



Forvis Mazars Planning Communication to the Board of Trustees, Audit and Compliance Committee, and Management

University of Kentucky
June 30, 2025

Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to serve the University of Kentucky (UK) and its affiliates, and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of UK, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Mr. Ray A. Daniels

Your audit leaders for any questions or communications are:

- Jennifer Williams | jennifer.williams@us.forvismazars.com | 502.963.0824 office
- Joanie Duckworth | joanie.duckworth@us.forvismazars.com | 502.653.4403 office
- Bill Leachman | bill.leachman@us.forvismazars.com | 502.963.0807 office

Overview & Responsibilities

Matter	Description of Audit Area
Scope of Our Audit	<p>We have been engaged to audit the financial statements and compliance with federal awards of UK and other affiliates/departmental entities as listed below for the year ending June 30, 2025.</p> <p>Please refer to our contract dated March 19, 2025 for additional information and the terms of our engagement.</p>
Audit Standards & Materiality	<p>We will conduct our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial statement audits contained in Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance).</p>

Matter	Description of Audit Area
	<p>Those standards require that we plan and perform the audit of the financial statements to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud, and the audit of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget <i>Compliance Supplement</i> that are applicable to each major federal award program to obtain reasonable rather than absolute assurance about whether noncompliance having a direct and material effect on a major federal award program occurred.</p> <p>References to items that are material refer to misstatements, including omissions, that could, in our professional judgement, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.</p>
Our Responsibilities	We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
Your Responsibilities	Our audit of the financial statements does not relieve you or management of your responsibilities.
Distribution Restriction	This communication is intended solely for the information and use of the audit and compliance committee and the board of trustees and, if appropriate, management of UK and is not intended to be, and should not be, used by anyone other than these specified parties.

Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis, and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

We propose the following timeline:

- Final reports are planned to be issued prior to the Commonwealth of Kentucky's reporting deadline

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and of material noncompliance and propose to address these areas as described:

Risk Area(s)	Audit Approach
Risk of management override of controls	Review accounting estimates for bias, review journal entries, and evaluate the business rationale for significant transactions
Improper revenue recognition	Perform revenue cutoff testing, review journal entries, and perform analytical procedures on account balances
Self-insurance for medical malpractice and litigation reserves	Review management's estimates for self-insurance and test of completeness of liabilities
Valuation of alternative investments	Confirm investments balances and test selected investment accounts
Compliance with the Uniform Guidance	Test the student financial assistance cluster and other major programs
Contractual allowances and amounts due to/from third-party payors	Test management's assumptions and estimates included in the contractual allowances and amounts related to cost reports
Allowance for doubtful accounts	Test management's assertions with respect to the calculation of uncollectible patient accounts

Other Procedures to Be Performed

We may also request written representations from UK's attorneys as part of the engagement, and they may bill UK for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

Use of Resources

We plan to use the following in our audit:

We will review UK's internal audit's work plan and all internal audit reports issued during the year ending June 30, 2025 to assist us in identifying risk areas and to possibly place reliance upon internal audit's work to reduce our detailed testing procedures. We will not utilize internal audit staff to provide direct staffing assistance to us during our auditing procedures.

Work Performed on UK & Affiliates/Departmental Entities

Our audits of the financial statements of UK and certain of its departmental entities will be made for the purpose of rendering opinions on the following financial statements as of and for the year ending June 30, 2025:

- UK
 - We will refer to other auditors for Insure Blue and Kentucky Medical Services Foundation within our auditor's report
- WUKY-FM Radio
- Kentucky Tobacco Research and Development Center

Our engagement also includes audits of the financial statements of the following entities, which are communicated in separate pre-audit reports to the governance of those respective entities:

- UK Research Foundation
- Central Kentucky Management Services, Inc.
- UK Mining Engineering Foundation, Inc.
- UK Gluck Equine Research Foundation, Inc.
- UK Humanities Foundation, Inc.
- Royal Blue Health LLC
- Claire Blue Health LLC
- UK Alumni Association

Other services we will provide include:

- Audit of the Schedule of Expenditures of Federal Awards
- Agreed-upon procedures in accordance with the NCAA's Financial Audit Guidelines
- Attestation report on the Annual Financial Report to the Corporation for Public Broadcasting for WUKY-FM Radio
- Attestation report on compliance with Kentucky's Lease Law
- Agreed-upon procedures in accordance with the contracts for UK's management of Eastern State Hospital (ESH) and Central Kentucky Recovery Center (CKRC)
- Agreed-upon procedures related to the contract between Kentucky Medical Services Foundation (KMSF) and UK
- Attestation report on UK's financial data and information for the Commonwealth's Annual Financial Report (state consolidation package)
- Report on compliance with House Bill 622

Adoption of New Accounting Standards

Government Accounting Standards Board (GASB) Statement No. 101, Compensated Absences

UK must adopt GASB Statement No. 101, *Compensated Absences*, for the fiscal year beginning after December 15, 2023, or fiscal year 2025. Under this statement, a government is required to record a liability for leave if that leave has been earned, accumulates, and is more likely than not to be used, paid, or otherwise settled.

NACUBO Tuition Discounting Methodology

NACUBO's tuition discounting methodology provides new estimation approaches to the calculation process and is effective for the year ending June 30, 2025.

We encourage you to communicate with management regularly regarding the policy elections made, recognition of new financial statement amounts, and disclosures upon transition for the above new standard adoptions.

Consideration of Error or Fraud

One of the most common questions we receive from governing bodies is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias