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Combined Financial Statements and Report of Independent Certified Public Accountants

University of Nevada School of Medicine - Multispecialty Group Practice North, Inc.; Multispecialty Group Practice South, Inc.; and Nevada Family Practice Residency Program, Inc. (Integrated Clinical Services, Inc.)

June 30, 2013 and 2012

Contents

Audit • Tax • Advisory

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Report of Independent Certified Public Accountants

The Board of Directors of Integrated Clinical Services, Inc.
and the Board of Regents of the Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying combined financial statements of the University of Nevada School of Medicine – Multispecialty Group Practice North, Inc.; the University of Nevada School of Medicine Multispecialty Group Practice South, Inc.; and the Nevada Family Practice Residence Program, Inc. (collectively "Integrated Clinical Services, Inc." or "ICS"), which comprise the combined statements of net position as of June 30, 2013 and 2012, the related combined statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the statements applicable to financial audits continued in *Government Auditing Standards*, issued by the Comptroller General of the United Sates. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ICS's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICS's internal control. Accordingly, we express no such opinion. 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the net position of Integrated Clinical Services, Inc. as of June 30, 2013 and 2012, and the changes in their net position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statement, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statement and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 24, 2013, on our consideration of ICS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICS's internal control over financial reporting and compliance.

Grant Thornton LLP

Reno, Nevada
October 24, 2013

Grant Thornton LLP
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Integrated Clinical Services, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

June 30, 2013

Integrated Clinical Services, Inc., comprised of three separate individual corporations – University of Nevada School of Medicine Multispecialty Group Practice North, Inc. (MSAN), Multispecialty Group Practice South Inc. (MSAS), and Nevada Family Practice Residency Program, Inc. (NFPRP) and an umbrella corporation, University of Nevada School of Medicine Integrated Clinical Services ("Integrated Clinical Services, Inc." or "ICS") – presents its financial statements for fiscal years 2012-2013, with information from the prior fiscal year presented for comparison purposes. These financial statements should be read in conjunction with the audited financial statements of the Nevada System of Higher Education. Unless otherwise indicated, where reference is to fiscal year 2012-2013, it is to the fiscal year ended June 30, 2013.

Integrated Clinical Services, Inc.'s financial statements are comprised of three statements: the Combined Statements of Net Position; the Combined Statements of Revenues, Expenses and Changes in Net Position; and the Combined Statements of Cash Flows. The Notes to the Combined Financial Statements, provided as mandated by Governmental Accounting Standards Board pronouncements, provide additional information that is essential to a full understanding of the financial statements.

These financial statements present Integrated Clinical Services, Inc.'s financial position resulting from operations over the fiscal year ended June 30, 2013. They include explanatory footnotes to explain or provide additional detail regarding the financial information presented. Where applicable, the financial statements present supplemental information regarding the individual corporations comprising Integrated Clinical Services, Inc.

INTEGRATED CLINICAL SERVICES, INC.

The University of Nevada Reno is the only public medical school in the state. UNR's medical school has 11 clinical education departments including Family Medicine, Internal Medicine, Pediatrics, Surgery, Obstetrics/Gynecology, Psychiatry and Behavioral Sciences, as well as five nationally-recognized basic science departments. The medical school was chartered in 1969 to provide statewide medical education and patient care, and continues to expand its role in the State's educational system.

In 1992 the School of Medicine established Integrated Clinical Services, Inc. as separate, not-for-profit corporations comprised of multispecialty physicians, enabling access to diverse patient populations for medical students, residents, and fellows in an educational environment. As the State's largest faculty physician practice group, the School of Medicine employs 195 full time physicians, and 36 part-time physicians in 30 different medical specialties engaged in education, patient care, and research. Treating more than 310,000 patients a year, our physicians' primary goal is improving the quality of health care in Nevada. Integrated Clinical Services, Inc.'s resources are located in nine physician practice offices in Reno and thirteen physician practice offices in the Las Vegas area.

Integrated Clinical Services, Inc. provides continued development and expansion of a physician faculty committed to meeting the health care needs of Nevada residents. Integrated Clinical Services, Inc. generates revenue to enhance financial resources available for the School of Medicine to preserve and fulfill its multiple missions, and is therefore included in the financial statements of the Nevada System of Higher Education as a discrete component unit.

INTEGRATED CLINICAL SERVICES, INC. - FINANCIAL POSITION

The Combined Statements of Net Position presents the assets, liabilities, and net position of Integrated Clinical Services, Inc. as of the end of fiscal year 2011-2013. The Statements contain data concerning current and noncurrent assets and liabilities, and net position (assets less liabilities) as of the end of the fiscal year. The difference between current and noncurrent assets and liabilities is explained in the footnotes to the financial statements. The Combined Statements of Net Position reflect the assets available to continue Integrated Clinical Services, Inc.'s operation and how much Integrated Clinical Services, Inc. owes to vendors, employees, and lending institutions. Finally, the Combined Statements of Net Position provides a picture of the availability of assets for expenditure by Integrated Clinical Services, Inc.

INTEGRATED CLINICAL SERVICES, INC. - FINANCIAL POSITION - Continued

The major components of Integrated Clinical Services, Inc.'s assets, liabilities, and net position, as of June 30, 2013 are as follows:

	2013	2012	2011	Percent Change FY 12 to FY13	Percent Change FY 11 to FY12
ASSETS					
Current assets					
Cash and cash equivalents	$ 5,620,811	$ 4,811,411	$ 3,762,633	17%	28%
Investments	5,961,436	5,423,855	4,445,841	10%	22%
Patient accounts receivable, net	7,486,228	6,112,915	5,556,521	22%	10%
Other receivables	1,039,504	775,591	856,852	34%	(9%)
Inventory	443,555	359,169	371,844	23%	(3%)
Prepaid expenses and other assets	371,013	205,964	273,116	80%	(25%)
Total current assets	20,922,547	17,688,905	15,266,807	18%	16%
Non-current assets					
Investments	-	-	983,615	-	(100%)
Property and equipment, net	1,540,886	2,064,140	2,372,713	(25%)	(13%)
Total assets	$ 22,463,433	$ 19,753,045	$ 18,623,135	14%	6%
LIABILITIES AND NET ASSETS					
Current liabilities					
Current portion of long-term notes payable and capital lease obligations	$ 141,255	$ 452,391	$ 404,709	(69%)	12%
Accounts payable	2,866,178	1,745,598	1,479,022	64%	18%
Accrued payroll and employee related expenses	1,631,966	1,511,250	1,405,923	8%	7%
Other accrued expenses	439,725	387,188	465,181	14%	(17%)
Due to affiliates, net	1,285,004	1,325,130	1,282,627	(3%)	3%
Total current liabilities	6,364,128	5,421,557	5,037,462	17%	8%
Notes payable and capital lease obligations, net of current portion	203,430	27,703	444,789	634%	(94%)
Total liabilities	6,567,558	5,449,260	5,482,251	21%	(1%)
Net position					
Invested in capital assets, net of related debt	1,334,432	1,820,951	1,895,737	(27%)	(4%)
Unrestricted	14,561,443	12,482,834	11,245,147	17%	11%
Total net position	15,895,875	14,303,785	13,140,884	11%	9%
Total liabilities and net position	$ 22,463,433	$ 19,753,045	$ 18,623,135	14%	6%

INTEGRATED CLINICAL SERVICES, INC. - FINANCIAL POSITION - Continued

Integrated Clinical Services, Inc.'s assets

Integrated Clinical Services, Inc.'s total assets increased in fiscal year 2012-2013 by $2,710,388 or 14% to $22,463,433. Total assets in fiscal year 2011-2012 increased by $1,129,910 or 6% to $19,753,045 over fiscal year 2010-2011. Cash and cash equivalents for fiscal year 2012-2013 increased by $809,400 or 17% to $5,620,811. The increase is attributable to physician recruitment and improved operating income. For fiscal year 2011-2012 compared to fiscal year 2010-2011 Cash and cash equivalents increased by $1,048,778 or 28% to $4,811,411. The increase was due to improved operating income. Fiscal year 2012-2013 investments increased by $537,581 or 10% to $5,961,436. The increase was due to interest and dividends along with appreciation of investing activities by the CommonFund. The CommonFund is one of the leading investment firms for colleges, universities, foundations, and other tax-exempt organizations. These funds were primarily invested in Multi-Strategy Bond Index Funds and Equity Index Funds carried at fair value hierarchy at June 30, 2013. Investments for fiscal year 2011-2012 over fiscal year 2010-2011 increased by $978,014 or 22% as a result of interest and dividends along with appreciation of investments in the CommonFund.

Patient accounts receivable, net of contractual allowances for fiscal year 2012-2013 increased by $1,373,313 or 22% to $7,486,228. The increase was due to increase in physician Full-Time Equivalent (FTE) and improved billing procedures. As compared to fiscal year 2011-2012 over fiscal year 2010-2011 patient accounts receivable increased by $556,394 or 10% to $6,112,915 attributable to improved billing processes.

Capital assets include medical equipment, computer equipment, furniture, fixtures and office equipment, buildings, vehicles, and leasehold improvements. Spending accounted for capital additions of $141,557, including $128,707 for new medical equipment, $8,150 for computer equipment, and $4,700 for leasehold improvements.

Accumulated depreciation increased $449,735 or 6% to $7,445,558 at June 30, 2013. Fiscal year 2011-2012 over 2010-2011 accumulated depreciation increased $674,961 or 10% to $6,995,823 at June 30, 2012. Depreciation expense for the year ended June 30, 2013 and 2012 was $663,881 and $712,176, respectfully.

Integrated Clinical Services, Inc.'s liabilities

Integrated Clinical Services, Inc.'s total liabilities increased in fiscal year 2012-2013 by $1,118,298 or 21% to $6,567,558. The increase was mainly due to the increased obligation on MSAN's accounts payable. Total liabilities for fiscal year 2011-2012 over 2010-2011 decreased by $32,991 or 1% to $5,449,260 the decline was a result of paying down the obligation on the revolving line of credit.

Accounts payables increased from $1,745,598 at June 30, 2012 to $2,866,178 at June 30, 2013, an increase of $1,120,580 or 64%. Accounts payables increased from $1,479,022 at June 30, 2011 to $1,745,598 at June 30, 2012, an increase of $266,576 or 18%.

Long-term liabilities increased from $27,703 at June 30, 2012 to $203,430 at June 30, 2013, an increase of $175,727 or 634%. This increase was due to re-classing the outstanding debt from current to long-term. Long-term liabilities decreased from $444,789 at June 30, 2011 to $27,703 at June 30, 2012 a decrease of $417,086 or 94%. This decrease was attributed to payments on the outstanding debt.

INTEGRATED CLINICAL SERVICES, INC. - FINANCIAL POSITION - Continued

Integrated Clinical Services, Inc.'s net position

Net position represents the residual interest in Integrated Clinical Services, Inc.'s assets after all liabilities are deducted. Integrated Clinical Services, Inc.'s net position at June 30, 2013 totaled $15,895,875, an increase of $1,592,090 or 11% during the year. Integrated Clinical Services, Inc.'s net position at June 30, 2012 totaled $14,303,785, an increase of $1,162,901 or 9% during the year. Integrated Clinical Services, Inc.'s net position is reported in two major categories: invested in capital assets net of related debt and unrestricted.

The portion of net position invested in capital assets, net of related debt, decreased from $1,820,951 at June 30, 2012 to $1,334,432 at June 30, 2013. The decrease of $486,519 was attributable to depreciation expense of $663,881 and a decrease of related debt over last year of $132,165 net of an increase of $45,197 of capital asset additions and disposals.

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Although Integrated Clinical Services, Inc.'s unrestricted net position of $14,561,443 at June 30, 2013 and $12,482,834 at June 30, 2012 are not subject to externally imposed restrictions, these net position generally result from providing or agreeing to provide health care services and receiving income from investing in income-producing assets minus expenses incurred to provide health care services, providing other community benefits and performing educational and administrative functions. The limits on the use of unrestricted net assets are the broad limits resulting from the environment in which Integrated Clinical Services, Inc. operates and the limits resulting from contractual agreements with suppliers, creditors and others entered into the ordinary course of business.

INTEGRATED CLINICAL SERVICES, INC. - RESULTS OF OPERATIONS

The Combined Statements of Revenues, Expenses and Changes in Net Position is a presentation of Integrated Clinical Services, Inc.'s operating results for the year. It indicates whether the financial condition has improved or deteriorated.

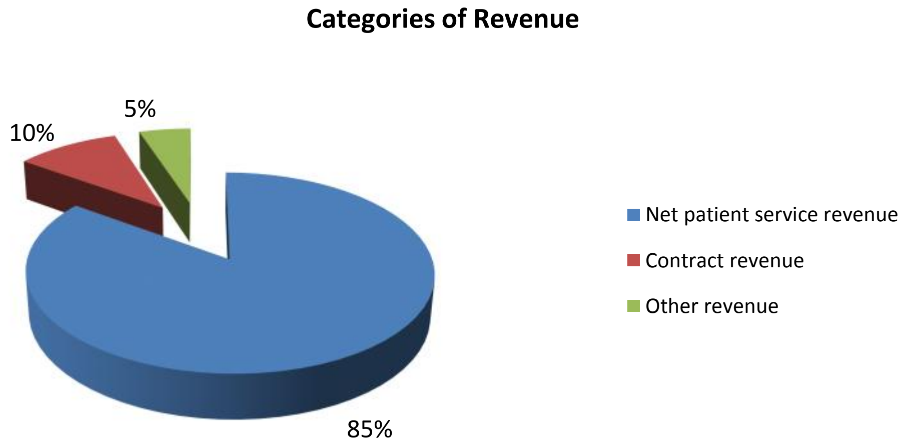
Generally, operating revenues are earned for providing pharmaceuticals and services to the various patients and clients of Integrated Clinical Services, Inc. Operating expenses are those expenses incurred to acquire or produce the pharmaceuticals and services provided in return for the operating revenues, and to carry out Integrated Clinical Services, Inc.' mission. Revenues and expenses for which pharmaceuticals and services are not provided, such as interest expense, are reported as non-operating revenues or expenses.

INTEGRATED CLINICAL SERVICES, INC. - RESULTS OF OPERATIONS - Continued

The following table compares the results of operations for the year ended June 30, 2013 to those for the year ended June 30, 2012:

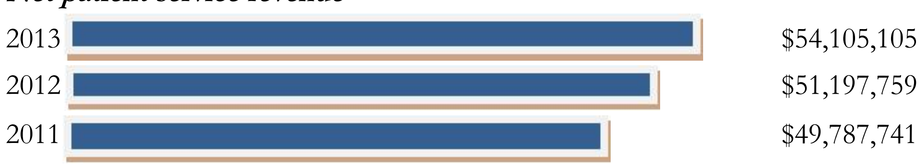
	2013	2012	2011	Percent Change FY 12 to FY 13	Percent Change FY 11 to FY 12
Revenues					
Net patient service revenue	$ 54,105,105	$ 51,197,759	$ 49,787,741	6%	3%
Contract revenue	6,494,496	6,277,239	7,355,034	3%	(15%)
Other revenue	3,279,667	3,434,682	2,636,986	(5%)	30%
Total revenues	63,879,268	60,909,680	59,779,761	5%	(3%)
Operating expenses					
Employee salaries, wages and benefits	23,506,874	22,260,863	21,556,698	6%	3%
Physician services	15,209,523	12,711,193	13,850,286	20%	(8%)
Medical fees	9,746,922	9,890,759	9,127,141	(1%)	8%
Supplies	10,243,218	11,013,369	10,600,574	(7%)	4%
Purchased services, insurance and other	3,440,150	3,239,424	3,291,487	6%	(2%)
Depreciation and amortization	663,881	712,176	827,285	(7%)	(14%)
Total operating expenses	62,810,568	59,827,784	59,253,471	5%	(7%)
Operating gain (loss)	1,068,700	1,081,896	526,290	(1%)	106%
Nonoperating expense – interest	523,390	81,005	(3,244)	546%	(2603%)
CHANGE IN NET POSITION	1,592,090	1,162,901	523,046	37%	122%
Net position – beginning of year	14,303,785	13,140,884	12,617,838	9%	4%
Net position – end of year	$ 15,895,875	$ 14,303,785	$ 13,140,884	11%	9%

INTEGRATED CLINICAL SERVICES, INC. - RESULTS OF OPERATIONS - Continued
Categories and percentages of operating and non-operating revenues that support Integrated Clinical Services, Inc.'s core activities for the year ended June 30, 2013 are as follows:



The Combined Statements of Revenues, Expenses, and Changes in Net Position reflect a positive year with an increase in the net position at the end of the year. A review of the individual revenue and expense categories that contributed to the overall increase in the net position reveals the following:

Net patient service revenue



Patient service revenue, net of contract allowances, bad debt and refunds, increased by $2,907,346 or 6% for the year ended June 30, 2013 to $54,105,105. The increase was due to an increase in the number of patients using the facilities. Patient service revenue, net of contract allowance, bad debt and refunds, increased by $1,410,018 or 3% for the year ended June 30, 2012 to $51,197,759. The increase was due to an increase in the number of patients using the facilities.

Contract revenue

Contract revenue from federal, state, and local governments, as well as private organizations increased by $217,257, or about 3% to $6,494,496 for the year ended June 30, 2013. The increase is explained by slight growth in the number of contracts and improved rates. For the year ended June 30, 2012 contract revenue from federal, state, and local governments, as well as private organizations decreased by $1,077,795, or 15% to $6,277,239. The decrease is explained by loss of contracts due to the facilities hiring their own physicians.

INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

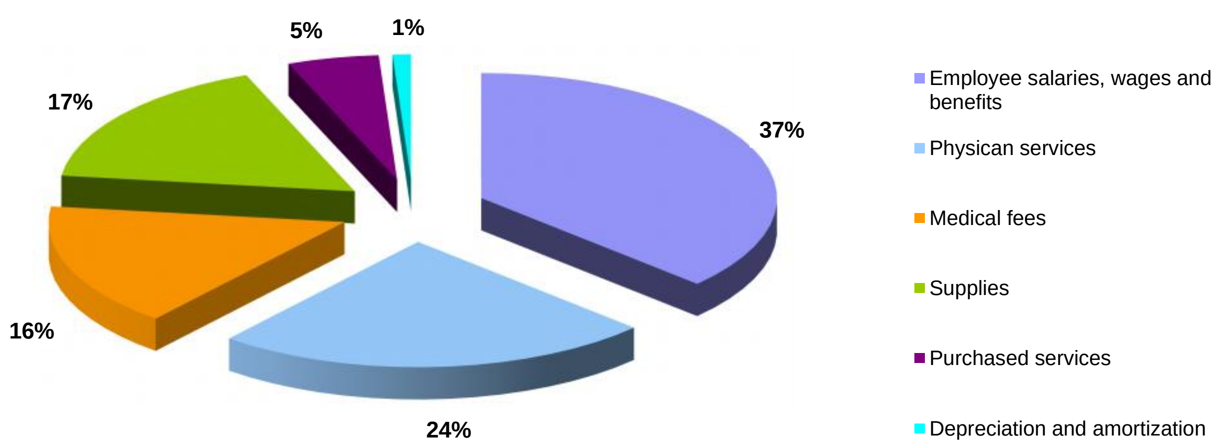
Other revenues

2013	$3,279,667
2012	$3,434,682
2011	$2,636,986

Other revenues for the year ended June 30, 2013 decreased $155,015 or 5% to $3,279,667. The decrease was primarily due to Nevada Family Practice Residency Program (NFPRP) receiving less funding from the agreement with Clark County to monitor psychiatric drugs in children. Other revenues for the year ended June 30, 2012 increased $797,696 or 30% to $3,434,682.

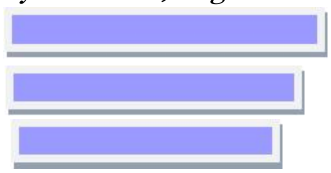
Categories and percentages of expenses related to Integrated Clinical Service Inc.'s core activities for the year ended June 30, 2013 are as follows:

Categories of Expenses



INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

Employee salaries, wages and benefits



2013 $23,506,874
2012 $22,260,863
2011 $21,556,698

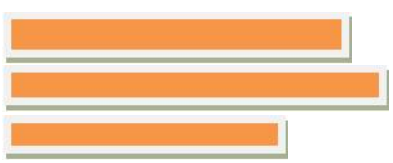
Employee salaries, wages and benefits of $23,506,874 for the year ended June 30, 2013 increased by $1,246,011, an increase of 6% from the year ended June 30, 2012. The increase is related to increase in salary and wages along with an increase in positions for support staff. Employee salaries, wages and benefits of $22,260,863 for the year ended June 30, 2012 increased by $704,165 an increase of 3% from the year ended June 30, 2011. The increase is related to salary increases and filing prior vacant positions for support staff and administration.

Physician services

2013 $15,209,523
2012 $12,711,193
2011 $13,850,286

Physician services of $15,209,523 for the year ended June 30, 2013 increased by $2,498,330, or 20% from the year ended June 30, 2012, primarily due to recruitment of physicians to the practice plan. Physician services of $12,711,193 for the year ended June 30, 2012 decreased by $1,139,093, or 8% from the year ended June 30, 2011, attributable to the Center for Medicare and Medicaid Services (CMS) coverage of physician salaries for Graduate Medical Education (GME).

Medical fees



2013 $9,746,922
2012 $9,890,759
2011 $9,127,141

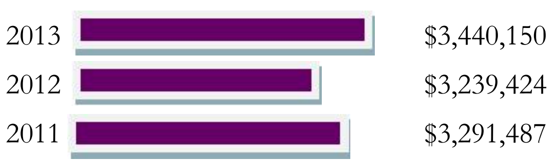
Medical fees of $9,746,922 for the year ended June 30, 2013 decreased by $143,837 or 1% from the year ended June 30, 2012. The decrease was largely due to a temporary reduction in Dean's tax. Medical fees of $9,890,759 for the year ended June 30, 2012 increased by $763,618 or 8% from the year ended June 30, 2011. The increase in medical fees from prior year was due to an increase in the Dean's tax generated.

INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

Supplies

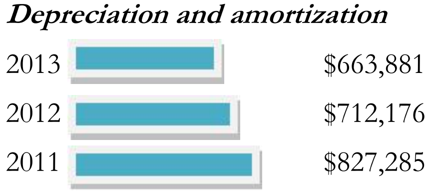
Supplies of $10,243,218 for the year ended June 30, 2013 decreased by $770,151 or 7% from the year ended June 30, 2012. The decrease was due to MSAN decreasing Oncology drugs purchases and vaccinations along with improvements made in supply management and purchasing methods. Supplies of $11,013,369 for the year ended June 30, 2012 increased by $412,795 or 4% for the year ended June 30, 2011. The increase was due to MSAN high volume of Oncology drugs and vaccinations.

Purchased services



Purchased services of $3,440,150 for the year ended June 30, 2013 increased by $200,726 or 6% from the year ended June 30, 2012. The increase was largely due to consumer price index (CPI) rate adjustments on some of the contracts. Purchased services of $3,239,424 for the year ended June 30, 2012 decreased by $52,063 or 2% from the year ended June 30, 2011. The decrease was due to more effective management of the outside service purchases.

Depreciation and amortization



Depreciation and amortization of $663,881 for the year ended June 30, 2013 decreased by $48,295 or 7% from the year ended June 30, 2012, reflecting certain assets being fully depreciated. Depreciation and amortization of $712,176 decreased by $115,109 or 14% from the year ended June 30, 2011, reflecting assets being fully depreciated.

INTEGRATED CLINICAL SERVICE INC. - CASH FLOWS

A summary comparison of cash flows for fiscal years 2013 and 2012 is as follows:

Cash Flows
For the years ended June 30,

	2013	2012	2011
Cash provided by (used in)			
Operating activities	$ 1,100,557	$ 1,734,976	$ 1,984,081
Noncapital financing activities	(107,329)	(146,464)	(146,446)
Capital and related financing activities	(183,828)	(658,045)	(1,092,438)
Investing activities	-	118,311	(3,518,878)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	809,400	1,048,778	(2,773,681)
Cash and cash equivalents, beginning of year	4,811,411	3,762,633	6,536,314
Cash and cash equivalents, end of year	$ 5,620,811	$ 4,811,411	$ 3,762,633

The Combined Statements of Cash Flows presents detailed information about the cash activities of Integrated Clinical Services, Inc. during the year. The statement is divided into five parts. The first section reflects operating cash flows and shows the net cash provided by or used in the operating activities of Integrated Clinical Services, Inc. The second section reflects h cash flows from noncapital financing activities. The third reflects cash flows from capital and related financing activities. This section reflects the cash used for the acquisition and construction of capital assets and related items and related funding received. The fourth section reflects the cash flows from investing activities which reflects net proceeds received from the sale of investment securities. The fifth section provides reconciliation between ICS's net income and the net cash provided by or used in operating activities. Overall, cash and cash equivalents increased by $809,400 in the fiscal year 2013 and increased by $1,048,778 in the fiscal year 2012.

Other issues

As financial pressures continue to impact Integrated Clinical Services, Inc. and the University of Nevada School of Medicine, as well as other healthcare providers in Nevada and the rest of the country, we look for additional investment opportunities in healthcare operations and facilities to supplement and enhance our programs. Through this strategy, we are continuing to augment our core activity with partnerships and other forms of alliances with physicians (within the constraints of the law), to continue to provide the local communities with state-of-the-art healthcare facilities and resources. We also continue to explore other forms of hospital/physician affiliations and other collaborative efforts.

Requests for information

This report is designed to provide a general overview of Integrated Clinical Services, Inc.'s finances for all interested parties. Questions concerning the information contained in this report should be addressed to the School of Medicine Dean, MS 332, Reno, NV 89557.

BASIC FINANCIAL STATEMENTS

Integrated Clinical Services, Inc.

COMBINED STATEMENTS OF NET POSITION

June 30,

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 5,620,811	$ 4,811,411
Investments	5,961,436	5,423,855
Patient accounts receivable, net of estimated contractual allowances and estimated uncollectibles totaling $9,931,526 and $6,521,757 for 2013 and 2012, respectively	7,486,228	6,112,915
Other receivables	1,039,504	775,591
Inventories	443,555	359,169
Prepaid expenses and other assets	371,013	205,964
Total current assets	20,922,547	17,688,905
NON-CURRENT ASSETS		
Property and equipment, net	1,540,886	2,064,140
Total assets	$ 22,463,433	$ 19,753,045

LIABILITIES AND NET POSITION

	2013	2012
CURRENT LIABILITIES		
Current portion of debt and capital lease obligations	$ 141,255	$ 452,391
Accounts payable	2,866,178	1,745,598
Accrued payroll and employee related expenses	1,631,966	1,511,250
Other accrued expenses	439,725	387,188
Due to affiliates, net	1,285,004	1,325,130
Total current liabilities	6,364,128	5,421,557
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	203,430	27,703
Total liabilities	6,567,558	5,449,260
COMMITMENTS AND CONTINGENCIES (Note I)	-	-
NET POSITION		
Invested in capital assets, net of related debt	1,334,432	1,820,951
Unrestricted	14,561,443	12,482,834
Total net position	15,895,875	14,303,785
Total liabilities and net position	$ 22,463,433	$ 19,753,045

The accompanying notes are an integral part of these statements.

Integrated Clinical Services, Inc.

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years ended June 30,

	2013	2012
Revenues		
Net patient service revenue	$ 54,105,105	$ 51,197,759
Contract revenue	6,494,496	6,277,239
Other revenue	3,279,667	3,434,682
Total revenues	63,879,268	60,909,680
Operating expenses		
Employee salaries, wages and benefits	23,506,874	22,260,863
Physician services	15,209,523	12,711,193
Medical fees	9,746,922	9,890,759
Supplies	10,243,218	11,013,369
Purchased services, insurance and other	3,440,150	3,239,424
Depreciation and amortization	663,881	712,176
Total operating expenses	62,810,568	59,827,784
Operating gain	1,068,700	1,081,896
Nonoperating income (expense)		
Interest expense	(14,191)	(31,705)
Investment income, net	537,581	112,710
	523,390	81,005
CHANGE IN NET POSITION	1,592,090	1,162,901
Net position - beginning of year	14,303,785	13,140,884
Net position - end of year	$ 15,895,875	$ 14,303,785

The accompanying notes are an integral part of these statements.

Integrated Clinical Services, Inc.

COMBINED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2013	2012
Cash flows from operating activities:		
Receipts from patients and third-party payors	$ 52,731,792	$ 50,641,365
Payments to employees for services and benefits	(23,386,158)	(22,155,536)
Payments to suppliers	(37,755,327)	(36,544,035)
Other receipts	9,510,250	9,793,182
Net cash provided by operating activities	1,100,557	1,734,976
Cash flows from noncapital financing activities:		
Payments on notes payable	(98,672)	(135,617)
Payments of interest	(8,657)	(10,847)
Net cash used in noncapital financing activities	(107,329)	(146,464)
Cash flows from capital and related financing activities:		
Payments on notes payable and capital leases	(132,167)	(272,532)
Payments of interest	(5,534)	(20,766)
Proceeds from sale of property and equipment	-	900
Purchases of property and equipment	(46,127)	(365,647)
Net cash used in capital and related financing activities	(183,828)	(658,045)
Cash flows from investing activities:		
Proceeds from sales of investments	-	619,311
Purchases of investments	-	(501,000)
Net cash provided by investing activities	-	118,311
NET INCREASE IN CASH	809,400	1,048,778
Cash and cash equivalents - beginning of year	4,811,411	3,762,633
Cash and cash equivalents - end of year	$ 5,620,811	$ 4,811,411
Reconciliation of gain from operations to net cash provided by operating activities:		
Operating gain	$ 1,068,700	$ 1,081,896
Adjustments to reconcile operating gain to net cash provided by operating activities:		
Depreciation and amortization	663,881	712,176
Loss (gain) on disposal of property and equipment	930	(203)
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,373,313)	(556,394)
Other receivables	(263,913)	81,261
Inventory	(84,386)	12,675
Due to and from affiliates	(40,126)	42,503
Prepaid expenses and other assets	(165,049)	67,152
Accounts payable	1,120,580	266,576
Accrued payroll and employee related expenses	120,716	105,327
Other accrued expenses	52,537	(77,993)
Net cash provided by operating activities	$ 1,100,557	$ 1,734,976
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 14,191	$ 31,705
Supplemental noncash investing and financing activities information:		
Capital asset expenditure purchased through financing	$ 95,430	$ 38,745
Interest and dividends on investments, reinvested, unrealized gain on investments, investment fees	$ 537,581	$ 112,710

The accompanying notes are an integral part of these statements.

NOTE A - ORGANIZATION AND OPERATIONS

Multispecialty Group Practice North (MSAN), Multispecialty Group Practice South (MSAS) and Nevada Family Practice Residency Program (NFPRP) are multi-specialty medical practice groups established and organized for the benefit of the University of Nevada School of Medicine (UNSOM) and its faculty physicians who are engaged in patient care activities. MSAN and MSAS were incorporated as a not-for-profit corporation on October 19, 1994, under the name University of Nevada School of Medicine Multispecialty Group Practice, Inc. as one combined entity. On July 25, 1997, MSAN became a separate not-for profit corporation under the name University of Nevada School of Medicine Multispecialty Group Practice North, Inc. MSAS remained under the original articles of incorporation until the name of the original entity changed to University of Nevada School of Medicine Multispecialty Group Practice South, Inc. NFPRP was incorporated as a not-for-profit corporation on June 17, 1983, under the name Nevada Family Practice Residency Program, Inc.

The practice administration components of the UNSOM at its Reno and Las Vegas campuses have formed an umbrella not-for-profit corporation named University of Nevada School of Medicine Integrated Clinical Services, Inc. (ICS) to integrate all functions of the practice plans statewide. The purpose is to provide strategic planning and to assure that the goals, policies and practices of MSAN, MSAS, and NFPRP operate to serve the School of Medicine within the boundaries of their vision and mission. MSAN, MSAS, and NFPEP are blended component units of ICS.

The combined practice plans are considered to be a component unit of the Nevada System of Higher Education, as defined by Government Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations are Component Units*.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements have been prepared by combining MSAN, MSAS, and NFPRP, which combined entities are collectively referred to as "Integrated Clinical Services, Inc." or the "Organization." The Organization uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Intercompany accounts and transactions have been eliminated in combination.

Net Position is required to be classified for accounting and reporting purposes in the following categories:

- Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted – Net Position resulting from transactions with purpose restrictions until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.
- Unrestricted - Net Position that are neither restricted nor invested in property and equipment, net of related debt. The only limits on unrestricted net position are broad limits resulting from the nature of the Organization and the purpose specified in its articles of incorporation or by laws and limits resulting from contractual agreement, if any.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

1. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents include demand deposit accounts and cash invested in money market funds.

3. Investments

Investments are recorded at fair value. The fair value of certificates of deposit are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. The Organization's pooled investments are reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Organization's interest therein, unless it is probable that all or a portion of the investments will be sold for an amount different from NAV. As of June 30, 2013 and 2012, the Organization had no plans or intentions to sell investments at amounts different from NAV.

4. Patient Accounts Receivable

Patient accounts receivable represents receivables under various payment agreements with third-party commercial insurance companies, governmental payors, individual patients and others for services already rendered, and includes an allowance for contractual adjustments and uncollectible accounts which are charged to operations based upon management's estimates. Contractual adjustments result from the difference between gross charges and the established or negotiated rates for physician services performed and amounts management estimates to be collected by certain third-party commercial insurance companies, government sponsored health care programs and other third parties (not including personal guarantors of patients). Bad debt adjustments include amounts deemed uncollectible by management. Provisions for contractual adjustments and uncollectible amounts are estimated and recorded in the same period services are rendered.

The provisions for contractual adjustments and uncollectible accounts are determined based upon an evaluation of historical collection experience, anticipated reimbursement levels and other relevant factors. Adjustments and changes in estimates are recorded in the period in which they are determined.

5. Inventories

Inventories are valued at the lower of cost or market with cost being determined using the first-in, first-out method.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Property and Equipment

Capital asset purchases and leasehold improvements are recorded at cost, net of accumulated depreciation and amortization. Asset purchases in excess of $2,000 are capitalized. Depreciation for property and equipment purchases is calculated using the straight-line method and is provided over the estimated useful life of each class of depreciable asset of three to forty years. Depreciation for leasehold improvements is calculated using the straight-line method and is provided over the shorter of the estimated useful life of the asset or the lease term. Equipment under capital lease obligations is recorded at the present value of the minimum lease payments at the inception of the lease, and depreciated over the shorter of the lease term or the estimated useful life of the equipment.

7. Income Taxes

MSAN, MSAS and NFPRP are not-for-profit corporations as defined in Section 501 (c)(3) of the Internal Revenue Code and are exempt from federal income taxes. The Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. Management believes there are no amounts subject to unrelated business income tax and, therefore, no provision for income taxes has been recorded in the accompanying financial statements.

8. Net Patient Services Revenue

The Organization has agreements with third-party payors that provide for payments at amounts different from the Organization's established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* is a federal health insurance program which provides coverage for people 65 and older, for certain disabled people, and for some people with End Stage Renal Disease. Medicare reimburses physician claims based on a resource based relative value scale (RBRVS). This is a scale that assigns values to procedures in relation to one another; and is used to establish the Medicare fee schedule. The Organization is paid according to the Medicare fee schedule.
- *Medicaid* is a medical coverage program jointly funded by both the states and the federal government for those residents who qualify because of an annual income which falls below the state or nationally indicted poverty level. The Organization is paid according to the Medicaid fee schedule.
- *Commercial and Other Insurance* – The Organization has entered into agreements with numerous nongovernmental third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include contracts with commercial insurance companies and workers' compensation plans, which reimburse the Organization on a fee schedule, a percentage of billed charges, or a percentage of RBRVS.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. <u>Net Patient Services Revenue</u> - Continued

Net patient service revenue is reported when services are provided to patients at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments include differences between established billing rates and amounts reimbursable under various contractual agreements. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net patient service revenues. Contractual adjustments of $36,736,780 and $28,228,442 were incurred during the years ended June 30, 2013 and 2012, respectively. Normal differences between final reimbursement and estimated amounts accrued in previous years are recorded as adjustments of the current year's contractual adjustments. Bad debt expense of $7,262,668 and $9,151,789 was incurred during the years ended June 30, 2013 and 2012, respectively.

9. <u>Contract Revenue</u>

Contract revenues include agreements the Organization has with various local hospitals and other organizations for on-call services and medical directorship. These agreements are based on specified rates. Revenue for contract revenue is recognized when the services are performed.

10. <u>Operating Expenses</u>

Substantially all of the Organization's operating expenses are directly or indirectly related to patient care activities.

11. <u>Compensated Absences</u>

The Organization's employees earn paid time off (PTO) benefits at varying rates depending on years of service. Unused PTO benefits accumulate and may be rolled over to the following year. Employees may accumulate PTO hours up to a specified maximum. Unused PTO balances will be paid to employees upon separation provided they have completed at least six months of continuous service. The estimated amount of accrued PTO is reported as accrued payroll and employee related expenses.

12. <u>New Accounting Pronouncements</u>

In March 2012, the Governmental Accounting Standards Board (the "GASB") issued authoritative guidance related to accounting and financial reporting for items that were previously reported as assets and liabilities. This Statement, GASB 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Items to be reclassified include debt issuance costs and loan origination costs and fees. The guidance is effective for the first annual reporting period beginning after December 15, 2012, with early adoption permitted. The Organization is still evaluating the impact this guidance will have on their financial position or results of operations.

NOTE C - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of who are local residents and are insured under third-party insurance and governmental payor agreements. The components of receivables from patients and third-party payors at June 30, 2013 and 2012 are as follows:

	2013	2012
Medicare	17%	14%
Medicaid	21%	30%
Commercial insurance	30%	30%
Other third-party payors	4%	5%
Patients	28%	21%
	100%	100%

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of June 30, cash and cash equivalents consist of the following:

	2013	2012
Cash on deposit	$ 5,620,811	$ 4,811,411

The fair value of investments at June 30 is as follows:

	2013	2012
Pooled equity index fund	$ 2,547,350	$ 2,097,070
Pooled bond index fund	2,402,610	2,327,814
Certificates of deposit	1,011,476	998,971
	$ 5,961,436	$ 5,423,855

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS - Continued

At June 30, 2013, the Organization's investments had the following maturities:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1 – 5	6 – 10
Pooled equity index fund	$ 2,547,350	$ 2,547,350	$ -	$ -
Pooled bond index fund	2,402,610	2,402,610	-	-
Certificates of deposit	1,011,476	1,011,476	-	-
	$ 5,961,436	$ 5,961,436	$ -	$ -

Interest and dividend income and realized and unrealized gains and losses are included as non-operating expense – interest in the accompanying combined statement of revenues, expenses and changes in net position. During the years ended June 30, 2013 and 2012, the Organization earned $128,535 and $129,183 from interest and dividends and $425,700 and ($1,616) from unrealized gains (losses) in investment fair value. Investment expenses of $16,654 and $14,857 were netted against earnings.

The Organization estimates the fair value of the certificates of deposit at cost plus accrued interest. No unrealized appreciation or depreciation has been recorded for either year ended June 30, 2013 or 2012 respectively. Included in the investment balance at June 30, 2013 and 2012 are certificates of deposit of approximately $226,610 and $388,000, respectively, which serve as security on the Organization's line of credit (Note F).

Investment Risk Factors

There are many factors that can affect the fair value of investments. Some factors, such as credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Organization will not be able to recover its deposits. The Organization does not have a deposit policy for custodial credit risk. Custodial credit risk for investments is the risk that, in the event the failure of the counterparty to a transaction, the Organization will not be able to recover the value of its investments. As of June 30, 2013 and 2012, the Organization had approximately $6,724,989 and $5,105,000, respectively, exposed to custodial credit risk.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of year-end, the Organization's investments are not rated. The Organization does not have a policy for credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Organization does not have a policy for interest rate risk.

NOTE E - PROPERTY AND EQUIPMENT

The property and equipment activity for the year ended June 30, 2013 is as follows:

	2012	Additions	Disposals	2013
Medical equipment	$ 2,914,636	$ 128,707	$ (74,000)	$ 2,969,343
Computer equipment	1,526,419	8,150	(122,792)	1,411,777
Furniture, fixtures and office equipment	1,636,404	-	(10,554)	1,625,850
Buildings	803,189	-	-	803,189
Vehicles	106,449	-	-	106,449
Leasehold improvements	2,072,866	4,700	(7,730)	2,069,836
Capital assets, net	9,059,963	141,557	(215,076)	8,986,444
Less: Accumulated depreciation	(6,995,823)	(663,881)	214,146	(7,445,558)
Capital assets, net	$ 2,064,140	$ (522,324)	$ (930)	$ 1,540,886

The property and equipment activity for the year ended June 30, 2012 is as follows:

	2011	Additions	Disposals	2012
Medical equipment	$ 2,793,199	$ 142,663	$ (21,226)	$ 2,914,636
Computer equipment	1,304,897	221,522	-	1,526,419
Furniture, fixtures and office equipment	1,631,675	21,505	(16,776)	1,636,404
Buildings	803,189	-	-	803,189
Vehicles	106,449	-	-	106,449
Leasehold improvements	2,054,166	18,700	-	2,072,866
Capital assets, net	8,693,575	404,390	(38,002)	9,059,963
Less: Accumulated depreciation	(6,320,862)	(712,176)	37,215	(6,995,823)
Capital assets, net	$ 2,372,713	$ (307,786)	$ (787)	$ 2,064,140

At June 30, 2013 and 2012, capital assets include capital leased assets of approximately $534,700 and $439,000, net of accumulated depreciation of approximately $279,900 and $274,000, respectively, and included in medical equipment above. Current period amortization of these assets is included in depreciation and amortization on the accompanying combined statements of revenue, expenses and changes in net position.

NOTE F - DEBT AND CAPITAL LEASE OBLIGATIONS

	2013	2012
Note payable; maximum borrowing capacity $1,000,000; bearing interest at 3.2%, due monthly, collateralized by a certificate of deposit, matures May 2015.	$ 226,610	$ 388,368
Notes payable bearing interest at 5.99%, collateralized by equipment, due in monthly installments of principal and interest of $746, matures December 2016.	28,310	35,370
Capital lease obligations at imputed interest varying from 3.0% to 9.0%, collateralized by equipment, principal and interest payable in aggregate monthly installments from $839 to $9,469, maturing between October 2012 and February 2018.	89,765	56,356
	344,685	480,094
Less: Current portion	(141,255)	(452,391)
	$ 203,430	$ 27,703

The activity with respect to current and noncurrent portion of debt for the years ended June 30, 2013 and 2012 is as follows:

	Current	Noncurrent
Balance as of June 30, 2011	$ 404,709	$ 444,789
New obligation	11,042	27,703
Principal payments	(408,149)	-
Reclassification	444,789	(444,789)
Balance as of June 30, 2012	452,391	27,703
New obligation	23,221	72,209
Principal payments	(230,839)	-
Reclassification	(103,518)	103,518
Balance as of June 30, 2013	$ 141,255	$ 203,430

NOTE F - DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

Interest expense of $14,191 and $31,705 were incurred during the years ended June 30, 2013 and 2012, respectively.

Principal and interest payments due on the revolving line of credit, notes payable and capital lease obligations at June 30, 2013 are as follows:

	Principal	Interest	Total
Years ending June 30,			
2014	$ 141,255	$ 11,124	$ 152,379
2015	136,794	5,955	142,749
2016	27,797	2,736	30,533
2017	24,734	1,306	26,040
2018	14,105	259	14,364
Thereafter	-	-	-
	$ 344,685	$ 21,380	$ 366,065

The Organization leases certain equipment under capital lease obligations. At June 30, 2013 the future minimum lease payments are as follows:

Years ending June 30,	
2014	$ 21,548
2015	21,548
2016	21,548
2017	21,548
2018	14,364
Total future minimum lease payments	100,556
Less: Amount representing interest	(10,791)
Present value of future minimum lease payments	89,765
Less: Current portion	(17,556)
Long-term portion	$ 72,209

NOTE G - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

UNSOM pays the salaries for all its faculty physician members. The Organization reimburses UNSOM for any amounts not covered by state appropriations, grant contract income, or other sources that are administered by UNSOM. During the years ended June 30, 2013 and 2012, the Organization paid approximately $14,800,000 and $12,400,000, respectively, to UNSOM for physician salaries.

The Organization incurs Dean's tax payable to the UNSOM Dean's account based on a percentage of the cash collected on patient fee-for-service and net clinical contractual revenues. The Board of Directors of the respective organizations and the Dean of UNSOM can modify the percentage rate annually. During the year ended June 30, 2013, the percentage to be remitted decreased from 5% to 2.5% of the cash collected on patient fee-for-service revenues, and remained 0% of net clinical contractual income generated by the Organization. During the years ended June 30, 2013 and 2012, the Organization recognized expense of approximately $1,648,000 and $2,051,000, respectively, for Dean's tax and is included as medical fees in the accompanying combined statements of revenue, expenses, and changes in net position. At June 30, 2013 and 2012, the Organization owed to UNSOM a total of approximately $1,735,000 and $1,915,000, respectively, for Dean's tax and is included in the net due to affiliates in the accompanying combined statements of net position.

The Organization is covered under a professional liability insurance policy for medical malpractice claims that is purchased by UNSOM and names MSAN, MSAS, and NFPRP as additional named insureds. The policy is on a claims-made basis and provides coverage of $1,000,000 per claim and $3,000,000 per year in the aggregate. UNSOM presently intends to renew claims-made coverage annually and expects to be able to obtain such coverage. During fiscal years 2013 and 2012, the Organization did not reimburse UNSOM for any portion of the professional liability insurance premiums.

UNSOM sub-leases clinical space from MSAS at the Patient Care Center on a month-to month basis. During the years ended June 30, 2013 and 2012, UNSOM paid MSAS a total of $30,192 for rents and related expenses. At June 30, 2013 and 2012, $185,155 and $9,316, respectively, was due to the Organization from UNSOM for rents and related expenses and is included in the net due to affiliates in the accompanying combined statements of net position.

UNSOM reimburses the Organization for certain administrative and academic salaries and general expenses. In addition, UNSOM will reimburse the Organization for grant support services provided to UNSOM. At June 30, 2013 and 2012, the Organization was owed a total of $365,346 and $782,844, respectively, related to administrative and academic salaries, general expenses and grants support services and is included as due to affiliates in the accompanying combined statements of net position. UNSOM also collects payments from Medicaid on behalf of certain NFPRP programs. At June 30, 2013 and 2012, the Organization was owed a total of $3,113 and $582,127, respectively, and is included in the net patient accounts receivable in the accompanying combined statements of net position.

UNSOM has granted MSAN the use of two of its facilities in addition to some fully depreciated medical equipment, office equipment and furniture without any charges or at a nominal maintenance charge. Such donated properties remained as assets on UNSOM's financial records.

NOTE H - RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan sponsored by Integrated Clinical Services, Inc. (ICS) under Section 401(k) of the Internal Revenue Code that covers all employees who are 21 year of age or older. Eligibility to qualify to participate requires the employee must complete six months and a minimum of 500 hours of service. The employee entry date is the first day of the plan year quarter, coinciding with or next, following the date eligibility requirements are satisfied. The employee entry date is the first day of the plan year quarter, coinciding with or next following the date eligibility requirements are satisfied. The employer contributions begin after one year of service and the employee is credited with a minimum of 100 hours of service. Employee must work a minimum of 83.33 hours each month to continue receiving the Organization's Qualified Non-Elective Contribution (QNEC).

Employees may elect to defer a portion of their salary either a flat dollar amount or a percentage, not to exceed the dollar limit set by federal law. Catch up contributions are allowed over the age of 50 or if turning 50 in the calendar year and in accordance with federal regulations

During the years ended June 30, 2013 and 2012, the Organization made a $50 per month QNEC for each eligible employee for a total of approximately $222,250 and $215,300, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES

Leases

The Organization has leases for clinic and office space which expire at various times through 2019. The leases contain various escalation and renewal provisions. Rent expense under these leases totaled approximately $3,793,100 and $3,471,000 in fiscal years 2013 and 2012, respectively, and is included as medical fees in the accompanying combined statements of revenues, expenses, and changes in Net Position. Future minimum lease payments under non-cancelable operating leases at June 30, 2013 are as follows:

Combined Operating Leases

Years ending June 30,	
2014	$ 3,342,044
2015	2,321,103
2016	1,671,195
2017	402,911
2018	163,007
Thereafter	45,027
	$ 7,945,287

NOTE I - COMMITMENTS AND CONTINGENCIES - Continued

Malpractice Insurance

Accounting principles generally accepted in the United States of America required that a health care facility disclose the estimated costs of malpractice claims in the period of the incident of malpractice if it is reasonably possible that liabilities may be incurred and losses can be reasonably estimated. As stated above, Management does not record any additional accruals for losses related to malpractice claims because there are no deductibles or self-insured retention. Furthermore, management is not aware of and does not believe that there are any outstanding claims or unasserted claims probable of assertion against the Organization beyond the insurance coverage levels which would have a material adverse effect on the Organization's financial condition.

Other

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations is subject to periodic government review, interpretation and audits, as well as regulatory actions unknown and unasserted at this time.

The Organization is subject to various lawsuits and claims arising out of the normal course of business. Management and Organization's legal counsel are of the opinion that the ultimate liability from such matters will not have a material adverse impact on the Organization's financial position.

SUPPLEMENTAL INFORMATION

Integrated Clinical Services, Inc.

COMBINING STATEMENT OF NET POSITION

June 30, 2013

ASSETS	MSAN	MSAS	NFPRP	Eliminations	Combined
CURRENT ASSETS					
Cash and cash equivalents	$ 125,276	$ 1,082,117	$ 4,413,418	$ -	$ 5,620,811
Investments	-	1,510,812	4,450,624	-	5,961,436
Patient accounts receivable, net	1,429,475	4,954,064	1,102,689	-	7,486,228
Other receivables	292,849	746,655	-	-	1,039,504
Intercompany receivables	-	672,377	2,074,083	(2,746,460)	-
Inventory	119,987	-	323,568	-	443,555
Due from affiliates, net	-	176,060	189,287	(365,347)	-
Prepaid expenses and other assets	136,324	181,451	53,238	-	371,013
Total current assets	2,103,911	9,323,536	12,606,907	(3,111,807)	20,922,547
PROPERTY AND EQUIPMENT, NET	117,517	756,741	666,628	-	1,540,886
Total assets	$ 2,221,428	$ 10,080,277	$ 13,273,535	$ (3,111,807)	$ 22,463,433
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of debt and capital lease obligations	$ -	$ 141,255	$ -	$ -	$ 141,255
Accounts payable	1,550,511	783,227	539,997	(7,557)	2,866,178
Accrued payroll and employee related expenses	270,112	737,749	624,105	-	1,631,966
Other accrued expenses	243,594	196,131	-	-	439,725
Due to affiliates, net	1,512,954	206,752	(69,355)	(365,347)	1,285,004
Intercompany payables	2,618,905	(113,899)	233,897	(2,738,903)	-
Total current liabilities	6,196,076	1,951,215	1,328,644	(3,111,807)	6,364,128
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	-	203,430	-	-	203,430
Total liabilities	6,196,076	2,154,645	1,328,644	(3,111,807)	6,567,558
NET POSITION (DEFICIT)					
Invested in capital assets, net of related debt	117,517	550,287	666,628	-	1,334,432
Unrestricted	(4,092,165)	7,375,345	11,278,263	-	14,561,443
Total net position (deficit)	(3,974,648)	7,925,632	11,944,891	-	15,895,875
Total liabilities and net position	$ 2,221,428	$ 10,080,277	$ 13,273,535	$ (3,111,807)	$ 22,463,433

Integrated Clinical Services, Inc.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2013

	MSAN	MSAS	NFPRP	Eliminations	Combined
Revenues					
Net patient service revenue	$ 12,737,863	$ 21,220,446	$ 20,146,796	$ -	$ 54,105,105
Contract revenue	2,339,836	4,154,660	-	-	6,494,496
Other revenue	12,230	2,532,556	734,881	-	3,279,667
Total revenues	15,089,929	27,907,662	20,881,677	-	63,879,268
Operating expenses					
Employee salaries, wages and benefits	4,778,841	9,143,136	9,584,897	-	23,506,874
Physician services	5,976,897	7,850,186	1,382,440	-	15,209,523
Medical fees	1,846,701	5,431,706	2,468,515	-	9,746,922
Supplies	3,000,345	1,446,328	5,796,545	-	10,243,218
Purchased services, insurance and other	758,374	1,512,484	1,169,292	-	3,440,150
Depreciation and amortization	69,320	456,477	138,084	-	663,881
Total operating expenses	16,430,478	25,840,317	20,539,773	-	62,810,568
Operating income (loss)	(1,340,549)	2,067,345	341,904	-	1,068,700
Nonoperating income (expense)					
Interest expense	-	(14,191)	-	-	(14,191)
Investment income, net	-	70,959	466,622	-	537,581
	-	56,768	466,622	-	523,390
Net position (deficit) - beginning of year	(2,634,099)	5,801,519	11,136,365	-	14,303,785
Net position (deficit) - end of year	$ (3,974,648)	$ 7,925,632	$ 11,944,891	$ -	$ 15,895,875

Integrated Clinical Services, Inc.

COMBINING STATEMENT OF NET POSITION

June 30, 2012

ASSETS	MSAN	MSAS	NFPRP	Eliminations	Combined
CURRENT ASSETS					
Cash and cash equivalents	$ 69,222	$ 1,327,542	$ 3,414,647	$ -	$ 4,811,411
Investments	-	1,439,853	3,984,002	-	5,423,855
Patient accounts receivable, net	1,337,552	2,962,428	1,812,935	-	6,112,915
Other receivables	295,031	469,468	11,092	-	775,591
Intercompany receivables	-	285,988	2,042,059	(2,328,047)	-
Inventory	101,875	-	257,294	-	359,169
Due from affiliates, net	-	566,981	215,864	(782,845)	-
Prepaid expenses and other assets	73,285	82,828	49,851	-	205,964
Total current assets	1,876,965	7,135,088	11,787,744	(3,110,892)	17,688,905
PROPERTY AND EQUIPMENT, NET	181,626	1,077,801	804,713	-	2,064,140
Total assets	$ 2,058,591	$ 8,212,889	$ 12,592,457	$ (3,110,892)	$ 19,753,045
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of debt and capital lease obligations	$ -	$ 452,391	$ -	$ -	$ 452,391
Accounts payable	623,576	729,016	404,066	(11,060)	1,745,598
Accrued payroll and employee related expenses	241,559	656,335	613,356	-	1,511,250
Other accrued expenses	230,076	157,112	-	-	387,188
Due to affiliates, net	1,124,365	750,151	233,459	(782,845)	1,325,130
Intercompany payables	2,473,114	(361,338)	205,211	(2,316,987)	-
Total current liabilities	4,692,690	2,383,667	1,456,092	(3,110,892)	5,421,557
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	-	27,703	-	-	27,703
Total liabilities	4,692,690	2,411,370	1,456,092	(3,110,892)	5,449,260
NET POSITION (DEFICIT)					
Invested in capital assets, net of related debt	181,626	834,612	804,713	-	1,820,951
Unrestricted	(2,815,725)	4,966,907	10,331,652	-	12,482,834
Total net position (deficit)	(2,634,099)	5,801,519	11,136,365	-	14,303,785
Total liabilities and net position	$ 2,058,591	$ 8,212,889	$ 12,592,457	$ (3,110,892)	$ 19,753,045

Integrated Clinical Services, Inc.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year ended June 30, 2012

	MSAN	MSAS	NFPRP	Eliminations	Combined
Revenues					
Net patient service revenue	$ 12,685,342	$ 17,465,301	$ 21,047,116	$ -	$ 51,197,759
Contract revenue	2,410,638	3,866,601	-	-	6,277,239
Other revenue	1,712	2,454,689	978,281	-	3,434,682
Total revenues	15,097,692	23,786,591	22,025,397	-	60,909,680
Operating expenses					
Employee salaries, wages and benefits	4,488,349	8,494,143	9,278,371	-	22,260,863
Physician services	4,792,033	6,797,512	1,121,648	-	12,711,193
Medical fees	2,020,032	5,132,715	2,738,012	-	9,890,759
Supplies	3,267,182	1,136,891	6,609,296	-	11,013,369
Purchased services, insurance and other	669,991	844,085	1,725,348	-	3,239,424
Depreciation and amortization	95,297	474,765	142,114	-	712,176
Total operating expenses	15,332,884	22,880,111	21,614,789	-	59,827,784
Operating income (loss)	(235,192)	906,480	410,608	-	1,081,896
Nonoperating Income (expense)					
Interest expense	-	(31,705)	-	-	(31,705)
Investment income, net	-	23,450	89,260	-	112,710
	-	(8,255)	89,260	-	81,005
CHANGE IN NET POSITION	(235,192)	898,225	499,868	-	1,162,901
Net position (deficit) - beginning of year	(2,398,907)	4,903,294	10,636,497	-	13,140,884
Net position (deficit) - end of year	$ (2,634,099)	$ 5,801,519	$ 11,136,365	$ -	$ 14,303,785

COMPLIANCE SECTION

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Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

The Board of Directors of Integrated Clinical Services, Inc.
and the Board of Regents of the Nevada System of Higher Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the University of Nevada School of Medicine – Multispecialty Group Practice North, Inc.; the University of Nevada School of Medicine – Multispecialty Group Practice North, Inc.; the University of Nevada School of Medicine Multispecialty Group Practice South, Inc.; and the Nevada Family Practice Residency Program, Inc. (collectively the "Integrated Clinical Services, Inc." or "ICS"), which comprise the combined statements of net position as of June 30, 2013 and 2012, and the related combined statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2013.

Internal control over financial reporting

In planning and performing our audit of the combined financial statements, we considered ICS's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of ICS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of ICS's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in ICS's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether ICS's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ICS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICS's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Reno, Nevada
October 24, 2013

Grant Thornton

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Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

The Board of Directors of Integrated Clinical Services, Inc.
and the Board of Regents of the Nevada System of Higher Education

Report on compliance for each major federal program

We have audited the compliance of the University of Nevada School of Medicine – Multispecialty Group Practice North, Inc.; the University of Nevada School of Medicine Multispecialty Group Practice South, Inc.; and the Nevada Family Practice Residency Program, Inc. (collectively "Integrated Clinical Services, Inc." or "ICS") with the types of compliance requirements described in the U.S. Office of Management and Budget's OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. ICS's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to ICS's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of ICS's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ICS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ICS's compliance.

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Opinion on each major federal program

In our opinion, ICS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Instances of noncompliance

The results of our audit procedures disclosed instances of noncompliance, described in the accompanying schedule of findings and questioned costs as items (Findings 2013-001 and 2013-002), that are required to be reported in accordance with OMB Circular A-133. Our opinion on the major federal program is not modified with respect to these matters.

ICS's response to findings

ICS's response to our noncompliance findings, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on ICS's response.

Report on internal control over compliance

Management of ICS is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ICS's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ICS's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in ICS's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items (Findings 2013-001 and 2013-002), that we consider to be significant deficiencies in ICS's internal control over compliance.

ICS's response to our findings on internal control over compliance, which is described in the accompanying schedule of findings and questioned costs, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on ICS's response.

The purpose of this Report on Internal Control over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Reno, Nevada
October 24, 2013

Integrated Clinical Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Footnote Ref.
				From Pass-Through Awards	From Direct Awards	Total	
Highway Safety Cluster							
State of Nevada / Nevada Department of Traffic Safety / Office of Traffic Safety/Pass-through: University of Nevada Reno	Targeting Disparities in Behaviors Associated with Vehicular Crashes: Implications for Education and Injury Prevention	20.609	22-406CP-3	$ 19,775	$ -	$ 19,775	1
State of Nevada / Nevada Department of Traffic Safety / Office of Traffic Safety/Pass-through: University of Nevada Reno	Vehicular Crashes in Nevada: Integration of EMS Data to NDOT	20.610	23-408TR-7	62,370	-	62,370	1
		Total Highway Safety Cluster		**82,145**	**-**	**82,145**	1
Research and Development Cluster							
U.S. Department of Health and Human Service/Health Resources and Services Administration/Pass-through: University of Nevada Reno	RADIATION EXPOSURE SCREEN/EDUC	93.257	2 H1GRH06182-07-00	22,597	-	22,597	1
U.S. Department of Health and Human Service/Health Resources and Services Administration/Pass-through: University of Nevada Reno	RADIATION EXPOSURE SCREEN/EDUC	93.257	6 H1GRH06182-08-03	80,061	-	80,061	1
		Total - CFDA 93.257		**102,658**	-	**102,658**	1
U.S. Department of Health and Human Service/Health Resources and Services Administration/Pass-through: University of Nevada Reno	NV FAM MED RURAL RES PROGRAM	93.884	1 D58HP23216-01-00	17,920	-	17,920	1
U.S. Department of Health and Human Service/Health Resources and Services Administration/Pass-through: University of Nevada Reno	NV FAM MED RURAL RES PROGRAM	93.884	5 D58HP23216-02-00	31,184	-	31,184	1
		Total - CFDA 93.884		**49,104**	**-**	**49,104**	1
U.S. Department of Energy/Queens College CUNY/Pass-through: University of Nevada Reno	NTS SURVEILLANCE PROJ	81.049	47811-N	148,722	-	148,722	1
U.S. Department of Energy/Queens College CUNY/Pass-through: University of Nevada Reno	NTS SURVEILLANCE PROJ	81.049	47811-N	91,955	-	91,955	1
		Total - CFDA 81.049		**240,677**	**-**	**240,677**	1
U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)/Tobacco Education and Prevention, Bureau of Child Family and Community Wellness, Nevada State Health Division/Pass-through: University of Nevada Reno	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	5U58DPOO2003-03	22,364	-	22,364	1
U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)/Tobacco Education and Prevention, Bureau of Child Family and Community Wellness, Nevada State Health Division/Pass-through: University of Nevada Reno	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.283	5U58DPOO2003-04	100,000		100,000	1
		Total - CFDA 93.283		**122,364**	**-**	**122,364**	1
U.S. Department of Defense / Office of Naval Research/Pass-through: University of Nevada Reno	High Speed Blood and Transfusion Equip	12.300	N00014-10-1-0869	116,909	-	116,909	1
U.S. Department of Defense / US Army Medical Research/Pass-through: University of Nevada Reno	Portable Body Temperature Conditioner	12.420	W81XWH-11-1-0792	26,598	-	26,598	1
U.S. Department of Health and Human Services - Center for Disease Control/Pass-through: University of Nevada Reno	Division of Diabetes Translation Earmark 2010	93.988	1H75DP002745-01 REV	25,708	-	25,708	1
U.S. Department of Health and Human Services -CMMS/ HEALTHINSIGHT/Pass-through: University of Nevada Reno	NV HEN PATIENT SAFETY PROJECT	93.XXX	H0-200-01	32,396	-	32,396	1
U.S. Department of Health and Human Services-HRSA/U CA San Francisco/Pass-through: University of Nevada Reno	NV AIDS ETC MAI 12-13	93.145	6184SC-07	40,201	-	40,201	1
U.S. Department of Health and Human Services Centers for Disease Control and Prevention (CDC)/Tobacco Education and Prevention, Bureau of Child Family and Community Wellness, Nevada State Health Division/Pass-through: University of Nevada Reno	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	93.735	CDC-RFA-DP12-1214PPHF12	120,036	-	120,036	1
U.S. Department of Health and Human Services Centers for Disease Control and Prevention/Southern Nevada Health District/Pass-through: University of Nevada Reno	ARRA - Prevention and Wellness – Communities Putting Prevention to Work Funding Opportunities Announcement (FOA)	93.724	1U58DP002383-01	47,325	-	47,325	1
		Total Research and Development Cluster		**923,976**	**-**	**923,976**	1
Total Federal Awards Expended				**$ 1,006,121**	**-**	**$ 1,006,121**	

Note - 1 Basis of Accounting: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Expenditures represent only the federally funded portions of the program.

Integrated Clinical Services, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2013

SECTION I — SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: .... unmodified

Internal control over financial reporting:

- Material weakness identified? .... no
- Significant deficiencies identified? .... none reported

Noncompliance material to financial statements noted? .... none reported

Federal Awards

Internal control over major programs:

- Material weakness identified? .... no
- Significant deficiency identified that are not considered to be material weaknesses? .... yes

Type of auditors' report issued on compliance for major programs: .... unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? .... yes

Identification of major programs:

Research and Development Cluster (CFDA various)

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? .... No

SECTION II — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FINDING 2013-001 - Reporting

Federal Programs
Research and Development (R&D) Cluster
CFDA 93.988 (Award 1 H75DP002745-01 REV); CFDA 93.884 (Award 1 D58HP23216-01-00 and 5 D58HP23216-02-00)
Award year ended June 30, 2013
Pass-through organization – University of Nevada, Reno

Criteria
OMB Circular A-110 Section 215.50-.53 "set forth the procedures for monitoring and reporting on the recipient's financial and program performance and the necessary standard reporting forms. They also set forth record retention requirements."

Condition
We noted that there is no control implemented to ensure the financial information reported in requests for reimbursement to the University of Nevada, Reno are accurate.

Context
During our testing, we identified three out of sixteen requests for reimbursements that contained inaccurate financial information resulting in inaccurate reporting to University of Nevada, Reno (the pass-through organization).

Questioned Costs
CFDA 93.988-$27
CFDA 93.884 - $(521)

Effect
The Organization did not report accurate financial information as required by federal regulations.

Cause
There is no control implemented to ensure reporting financial information is accurate.

Recommendation
We recommend that the Organization design and implement processes and controls ensure accurate reporting. Management should evaluate the existence of this non-compliance in the remaining population and remediate as necessary.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)

Integrated Clinical Services, Inc. (ICS) concurs with this finding. The Organization has already implemented processes and controls to ensure accurate reporting.

Integrated Clinical Services, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2013

FINDING 2013-002 - Cash Management

Federal Programs
Research and Development (R&D) Cluster
CFDA 93.XXX (Award H0-200-01)
Award year ended June 30, 2013
Pass-through organization – University of Nevada, Reno

Criteria
2 CFR 215.22 (b)(1)-(2) states recipients are to be paid in advance of incurring expenditures, provided they maintain or demonstrate the willingness to maintain: 1)Written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient 2)cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. Advances of Federal funds shall be deposited and maintained in insured accounts whenever possible. Interest earned on federal advances deposited in interest bearing accounts shall be remitted annually to the pass through organization. Interest amounts up to $250 per year may be retained by the recipient for administrative expenses.

Condition
We noted that the Organization did not adhere to these applicable cash management requirements

Context
For one of sixteen grants reviewed, we identified funds were received from University of Nevada, Reno (the pass-through organization) in advance of expenditures incurred however there were no written policies in place that minimize time elapsing between funds received and disbursements by the recipient and funds are not placed into an interest bearing account.

Questioned Costs
$0

Effect
The Organization was not in compliance with requirements related to receiving funding in advance of expenditures incurred.

Cause
The responsible party was unaware of the requirements required by federal regulations if funding is received in advance of expenditures incurred.

Recommendation
We recommend the Organization train those responsible from leading the R&D programs about applicable cash management requirements.

Views of Responsible Officials and Planned Corrective Actions (Unaudited)
Integrated Clinical Services, Inc. (ICS) concurs with this finding. The Organization will train those personnel responsible for leading the R&D programs in cash management requirements.

Integrated Clinical Services, Inc.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2013

Not applicable, as 2013 was the first single audit of the entity at the ICS reporting level. Previously, the federal swards were subject to the single audit process of the Nevada System of Higher Education