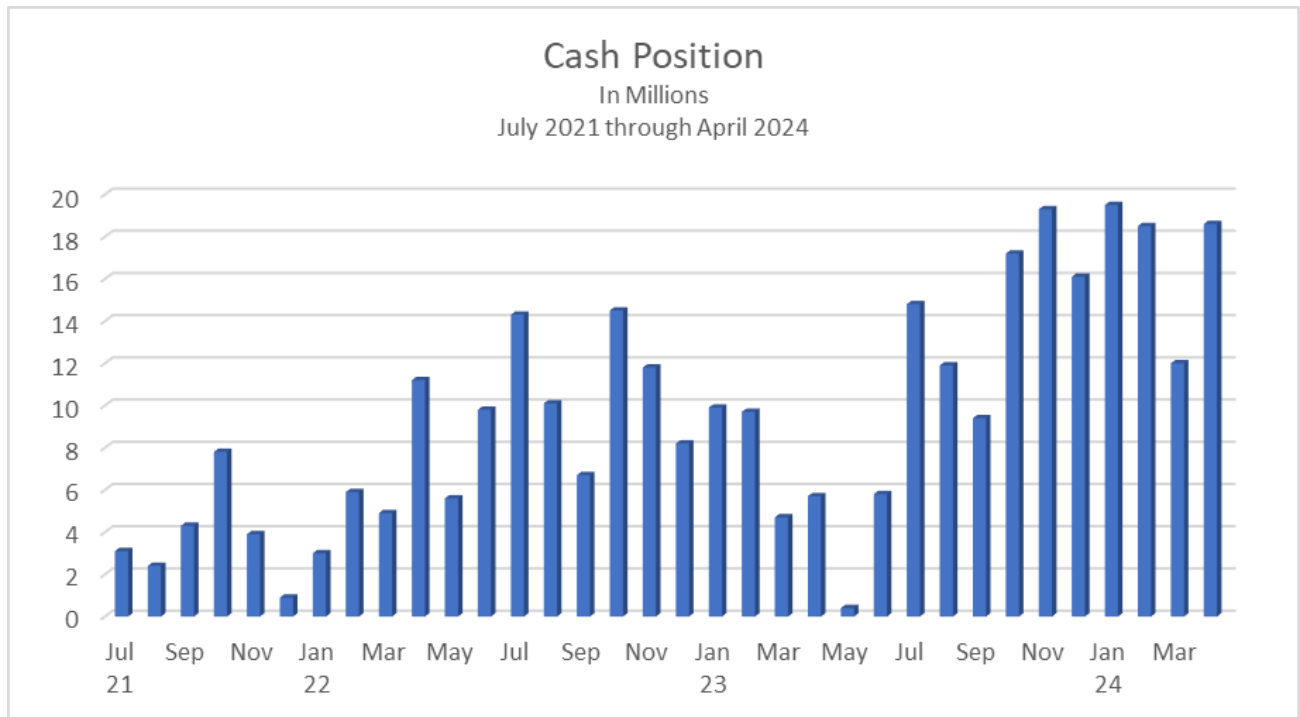
April 2024

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

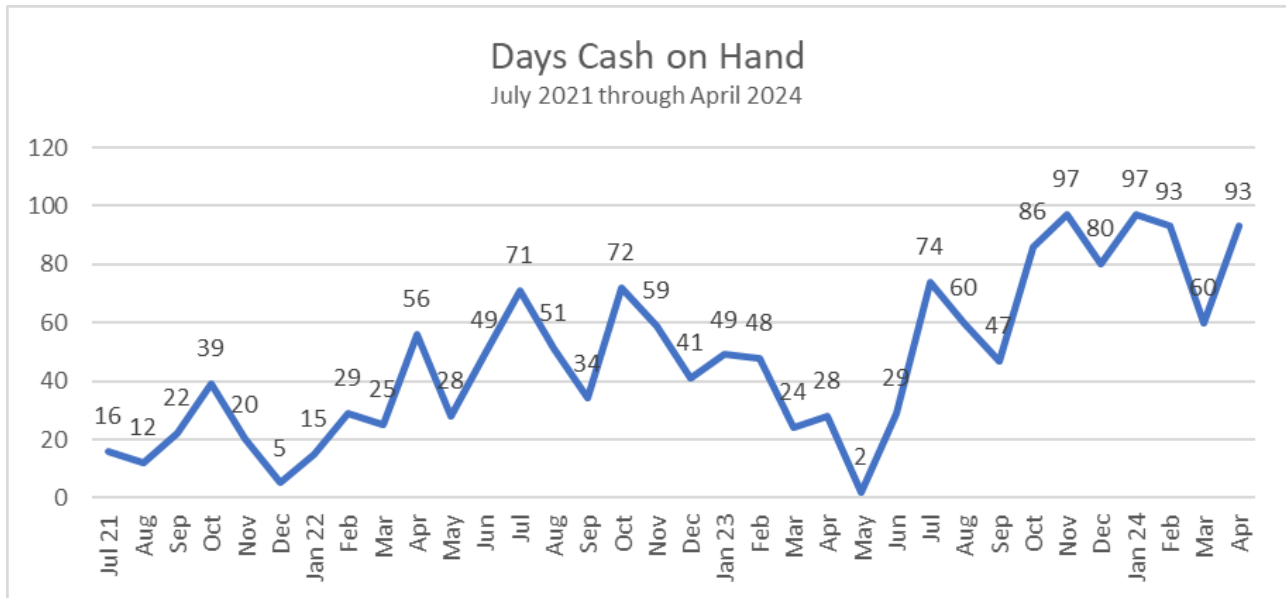
The university's cash balance (unaudited) on April 30, 2024, was \$18,573,467. The April balance includes \$15.1 million of reserves for the following items:

- \$7.5 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 biennial budget.
- \$1.3 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.
- \$6.3 million in grant funds from CPE is reserved for specific projects.
- \$0.1 million is reserved for the closeout of KSU's Perkins loan program.



Days cash on hand (DCOH) increased to 93 days as of April 30, 2024, more than double the 28 DCOH at the end of last April. CPE is reviewing cash flows, however the increase over prior year appears to be due to timing of draws on grants and contracts, reduced spending, asset preservation project balances held at the State, and grants from CPE. Excluding the \$15.1 million reserved for various items, DCOH available to support operations was 17 days at the end of April. 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 fourth 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 Adams’ April 2024 Management Improvement Plan Monthly Validation Summary for Q3 2024, KSU implemented some of the monthly finance-related deliverables; however, several items were partially implemented, or documentation was not submitted for review. In general, less progress was made toward these deliverables in Q3 2024 than in the previous quarter as Moss Adams increased its verification procedures and is requiring more documentation to mark certain deliverables as implemented. CPE requested the additional

verification procedures and continues to monitor the verification process and KSU's progress on these monthly deliverables.

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 certain financial tasks on an ad hoc basis. CPE will continue to monitor YPTC's involvement as the goal is to reduce or eliminate over time as KSU becomes fully staffed and trained across all finance functions and all financial reporting and related policies are current.

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. To bolster these efforts, the CPE Board approved a new monthly reporting package for KSU to follow effective for January 2024 reporting.

Attached is the reporting package submitted by KSU for April 2024. 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 audit for fiscal year 2023 is not complete, therefore actual results in Banner are subject to adjustment. The percentages reflected in the reports do not represent the percentage of the budget realized and should be disregarded. CPE will work with KSU to reconcile and validate the reports.
- The cash balance report erroneously excludes a state appropriations balance of \$2,107,500 as of April 30, 2024. Additionally, the report erroneously includes May anticipated drawdowns of \$4,038,158.28. Corrected totals as of April 30, 2024 are shown below:
 - Total Cash Balance \$ 18,573,467
 - Total Reserved Cash Balance \$(15,134,790)
 - Available Cash Balance \$ 3,438,677

See the Cash Position section above for additional comments on April cash balances.

- KSU reported total balances owed for enrolled students of \$2.5 million as of April 30, 2024, representing an increase of \$1.8 million over April 30, 2023. KSU is currently developing a plan to address the outstanding balances. CPE will review KSU’s plan and provide additional information in a future report.
- KSU reported total balances owed for non-enrolled students of \$21.3 million as of April 30, 2024, representing an increase of \$0.8 million over April 30, 2023. The reported balances for non-enrolled students include balances that have been written off by the institution. CPE will work with KSU to exclude accounts that have been written off from future reports to provide a more accurate reflection of outstanding student receivables. CPE will also review KSU’s plan to address the outstanding balances for non-enrolled students and provide additional information in a future report.
- KSU’s total account payable at April 30, 2024 was \$0.9 million, comprised of the following: 39% of invoices with purchase orders, 50% of invoices without purchase orders and 11% of Diners Club card payables. The majority of accounts payable for invoices with and without purchase orders (PO’s) were past due as of April 30, 2024, as indicated below:

<u>Aging in Days</u>	<u>% of Total in Category</u>	
	<u>Invoices With PO's</u>	<u>Invoices Without PO's</u>
0-30	4%	0%
31-60	24%	0%
61-90	0%	0%
91-120	5%	38%
120+	66%	62%

However, KSU reported that the Diners Club payable was current as of April 30, 2024. CPE will review KSU’s procurement and payables policies/practices and strategy to address past due balances and purchases made without purchase orders.

CPE is monitoring KSU’s progress on the Management Improvement Plan deliverables and assisting 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 has been beneficial. Weekly meetings are held with each KSU point of contact for the corresponding deliverable to track progress and help ensure deadlines are met.

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 (Blue), KSU's external audit firm, issued its reports on the fiscal year 2021 and 2022 audits on October 27, 2023 and April 15, 2024, respectively. Blue expects to complete the fiscal year 2023 audit within the next three months. 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 upon completion of the fiscal year 2023 audit.