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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, 2015 and 2014

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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 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"), which comprise the combined statements of financial position as of June 30, 2015 and 2014, and the related combined statements of revenues, 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 standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Entity'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 the Entity'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 financial position of 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") as of June 30, 2015 and 2014, 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.

Other matters

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 combined financial statements. Such information, although not a required part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined 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 schedule of expenditures of federal awards for the year ended June 30, 2015, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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 audit of the combined financial statements 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 29, 2015, 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 the ICS's internal control over financial reporting and compliance.

Grant Thornton LLP

Reno, Nevada
October 29, 2015

Integrated Clinical Services, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

June 30, 2015

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 year 2014-2015, 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 2014-2015, it is to the fiscal year ended June 30, 2015.

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, 2015. 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 (UNR) 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 1998 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 128 full time physicians, and 37 part-time physicians in 30 different medical specialties engaged in education, patient care, and research. Treating more than 300,000 plus 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 2014-2015. 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 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, 2015 and 2014 are as follows:

	2015	2014	2013	Percent Change FY 14 to FY15	Percent Change FY 13 to FY14
ASSETS					
Current assets					
Cash and cash equivalents	$ 4,829,085	$ 4,396,905	$ 5,620,811	10%	(22%)
Investments	6,463,793	6,648,138	5,961,436	(3%)	12%
Patient accounts receivable, net	9,231,260	10,438,606	7,486,228	(12%)	39%
Other receivables	924,498	1,022,995	1,039,504	(10%)	(2%)
Inventory	510,221	357,419	443,555	43%	(19%)
Prepaid expenses and other assets	465,932	764,572	371,013	(39%)	106%
Total current assets	22,424,789	23,628,635	20,922,547	(5%)	13%
Non-current assets					
Property and equipment, net	1,299,424	1,309,347	1,540,886	(1%)	(15%)
Total assets	$ 23,724,213	$ 24,937,982	$ 22,463,433	(5%)	11%
LIABILITIES AND NET POSITION					
Current liabilities					
Current portion of long-term notes payable and capital lease obligations	$ 64,195	$ 136,794	$ 141,255	(53%)	(3%)
Accounts payable	4,563,887	4,497,376	2,866,178	1%	57%
Accrued payroll and employee related expenses	1,725,251	1,629,090	1,631,966	6%	-
Other accrued expenses	933,775	460,443	439,725	2%	5%
Due to affiliates, net	7,809,040	3,397,401	1,285,004	130%	164%
Total current liabilities	15,096,148	10,121,104	6,364,128	45%	59%
Notes payable and capital lease obligations, net of current portion	198,751	66,637	203,430	198%	(67%)
Total liabilities	15,294,899	10,187,741	6,567,558	46%	55%
Net position					
Invested in capital assets, net of related debt	1,036,478	1,198,941	1,334,432	(14%)	(10%)
Unrestricted	7,392,836	13,551,300	14,561,443	(42%)	(7%)
Total net position	8,429,314	14,750,241	15,895,875	(40%)	(7%)
Total liabilities and net position	$ 23,724,213	$ 24,937,982	$ 22,463,433	(5%)	11%

INTEGRATED CLINICAL SERVICES, INC. - FINANCIAL POSITION - Continued

Integrated Clinical Services, Inc.'s assets

Integrated Clinical Services, Inc.'s total assets decreased in fiscal year 2014-2015 by $1,213,769 or 5% to $23,724,213. Total assets in fiscal year 2013-2014 increased by $2,474,549 or 11% to $24,937,982 over fiscal year 2012-2013. Cash and cash equivalents for fiscal year 2014-2015 increased by $432,180 or 10% to $4,829,085. The increase is attributable to further training of the physician(s) and staff to be more efficient in using the Practice Management (PM) and Electronic Medical Records (EMR) systems. For fiscal year 2013-2014 compared to fiscal year 2012-2013, cash and cash equivalents decreased by $1,223,906 or 22% to $4,396,905. The decrease was due to a temporary decrease in physician productivity. Fiscal year 2014-2015 investments decreased by $184,345 or 3% to $6,463,793. The decrease was due to the devaluation of the market 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 at June 30, 2015. Investments for fiscal year 2013-2014 over fiscal year 2012-2013 increased by $686,702 or 12% as a result of appreciation of investments in the CommonFund.

Patient accounts receivable, net of contractual allowances for fiscal year 2014-2015 decreased by $1,207,346 or 12% to $9,231,260. The decrease was due to cleaning up the accounts receivable balance(s) after the implementation of the Practice Management (PM) and Electronic Medical Records (EMR). For fiscal year 2013-2014, patient accounts receivable increased by $2,952,378 or 39% to $10,438,606 attributable to increase in physician Full-Time Equivalent (FTE) as well as rolling out a new PM and EMR system.

Capital assets include medical equipment, computer equipment, furniture, fixtures and office equipment, buildings, vehicles, and leasehold improvements. Spending accounted for capital additions of $323,577, including $253,136 for new medical equipment, $2,144 for computer equipment, and $39,354 for furniture, fixture and office equipment and $28,943 for leasehold improvements.

Accumulated depreciation increased $185,500 or 2% to $8,127,396 at June 30, 2015. Fiscal year 2013-2014 over 2012-2013 accumulated depreciation increased $496,338 or 6% to $7,941,896 at June 30, 2014. Depreciation expense for the year ended June 30, 2015 and 2014 was $333,500 and $496,338, respectfully.

Integrated Clinical Services, Inc.'s liabilities

Integrated Clinical Services, Inc.'s total liabilities increased in fiscal year 2014-2015 by $5,107,158 or 51% to $15,594,899. The increase was due to the increased obligation on MSAN's due to affiliates and accounting for the increase in deferred leases for MSAS. Total liabilities for fiscal year 2013-2014 over 2012-2013 increased by $3,620,183 or 55% to $10,187,741 the increase was due to the obligation on MSAN's accounts payable.

Accounts payables increased from $4,497,376 at June 30, 2014 to $4,563,887 at June 30, 2015, an increase of $66,511 or 1%. Accounts payables increased from $2,866,178 at June 30, 2013 to $4,497,376 at June 30, 2014, an increase of $1,631,198 or 57%.

Long-term liabilities increased from $66,637 at June 30, 2014 to $198,751 at June 30, 2015, an increase of $132,114 or 198%. This increase was due to capital lease obligation on additional ultra-sound equipment. Long-term liabilities decreased from $203,430 at June 30, 2013 to $66,637 at June 30, 2014 a decrease of $136,793 or 67%. This decrease was due to re-classing outstanding debt from long-term to current.

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, 2015 totaled $8,429,314, a decrease of $6,320,927 or 43% during the year. Integrated Clinical Services, Inc.'s net position at June 30, 2014 totaled $14,750,241, a decrease of $1,145,554 or 7% from the prior year. Integrated Clinical Services, Inc.'s net position is reported in two major categories: invested in capital assets net of related debt and unrestricted.

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 $7,392,836 at June 30, 2015 and $13,551,300 at June 30, 2014 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.

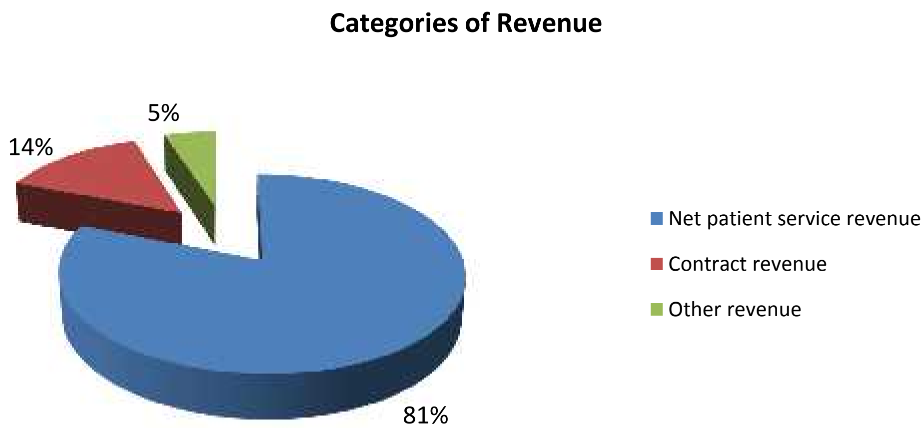
Generally, operating revenues are earned for providing pharmaceuticals and services to the various patients and clients of Integrated Clinical Services, Inc. Operating expenses are those expenses incurred to acquire or produce the pharmaceuticals and services provided in return for the operating revenues, 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, 2015 to those for the year ended June 30, 2014, and June 30, 2014 compared to June 30, 2013.

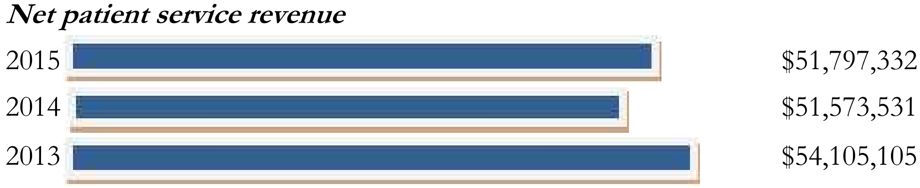
				Percent Change	
	2015	2014	2013	FY 14 to FY 15	FY 13 to FY 14
Revenues					
Net patient service revenue	$ 51,797,332	$ 51,573,531	$ 54,105,105	0%	(5%)
Contract revenue	8,686,033	8,131,280	6,494,496	7%	25%
Other revenue	3,485,553	3,709,914	3,279,667	(6%)	13%
Total revenues	63,968,918	63,414,725	63,879,268	1%	(1%)
Operating expenses					
Employee salaries, wages and benefits	23,615,027	22,772,746	23,506,874	4%	(3%)
Physician services	17,957,439	15,911,621	15,209,523	13%	5%
Medical fees	14,049,728	12,244,028	9,746,922	15%	26%
Supplies	10,249,724	9,751,059	10,243,218	5%	(5%)
Purchased services, insurance and other	4,282,031	4,132,381	3,440,150	4%	20%
Depreciation and amortization	333,500	496,338	663,881	(33%)	(25%)
Total operating expenses	70,487,449	65,308,173	62,810,568	7%	4%
Operating gain (loss)	(6,518,531)	(1,893,448)	1,068,700	220%	(277%)
Nonoperating income	197,604	747,814	523,390	(74%)	43%
CHANGE IN NET POSITION	(6,320,927)	(1,145,634)	1,592,090	411%	(172%)
Net position – beginning of year	14,750,241	15,895,875	14,303,785	(7%)	11%
Net position – end of year	$ 8,429,314	$ 14,750,241	$ 15,895,875	(40%)	(7%)

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, 2015 are as follows:



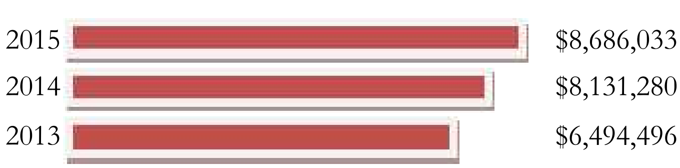
The Combined Statements of Revenues, Expenses, and Changes in Net Position reflect a negative year with a decrease in the net position at the end of the year. A review of the individual revenue and expense categories that contributed to the overall decrease in the net position reveals the following:

Net patient service revenue



Patient service revenue, net of contract allowance, bad debt and refunds, increased by $223,801 or .4% for the year ended June 30, 2015 to $51,797,332. The increase was due to an increase in the number of patients using the facilities. Patient service revenue, net of contract allowances, bad debt and refunds, decreased by $2,531,574 or 5% for the year ended June 30, 2014 to $51,573,531. The decrease was due the number of patients seen by the physician(s) because of the implementation of the medical records.

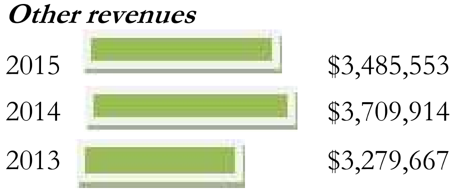
Contract revenue



Contract revenue from federal, state, and local governments, as well as private organizations increased by $554,753 or about 7% to $8,686,033 for the year ended June 30, 2015. For the year ended June 30, 2014, contract revenue from federal, state, and local governments, as well as private organizations increased by $1,636,784 or about 25% to $8,131,280. The increase is explained by slight growth in the number of contracts and improved rates to provide clinical services to various organizations.

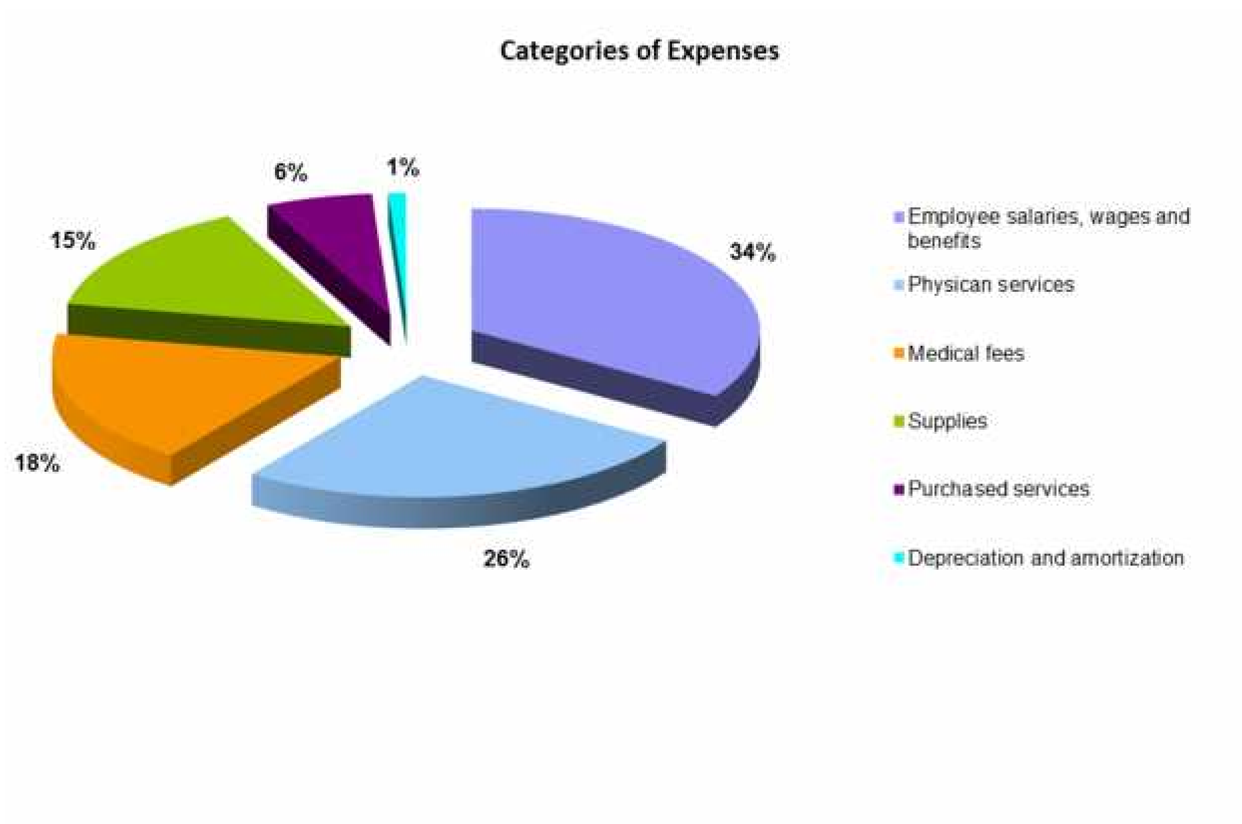
INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

Other revenues



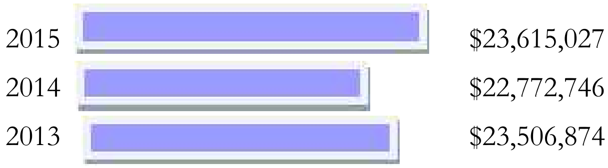
Other revenues for the year ended June 30, 2015 decreased $224,361 or 6% to $3,485,553. Other revenues for the year ended June 30, 2014 increased $430,247 or 13% to $3,709,914. The decrease in 2015 was primarily due to Nevada Family Practice Residency Program (NFPRP) receiving less funding from the agreement with Clark County to monitor psychiatric drugs in children.

Categories and percentages of expenses related to Integrated Clinical Service Inc.'s core activities for the year ended June 30, 2015 are as follows:



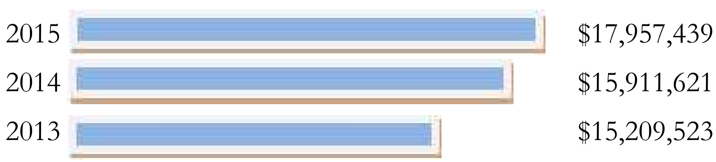
INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

Employee salaries, wages and benefits



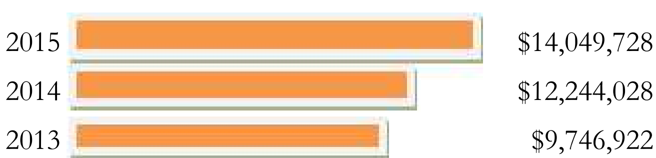
Employee salaries, wages and benefits of $23,615,027 for the year ended June 30, 2015 increased by $842,281 an increase of 4% from the year ended June 30, 2014. The increase is related to temporary employees to assist in the implementation of the new practice management system and the electronic medical records system. Employee salaries, wages and benefits of $22,772,746 for the year ended June 30, 2014 decreased by $734,128, a decrease of 3% from the year ended June 30, 2013. The decrease is related to decrease positions for support staff.

Physician services



Physician services of $17,957,439 for the year ended June 30, 2015 increased by $2,045,818 or 13% from the year ended June 30, 2014, primarily due to recruitment of physicians to the practice plan for expansion of services. Physician services of $15,911,621 for the year ended June 30, 2014 increased by $702,098 or 5% from the year ended June 30, 2013, attributable to a decrease in the Center for Medicare and Medicaid Services (CMS) coverage of physician salaries for Graduate Medical Education (GME).

Medical fees



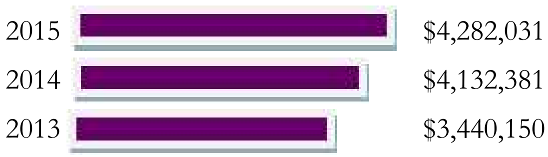
Medical fees of $14,049,728 for the year ended June 30, 2015 increased by $1,805,700 or 15% from the year ended June 30, 2014. The increase in medical fees was due in part with rent expense in opening the new Henderson clinic. Medical fess of $12,244,028 for the year ended June 30, 2014 increased by $2,497,106 or 26% from the year ended June 30, 2013. The increase was largely due to the reinstatement of the full Dean's tax.

INTEGRATED CLINICAL SERVICE INC. - RESULTS OF OPERATIONS - Continued

Supplies

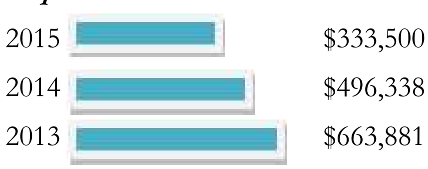
Supplies of $10,249,724 for the year ended June 30, 2015 increased by $498,665 or 5% from the year ended June 30, 2014. The increase was due to Pharmacy and MSAS drugs purchases. Supplies of $9,751,059 for the year ended June 30, 2014 decreased by $492,159 or 5% from the year ended June 30, 2013. The decrease was due to MSAN closing the Oncology unit along with improvements made in supply management and purchasing methods.

Purchased services



Purchased services of $4,282,031 for year ended June 30, 2015 increased by $149,650 or 4% from the year ended June 30, 2014. The increase was due to managing the outside service purchase contracts in Surgery: orthopedics and plastics. Purchased services of $4,132,381 for the year ended June 30, 2014 increased by $692,231 or 20% from the year ended June 30, 2013. The increase was primarily due to MSAS orthopedic call contract in Surgery, temporary clinical staff for the EMR project offset by MSAN Sleep Lab closing August 2013.

Depreciation and amortization



Depreciation and amortization of $333,500 decreased by $162,838 or 33% from the year ended June 30, 2015, reflecting assets being fully depreciated. Depreciation and amortization of $496,337 for the year ended June 30, 2014 decreased by $167,543 or 25% from the year ended June 30, 2013, reflecting certain assets being fully depreciated.

INTEGRATED CLINICAL SERVICE INC. - CASH FLOWS

A summary comparison of cash flows for fiscal years 2015 and 2014 is as follows:

Cash Flows

For the years ended June 30,

	2015	2014	2013
Cash provided by (used in)			
Operating activities	$ 321,293	$ (878,965)	$ 1,100,557
Noncapital financing activities	(117,586)	(124,768)	(107,329)
Capital and related financing activities	(153,081)	(291,990)	(183,828)
Investing activities	381,554	71,817	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	432,180	(1,223,906)	809,400
Cash and cash equivalents, beginning of year	4,396,905	5,620,811	4,811,411
Cash and cash equivalents, end of year	$ 4,829,085	$ 4,396,905	$ 5,620,811

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 the 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 $432,180 in the fiscal year 2015 and decreased by $1,223,906 in the fiscal year 2014.

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, public and private agreements (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

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 4,829,085	$ 4,396,905
Investments	6,463,793	6,648,138
Patient accounts receivable, net of estimated contractual allowances and estimated uncollectibles totaling $9,693,155 and $9,931,526 for 2015 and 2014, respectively	9,231,260	10,438,606
Other receivables	924,498	1,022,995
Inventories	510,221	357,419
Prepaid expenses and other assets	465,932	764,572
Total current assets	22,424,789	23,628,635
NON-CURRENT ASSETS		
Property and equipment, net	1,299,424	1,309,347
Total assets	$ 23,724,213	$ 24,937,982

LIABILITIES AND NET POSITION

	2015	2014
CURRENT LIABILITIES		
Current portion of debt and capital lease obligations	$ 64,195	$ 136,794
Accounts payable	4,563,887	4,497,376
Accrued payroll and employee related expenses	1,725,251	1,629,090
Other accrued expenses	933,775	460,443
Due to affiliates, net	7,809,040	3,397,401
Total current liabilities	15,096,148	10,121,104
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	198,751	66,637
Total liabilities	15,294,899	10,187,741
COMMITMENTS AND CONTINGENCIES (Note I)	-	-
NET POSITION		
Invested in capital assets, net of related debt	1,036,478	1,198,941
Unrestricted	7,392,836	13,551,300
Total net position	$ 8,429,314	$ 14,750,241

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,

	2015	2014
Revenues		
Net patient service revenue	$ 51,797,332	$ 51,573,531
Contract revenue	8,686,033	8,131,280
Other revenue	3,485,553	3,709,914
Total revenues	63,968,918	63,414,725
Operating expenses		
Employee salaries, wages and benefits	23,615,027	22,772,746
Physician services	17,957,439	15,911,621
Medical fees	14,049,728	12,244,028
Supplies	10,249,724	9,751,059
Purchased services, insurance and other	4,282,031	4,132,381
Depreciation and amortization	333,500	496,338
Total operating expenses	70,487,449	65,308,173
Operating loss	(6,518,531)	(1,893,448)
Nonoperating income (expense)		
Interest income	93	8
Interest expense	(6,605)	(10,705)
Gain on sale of assets	7,000	-
Investment income, net	197,116	758,511
Total nonoperating income	197,604	747,814
CHANGE IN NET POSITION	(6,320,927)	(1,145,634)
Net position - beginning of year	14,750,241	15,895,875
Net position - end of year	$ 8,429,314	$ 14,750,241

The accompanying notes are an integral part of these statements.

Integrated Clinical Services, Inc.

COMBINED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2015	2014
Cash flows from operating activities:		
Receipts from patients and third-party payors	$ 53,004,678	$ 48,621,153
Payments to employees for services and benefits	(23,518,866)	(22,775,622)
Payments to suppliers	(41,441,602)	(38,582,199)
Other receipts	12,270,083	11,857,703
Net cash provided by (used in) operating activities	314,293	(878,965)
Cash flows from noncapital financing activities:		
Payments on notes payable	(112,170)	(116,204)
Payments of interest	(5,416)	(8,564)
Net cash used in noncapital financing activities	(117,586)	(124,768)
Cash flows from capital and related financing activities:		
Payments on notes payable and capital leases	(24,623)	(25,050)
Payments of interest	(1,189)	(2,141)
Proceeds from sale of equipment	7,000	-
Purchases of property and equipment	(127,269)	(264,799)
Net cash used in capital and related financing activities	(146,081)	(291,990)
Cash flows from investing activities:		
Interest on investments	93	8
Proceeds from sales of investments	381,461	71,809
Net cash provided by investing activities	381,554	71,817
NET INCREASE (DECREASE) IN CASH	432,180	(1,223,906)
Cash and cash equivalents - beginning of year	4,396,905	5,620,811
Cash and cash equivalents - end of year	$ 4,829,085	$ 4,396,905
Reconciliation of gain from operations to net cash provided by operating activities:		
Operating loss	$ (6,518,531)	$ (1,893,448)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	333,500	496,338
Changes in operating assets and liabilities:		
Patient accounts receivable	1,207,346	(2,952,378)
Other receivables	98,497	16,509
Inventory	(152,802)	86,136
Due to and from affiliates	4,411,639	2,112,397
Prepaid expenses and other assets	298,640	(393,559)
Accounts payable	66,511	1,631,198
Accrued payroll and employee related expenses	96,161	(2,876)
Other accrued expenses	473,332	20,718
Net cash provided by (used in) operating activities	$ 314,293	$ (878,965)
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,605	$ 10,705
Supplemental noncash investing and financing activities information:		
Reinvested interest and dividends on investments and unrealized gain on investments	$ 197,116	$ 758,511

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 NFPRP 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, 2015 and 2014, 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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Net Patient Services Revenue - Continued

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 $46,262,452 and $36,736,780 were incurred during the years ended June 30, 2015 and 2014, 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 $7,797,625 and $7,262,668 was incurred during the years ended June 30, 2015 and 2014, respectively.

9. Contract Revenue

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. Operating Expenses

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

11. Compensated Absences

The Organization's full time 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 and once capped, the accrual will drop into a sick leave bank which is also capped. Only 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. New Accounting Pronouncements

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 adopted the guidance in fiscal year 2014; there was no impact on their financial position or results of operations.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, as well as Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after December 15, 2014. The Organization adopted the guidance in fiscal year 2015; there was no impact on their financial position or results of operations.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 74 is effective for fiscal years beginning after June 15, 2016. Adoption is not anticipated to impact the Organization.

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 for the year ended June 30, 2015 and 2014 are as follows:

	2015	2014
Medicare	14%	14%
Medicaid	34%	19%
Commercial insurance	23%	20%
Other third-party payors	6%	23%
Patients	23%	24%
	100%	100%

NOTE D - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	2015	2014
Cash on deposit	$ 4,829,085	$ 4,396,905

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

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

	2015	2014
Pooled equity index fund	$ 3,321,969	$ 3,157,176
Pooled bond index fund	2,580,380	2,549,427
Certificates of deposit	561,444	941,535
	$ 6,463,793	$ 6,648,138

At June 30, 2015, 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	$ 3,321,969	$ 3,321,969	$ -	$ -
Pooled bond index fund	2,580,380	2,580,380	-	-
Certificates of deposit	561,444	561,444	-	-
	$ 6,463,793	$ 6,463,793	$ -	$ -

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, 2015 and 2014, the Organization earned $129,966 and $123,149 from interest and dividends and $88,057 and $652,309 from unrealized gains (losses) in investment fair value. Investment expenses of $20,814 and $18,939 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, 2015 or 2014, respectively. Included in the investment balance at June 30, 2015 and 2014 are certificates of deposit of approximately $0 and $110,405, respectively, which served as security on the Organization's note payable (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, 2015 and 2014, the Organization had approximately $12,113,787 and $9,958,718, respectively, exposed to custodial credit risk.

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

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, 2015 is as follows:

	June 30, 2014	Additions	Disposals	June 30, 2015
Medical equipment	$ 2,973,445	$ 253,136	($ 148,000)	$ 3,078,581
Computer equipment	1,429,020	2,144	-	1,431,164
Furniture, fixtures and office equipment	1,814,387	44,632	(5,278)	1,853,741
Buildings	803,189	-	-	803,189
Vehicles	106,449	-	-	106,449
Leasehold improvements	2,124,753	28,943	-	2,153,696
Property and equipment , at cost	9,251,243	328,855	(153,278)	9,426,820
Less: Accumulated depreciation	(7,941,896)	(333,500)	148,000	(8,127,396)
Property and equipment, net	$ 1,309,347	$ (4,645)	$ (5,278)	$ 1,299,424

The property and equipment activity for the year ended June 30, 2014 is as follows:

	June 30, 2013	Additions	Disposals	June 30, 2014
Medical equipment	$ 2,969,343	$ 4,102	$ -	$ 2,973,445
Computer equipment	1,411,777	17,243	-	1,429,020
Furniture, fixtures and office equipment	1,625,850	188,537	-	1,814,387
Buildings	803,189	-	-	803,189
Vehicles	106,449	-	-	106,449
Leasehold improvements	2,069,836	54,917	-	2,124,753
Property and equipment , at cost	8,986,444	264,799	-	9,251,243
Less: Accumulated depreciation	(7,445,558)	(496,338)	-	(7,941,896)
Property and equipment, net	$ 1,540,886	$ (231,539)	$ -	$ 1,309,347

NOTE E - PROPERTY AND EQUIPMENT - Continued

At June 30, 2015 and 2014, property and equipment include capital leased assets of approximately $430,616, net of accumulated depreciation of approximately $310,630 and $293,555, 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

	2015	2014
Note payable; maximum borrowing capacity $1,000,000; bearing interest at 3.20%, due monthly, collateralized by a certificate of deposit, matured March 2015	$ -	$ 110,405
Notes payable bearing interest at 5.99%, collateralized by equipment, due in monthly installments of principal and interest of $749, matures December 2016	12,861	20,817
Capital lease obligations at imputed interest varying from 4.6% to 4.88%, collateralized by equipment, principal and interest payable in aggregate monthly installments from $1,796 to $3,727, maturing between June 2018 and June 2020	250,085	72,209
	262,946	203,431
Less: Current portion	(64,195)	(136,794)
	$ 198,751	$ 66,637

The activity with respect to current and noncurrent portion of debt for the years ended June 30, 2015 and 2014 is as follows:

	Current	Noncurrent
Balance as of June 30, 2013	$ 141,255	$ 203,430
New obligation	-	-
Principal payments	(141,255)	-
Reclassification	136,794	(136,793)
Balance as of June 30, 2014	136,794	66,637
New obligation	36,397	159,911
Principal payments	(136,793)	-
Reclassification	27,797	(27,797)
Balance as of June 30, 2015	$ 64,195	$ 198,751

NOTE F - DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

Interest expense of $6,605 and $10,705 were incurred during the years ended June 30, 2015 and 2014, respectively.

Principal and interest payments due on the revolving line of credit, notes payable and capital lease obligations at June 30, 2015 are as follows:

	Principal	Interest	Total
Years ending June 30,			
2016	$ 64,195	$ 11,059	$ 75,254
2017	62,853	7,909	70,762
2018	54,027	5,058	59,085
2019	41,810	2,911	44,721
2020	40,061	933	40,994
Thereafter	-	-	-
	$ 262,946	$ 27,870	$ 290,816

The Organization leases certain equipment under capital lease obligations. At June 30, 2015, the future minimum lease payments are as follows:

Years ending June 30,	
2016	$ 66,268
2017	66,268
2018	59,086
2019	44,721
2020	40,994
Thereafter	-
Total future minimum lease payments	277,337
Less: Amount representing interest	(27,252)
Present value of future minimum lease payments	250,085
Less: Current portion	(55,750)
Long-term portion	$ 194,335

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, 2015 and 2014, the Organization paid approximately $17,957,000 and $15,943,000, respectively, to UNSOM for physician salaries. At June 30, 2015 and 2014, the Organization owed UNSOM a total of approximately $4,781,000 and $1,070,000, respectively, for salaries and is included in the net due to affiliates in the accompanying combined statement of net position.

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, 2015, the percentage to be remitted at 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, 2015 and 2014, the Organization recognized expense of approximately $2,547,000 and $2,384,000, 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, 2015 and 2014, the Organization owed to UNSOM a total of approximately $3,343,000 and $2,601,000, 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 2015 and 2014, 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 year ended June 30, 2013, UNSOM paid MSAS a total of $30,192 for rents and related expenses. At June 30, 2015 and 2014, $0 and $0, 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, 2015 and 2014, the Organization was owed a total of $15,141 and $245,091, 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, 2015 and 2014, the Organization was owed a total of $0 and $8,614, 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 the 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 employer contributions begin after one year of service and the employee is credited with a minimum of 1,000 hours of service. Employees must work a minimum of 83.33 hours each month to continue receiving the organization's 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. Contributions may be pre-tax or Roth. 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, 2015 and 2014, the Organization made a $50 per month Qualified Non-Elective Contribution (QNEC) for each eligible employee for a total of approximately $207,550 and $214,250, respectively.

NOTE I - COMMITMENTS AND CONTINGENCIES

Leases

The Organization has leases for clinic and office space which expire at various times through 2025. The leases contain various escalation and renewal provisions. Rent expense under these leases totaled approximately $4,418,857 and $3,514,000 in fiscal years 2015 and 2014, 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, 2015 are as follows:

Combined Operating Leases

Years ending June 30,	
2016	$ 4,789,662
2017	3,516,113
2018	3,013,690
2019	2,635,637
2020	1,878,269
Thereafter	4,708,173
	$ 20,541,544

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.

NOTE J - RELATED ORGANIZATIONS

The combined financial statements include the financial data of the Organization's discretely presented practice plans. Condensed combining financial data of the related Organizations as follows:

NOTE J - BLENDED COMPONENT UNITS - Continued

Combining Statement of Net Position
June 30, 2015

ASSETS	MSAN	MSAS	NFPRP	Eliminations	Combined
CURRENT ASSETS					
Cash and cash equivalents	$ 137,597	$ 1,427,287	$ 3,264,201	$ -	$ 4,829,085
Investments	-	1,241,935	5,221,858	-	6,463,793
Patient accounts receivable, net	1,518,787	6,372,607	1,339,866	-	9,231,260
Other receivables	123,772	800,726	-	-	924,498
Intercompany receivables	-	1,902,168	2,750,396	(4,652,564)	-
Inventory	12,956	-	497,265	-	510,221
Due from affiliates, net	-	17,614	203,373	(220,987)	-
Prepaid expenses and other assets	136,426	278,248	51,258	-	465,932
Total current assets	1,929,538	12,040,585	13,328,217	(4,873,551)	22,424,789
PROPERTY AND EQUIPMENT, NET	68,598	650,014	580,812	-	1,299,424
Total assets	$ 1,998,136	$ 12,690,599	$ 13,909,029	$ (4,873,551)	$ 23,724,213
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of debt and capital lease obligations	$ -	$ 64,195	$ -	$ -	$ 64,195
Accounts payable	982,012	2,929,275	673,983	(21,383)	4,563,887
Accrued payroll and employee related expenses	282,499	776,770	665,982	-	1,725,251
Other accrued expenses	245,088	688,687	-	-	933,775
Due to affiliates, net	6,519,015	703,925	807,087	(220,987)	7,809,040
Intercompany payables	2,569,053	56,701	2,005,427	(4,631,181)	-
Total current liabilities	10,597,667	5,219,553	4,152,479	(4,873,551)	15,096,148
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	-	198,751	-	-	198,751
Total liabilities	10,597,667	5,418,304	4,152,479	(4,873,551)	15,294,899
NET POSITION (DEFICIT)					
Invested in capital assets, net of related debt	68,598	387,068	580,812	-	1,036,478
Unrestricted	(8,668,129)	6,885,227	9,175,738	-	7,392,836
Total net position (deficit)	(8,599,531)	7,272,295	9,756,550	-	8,429,314
Total liabilities and net position	$ 1,998,136	$ 12,690,599	$ 13,909,029	$ (4,873,551)	$ 23,724,213

NOTE J - BLENDED COMPONENT UNITS - Continued

Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2015

	MSAN	MSAS	NFPRP	Eliminations	Combined
Revenues					
Net patient service revenue	$ 8,174,188	$ 24,516,638	$ 19,106,506	$ -	$ 51,797,332
Contract revenue	1,857,248	6,828,785	-	-	8,686,033
Other revenue	13,974	2,450,061	1,021,518	-	3,485,553
Total revenues	10,045,410	33,795,484	20,128,024	-	63,968,918
Operating expenses					
Employee salaries, wages and benefits	4,197,754	10,729,254	8,688,019	-	23,615,027
Physician services	5,843,463	10,823,587	1,290,389	-	17,957,439
Medical fees	2,077,988	8,641,977	3,329,763	-	14,049,728
Supplies	1,087,619	1,988,714	7,173,391	-	10,249,724
Purchased services, insurance and other	415,613	3,093,975	772,443	-	4,282,031
Depreciation and amortization	43,927	229,603	59,970	-	333,500
Total operating expenses	13,666,364	35,507,110	21,313,975	-	70,487,449
Operating loss	(3,620,954)	(1,711,626)	(1,185,951)	-	(6,518,531)
Nonoperating income (expense)					
Interest income	-	93	-	-	93
Interest expense	-	(6,404)	(201)	-	(6,605)
Gain on sale of asset	-	7,000	-	-	7,000
Investment income, net	-	23,938	173,178	-	197,116
Total nonoperating income	-	24,627	172,977	-	197,604
CHANGE IN NET POSITION	(3,620,954)	(1,686,999)	(1,012,974)	-	(6,320,927)
Net position (deficit) - beginning of year	(4,978,577)	8,959,294	10,769,524	-	14,750,241
Net position (deficit) - end of year	$ (8,599,531)	$ 7,272,295	$ 9,756,550	$ -	$ 8,429,314

NOTE J - BLENDED COMPONENT UNITS - Continued

Combining Statement of Net Position
June 30, 2014

ASSETS	MSAN	MSAS	NFPRP	Eliminations	Combined
CURRENT ASSETS					
Cash and cash equivalents	$ 88,906	$ 851,095	$ 3,456,904	$ -	$ 4,396,905
Investments	-	1,599,458	5,048,680	-	6,648,138
Patient accounts receivable, net	1,693,682	7,350,386	1,394,538	-	10,438,606
Other receivables	177,228	845,767	-	-	1,022,995
Intercompany receivables	-	641,984	2,640,716	(3,282,700)	-
Inventory	11,040	-	346,379	-	357,419
Due from affiliates, net	-	172,590	72,501	(245,091)	-
Prepaid expenses and other assets	221,397	470,259	72,916	-	764,572
Total current assets	2,192,253	11,931,539	13,032,634	(3,527,791)	23,628,635
PROPERTY AND EQUIPMENT, NET	110,382	564,828	634,137	-	1,309,347
Total assets	$ 2,302,635	$ 12,496,367	$ 13,666,771	$ (3,527,791)	$ 24,937,982
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Current portion of debt and capital lease obligations	$ -	$ 136,794	$ -	$ -	$ 136,794
Accounts payable	1,305,266	2,497,388	705,322	(10,600)	4,497,376
Accrued payroll and employee related expenses	283,776	723,689	621,625	-	1,629,090
Other accrued expenses	241,869	218,574	-	-	460,443
Due to affiliates, net	2,785,740	455,011	401,741	(245,091)	3,397,401
Intercompany payables	2,664,561	(561,020)	1,168,559	(3,272,100)	-
Total current liabilities	7,281,212	3,470,436	2,897,247	(3,527,791)	10,121,104
DEBT AND CAPITAL LEASE OBLIGATIONS, net of current portion	-	66,637	-	-	66,637
Total liabilities	7,281,212	3,537,073	2,897,247	(3,527,791)	10,187,741
NET POSITION (DEFICIT)					
Invested in capital assets, net of related debt	110,382	454,422	634,137	-	1,198,941
Unrestricted	(5,088,959)	8,504,872	10,135,387	-	13,551,300
Total net position (deficit)	(4,978,577)	8,959,294	10,769,524	-	14,750,241
Total liabilities and net position	$ 2,302,635	$ 12,496,367	$ 13,666,771	$ (3,527,791)	$ 24,937,982

NOTE J - BLENDED COMPONENT UNITS - Continued

Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2014

	MSAN	MSAS	NFPRP	Eliminations	Combined
Revenues					
Net patient service revenue	$ 10,011,617	$ 22,847,728	$ 18,714,186	$ -	$ 51,573,531
Contract revenue	2,585,984	5,545,296	-	-	8,131,280
Other revenue	(3,632)	2,371,830	1,341,716	-	3,709,914
Total revenues	12,593,969	30,764,854	20,055,902	-	63,414,725
Operating expenses					
Employee salaries, wages and benefits	4,523,954	8,938,359	9,310,433	-	22,772,746
Physician services	5,172,802	9,303,358	1,435,461	-	15,911,621
Medical fees	1,994,389	6,862,016	3,387,623	-	12,244,028
Supplies	1,294,449	1,807,281	6,649,329	-	9,751,059
Purchased services, insurance and other	565,616	2,536,067	1,030,698	-	4,132,381
Depreciation and amortization	46,688	362,061	87,589	-	496,338
Total operating expenses	13,597,898	29,809,142	21,901,133	-	65,308,173
Operating income (loss)	(1,003,929)	955,712	(1,845,231)	-	(1,893,448)
Nonoperating income (expense)					
Interest income	-	8	-	-	8
Interest expense	-	(10,705)	-	-	(10,705)
Investment income, net	-	88,647	669,864	-	758,511
Total nonoperating income	-	77,950	669,864	-	747,814
CHANGE IN NET POSITION	(1,003,929)	1,033,662	(1,175,367)	-	(1,145,634)
Net position (deficit) - beginning of year	(3,974,648)	7,925,632	11,944,891	-	15,895,875
Net position (deficit) - end of year	$ (4,978,577)	$ 8,959,294	$ 10,769,524	$ -	$ 14,750,241

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 South, Inc. and the Nevada Family Practices Residency Program, Inc. (collectively the "Integrated Clinical Services, Inc." or "ICS"), which comprise the combined statement of financial position as of June 30, 2015, and the related combined statements of revenues, 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 29, 2015.

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 the 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in 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 29, 2015

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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, the University of Nevada School of Medicine – Multispecialty Group Practice South, and the Nevada Family Practices Residency Program, Inc. (collectively the "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 its major federal program for the year ended June 30, 2015. 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 programs 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.

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 each of its major federal programs for the year ended June 30, 2015.

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 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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.

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.

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 29, 2015

Integrated Clinical Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total	Foot-note Ref.
Highway Safety Cluster							
State of Nevada / Nevada Department of Traffic Safety / Office of Traffic Safety/Pass-through: University of Nevada Reno	Risk Taking Behaviors - Crashes	20.205	TS-2015-UNR-00021	$ 43,829	$ -	$ 43,829	1
State of Nevada / Nevada Department of Traffic Safety / Office of Traffic Safety/Pass-through: University of Nevada Reno	Risk Taking Behaviors - Crashes	20.205	TS2014UNRUNSOM-00151	20,599	-	20,599	1
		Total Highway Safety Cluster		**64,428**	**-**	**64,428**	
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	5H1GRH06182-09-00	17,570	-	17,570	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	1H1GRH27374-01-00	25,000	-	25,000	1
		Total - CFDA 93.257		**42,570**		**42,570**	
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 D58HP23216-04-00	49,044	-	49,044	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 D58HP23216-03-00	60,550	-	60,550	1
		Total - CFDA 93.884		**109,594**		**109,594**	
U.S. Department of Energy/Queens College CUNY/Pass-through: University of Nevada Reno	NTS SURVEILLANCE PROJ	81.049	47811-N	133,850	-	133,850	1
U.S. Department of Energy/Queens College CUNY/Pass-through: University of Nevada Reno	NTS SURVEILLANCE PROJ	81.049	47811-N	50,455	-	50,455	1
U.S. Department of Energy/Queens College CUNY/Pass-through: University of Nevada Reno	NTS SURVEILLANCE PROJ	81.049	47811-N	25,000	-	25,000	1
		Total - CFDA 81.049		**209,305**		**209,305**	
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	8,553	-	8,553	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	866	-	866	1
		Total - CFDA 12.420		**9,419**		**9,419**	
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	S14411	25,000	-	25,000	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	S14411	7,624	-	7,624	1
		Total - CFDA 93.735		**32,624**		**32,624**	

Integrated Clinical Services, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the year ended June 30, 2015

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures Through	Expenditures Awards	Expenditures Total	Ref.
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	93.257	1H1GRH27374-01-00	$ 49,056	$ -	$ 49,056	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	S14411	15,395	-	15,395	1
U.S. Department of Health and Human Services -CMMS/ HEALTHINSIGHT/Pass-through: University of Nevada Reno	NV HEN PATIENT SAFETY PROJECT	N/A	H0-200-01	131,172	-	131,172	1
		Total Research and Development Cluster		**599,135**	-	**599,135**	
School of Medicine/PEDIATRICS							
Child Health and Human Development/Pass-through: University of Nevada Reno	Prevention of Mother-to-Child Transmission HIV	93.865	5R01HD075050-02S1	13,504	-	13,504	1
U.S. Department of Health and Human Services-HRSA/Ryan White Title IV AIDS/Pass-through: University of Nevada Reno	Ryan White Title IV AIDS	93.153	5H12HA24832-03-02	11,430	-	11,430	1
		Total Pediatrics		**24,934**	**-**	**24,934**	
Total Federal Awards Expended				**688,497**	**-**	**688,497**	

Note - 1 Basis of Accounting: The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the MedSchool Associates financial statements. The MedSchool Associates uses 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, 2015

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? .... no

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? .... none reported

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? .... no

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 — FINANCIAL STATEMENT FINDING

No findings noted in the current year.

FINDING 2014-01 – Significant Deficiency over Revenue and Receivables

Criteria
Pursuant to GASB 34, paragraph 16, the statement of net position and the statement of revenues, expenses and changes in net position should be prepared using the economic resources measurement focus and accrual basis accounting.

Condition
We noted during the audit three general and specific matters associated with the conversion to a new patient billing system. First, we noted was that cash deposits are not being recorded in the general ledger in a timely manner. Second, in our sample of patient accounts receivable, we noted an invalid invoice which was reflected as a valid accounts receivable at year end. Finally, we noted a significant increase in the patient accounts receivable, the related allowance for contractual allowances and bad debts along with and patient refunds payable recorded at year end directly related to implementation and timing issues associated with conversation to the new billing system.

Context
Some revenue and cash transactions were not recorded in the proper period related to the matters noted above and there is the risk other accounting errors could go undetected with the delays in recording cash deposits and timeliness of billing, in general.

Effect

- Cash reported in the financial statements was understated and accounts receivable was overstated by approximately $56,000 for cash collections deposited at the bank but not reflected as such in the financial statements.
- One error out of one hundred and seventy-five tested in our accounts receivable testing samples. The error was for an invoice for services that was determined to be invalid by the billing department, however the invoice was included in accounts receivable in the general ledger at year end by the accounting department. Extrapolating this error to the entire population, the over-recorded accounts receivable could be over-stated by approximately $156,349 gross or $80,990, net of the related contractual allowance
- Finally we noted that gross patient service receivables increased $10.9 million or 67.9%, the related allowances increased $8.4 million or 86% and patient refunds payable increased $852 thousand or 145% from prior year due to time constraints with the billing department to both process claims and follow up on problems within the system. The specific errors mentioned above were a by-product of this systems implementation issues and whenever important processes like billing, remitting refunds and accounting for cash are delayed, the risk of accounting errors is higher.

Cause
The implementation of the new billing systems created additional demands on the billing department to develop solutions to unexpected problems and processes with the new system. At year end, a push was made to ensure that all services were captured in the billing software and properly accounted for in the general ledger; however, as of year-end, certain problems within the system still remain, including having the developers create a means to write off invalid receivables and balances sent to collection. Also, with the implementation of the new system, solutions are being developed by the billing department to make the system work to meet the needs of

SECTION II — FINANCIAL STATEMENT FINDING - Continued

FINDING 2014-01 – Significant Deficiency over Revenue and Receivables - Continued

Cause - Continued
ICS; however, the accounting implications of those solutions are not being fully developed. The change in processes within the billing system resulted in changes in timing of cash receipts posting and invalid receivables remaining in the system; however, accounting procedures had not been fully developed to adjust for the changes resulting in cash deposits not being recorded in the general ledger and invalid invoices at year end being recorded as valid receivables in the general ledger, causing cash, accounts receivable and revenue being misstated at June 30, 2014.

Recommendation
We recommend that cash deposits be recorded into the general ledger when received by the bank, even if only to a suspense account at period ends. While we understand that the increase in accounts account balances and the error noted in our sample is directly related to the implementation of the new system, we recommend that the billing manager and accounting manager meet on a routine basis to ensure that each party understands how the other department is utilizing the system to ensure that the impact of the changes are being fully thought out on how they will impact financial reporting. We also recommend that management review the staffing levels of the billing/cash receipts areas to ensure the proper staffing levels are maintained to allow for the necessary time it will take to continue the fully implement the new system and ensure that activity is recorded timely to allow for meaningful financial information to be available to decision makers.

Views of Responsible Officials and Planned Corrective Actions

Management's Response

What will be done to avoid the identified problems and issues in the future?
Cash management policies and procedures both in the clinic and finance/administration will be developed and implemented to ensure accuracy of posting into the general ledger.

General Electric (GE) is developing a mechanism for the billing software system Centricity Business (CB) to up-load the write-off data into a template to be sent to our collection agency.

The new billing system (CB) and the new electronic medical record (EMR) implementation has put new demands on the clinic staff which includes real time office edits that must be fixed for charges to process. The physicians and clinic staff working within CB or EMR system are responsible for entering codes in a timely fashion. Since the edits are not being worked timely they are attributing in part to the inflation of the accounts receivables which includes the adjustments, and credits that need to be worked. Training for the clinic staff and physicians is currently being done on a continuous basis along with review of billing staff levels and/or re-assignments of billing staff.

How compliance and future good management and practice will be measured, monitored and assured?
Cash management will be measured and monitored by the director of accounting to make sure policies and procedures are being followed.

SECTION II — FINANCIAL STATEMENT FINDING - Continued

FINDING 2014-01 – Significant Deficiency over Revenue and Receivables - Continued

General Electric (GE) is giving the University of Nevada School of Medicine weekly up-dates as to the status of the development of the up-load mechanism that is to be in place by January 15, 2015.

Provide a report to the Chair of each department, the Directors of Operations and department administrators/clinic managers weekly which measures and monitors the edits, missing tickets, adjustments and credits as compared to industry standards. The Directors of Operations will monitor each clinic to ensure timely handling of edits, missing tickets, adjustments and credits.

Who will be responsible and may be held accountable in the future if repeat or similar problems arise?
The Chair of each department, GE, Directors of Operation, Directors of Billing, Director of Accounting and Controller will be held accountable for their respective area.

When the measures will be taken and on what schedule compliance and good practice will be secured?
The Accounting department has already corrected the records in the cash management finding. The Director of Accounting is working on the clinical cash management policies and procedures and will be completed December 15, 2014.

GE is scheduled to have the mechanism to up-load the write-off data in a template form by January 15, 2015.

Training with the clinic staff and physicians is currently being done and will continue on an on-going basis.

The Directors of Operations will commence follow-up actions to each of their respective departments immediately. This will be ongoing responsibility for them.

Review of billing staff levels and/or reassignment of billing staff will be completed by December 30, 2014. The increased adjustments not related to self-pay are to be completed by November 30, 2014. The increase credit balances (refunds) will be to industry standards by April 30, 2015.

How compliance and performance will be documented for future audit, management and performance review?
The Director of Accounting will review all monthly bank reconciliations to ensure that cash deposits are being posted to the general ledger in the correct period.

The University of Nevada School of Medicine has put in a service request with GE to complete the task of developing a mechanism to up-load the write-off data in a template form to be sent to the collection agency.

The Directors of Billing will meet regularly with the Chairs, Directors of Operations and department administrators and clinic managers to review edits, missing tickets, denials and any adjustment report that affects their respective clinic accounts receivables.

SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted in the current or prior year.