

Forvis Mazars Report to the Board of Trustees

University of Kentucky

Results of the 2024 Financial Statement Audit, Including Required Communications

June 30, 2024

Required Communications Regarding Our Audit Strategy & Approach (AU-C 260)

Overview & Responsibilities

Matter	Discussion
Scope of Our Audit	This report covers audit results related to your financial statements: <ul style="list-style-type: none">• As of and for the year ended June 30, 2024• Conducted in accordance with our contract dated March 12, 2024
Our Responsibilities	Forvis Mazars is responsible for forming and expressing opinions about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Audit Scope & Inherent Limitations to Reasonable Assurance	An audit performed in accordance with auditing standards generally accepted in the United States of America (GAAS) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States (GAGAS) is designed to obtain reasonable, rather than absolute, assurance about the financial statements. The scope of our audit tests was established in relation to the opinion unit being audited and did not include a detailed audit of all transactions.
Extent of Our Communication	In addition to areas of interest and noting prior communications made during other phases of the engagement, this report includes communications required in accordance with GAAS that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process, including audit approach, results, and internal control. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.
Independence	The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.
Your Responsibilities	Our audit does not relieve management or those charged with governance of your responsibilities. Your responsibilities and ours are further referenced in our contract.

Distribution Restriction

This communication is intended solely for the information and use of the following and is not intended to be, and should not be, used by anyone other than these specified parties:

- The Board of Trustees, Audit and Compliance Committee, and management
- Others within the University of Kentucky

Government Auditing Standards

Matter	Discussion
Additional GAGAS Reporting	<p>We also provided reports as of June 30, 2024 on the following as required by GAGAS:</p> <ul style="list-style-type: none"> • Internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with GAGAS
Reporting Limitations	<p>Our consideration of internal control over financial reporting and our tests of compliance were not designed with an objective of forming an opinion on the effectiveness of internal control or on compliance, and accordingly, we do not express such an opinion.</p>

Group Audits

Referred-To Auditors & Blended Component Units Audited by Other Auditors

Our audit strategy included the use of the work of a referred-to auditors, resulting in a division of responsibility over the group financial statements and our report thereon.

We did not audit the financial statements of Kentucky Medical Services Foundation (KMSF) and Insure Blue, which are blended component units of the University, which statements reflect total assets constituting 2.2%, 0.3% and 5.2%, respectively, of the assets, net position, and revenues of the business-type activities of the University as of June 30, 2024.

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for KMSF and Insure Blue, are based solely on the reports of the other auditors. We have had communications with the other auditors during planning and throughout the audit regarding their qualifications to perform the audits, including independence, and consideration of materiality as a basis for referring to their audit reports. Professional standards require that we provide you with information about our responsibilities in accordance with GAAS, as well as certain information related to the planned scope and timing of our audit.

Qualitative Aspects of Significant Accounting Policies & Practices

Significant Accounting Policies

Significant accounting policies are described in Note 1 of the audited financial statements.

With respect to new accounting standards adopted during the year, we call to your attention the following topics detailed in the following pages:

- No matters are reportable

Unusual Policies or Methods

With respect to significant unusual accounting policies or accounting methods used for significant unusual transactions (significant transactions outside the normal course of business or that otherwise appear to be unusual due to their timing, size, or nature), we noted the following:

- No matters are reportable

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within GAAP for policies and practices for material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments & Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates include:

- Allowance for doubtful accounts receivable and pledges
- Self-insurance for medical malpractice, worker's compensation and health insurance
- Estimated amounts due to/from third-party payers
- Valuation of investment securities
- Defined benefit pension plan, other postemployment benefit (OPEB) plan, and long-term disability (LTD) plan assumptions
- Depreciable lives on capital assets
- Estimated discount rate for calculation of lease and subscription liabilities

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- University – self-insurance for medical malpractice, worker's compensation, health insurance and litigation reserves
- Revenue recognition
- Combined condensed financial statements
- Pension Plan, University of Kentucky Other Postemployment Benefit Plan, and University of Kentucky Long-Term Disability Plan

Our Judgment About the Quality of the University's Accounting Principles

During the course of the audit, we made the following observations regarding the University's application of accounting principles:

- No matters are reportable

Adjustments Identified by Audit

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

A misstatement is a difference between the amount, classification, presentation, or disclosure of a reported financial statement item and that which is required for the item to be presented fairly in accordance with the applicable financial reporting framework.

Proposed & Recorded Adjustments

Auditor-proposed and management-recorded entries include the following:

- No matters are reportable

Uncorrected Misstatements

One adjustment proposed was **not recorded** because its effect is not currently considered material. We request that all identified misstatements be corrected.

The uncorrected misstatement that was determined by management to be immaterial, but more than trivial to the financial statements as a whole are listed below, and included as an attachment to this communication.

While this uncorrected misstatement was deemed to be immaterial to the current-period financial statements, it is possible that the impact of this uncorrected misstatement, or matters underlying this uncorrected misstatement, could potentially cause future-period financial statements to be materially misstated.

Current-Period Uncorrected Misstatements

- Management identified valuation adjustment to alternative investments subsequent to year-end

Prior-Period Uncorrected Misstatements

- No prior-period uncorrected misstatements

Other Required Communications

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- Membership Substitution Agreement for St. Claire Medical Center, Inc.

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (see Attachments)

Attachments

Management Representation Letter

As a material communication with management, included herein is a copy of the representation letter provided by management at the conclusion of our engagement.

Schedule of Uncorrected Misstatements

The details of the uncorrected misstatement identified as a result of our engagement are included herein.