



2016 Presentation to the NSHE Board of Regents – Integrated Clinical Services, Inc.

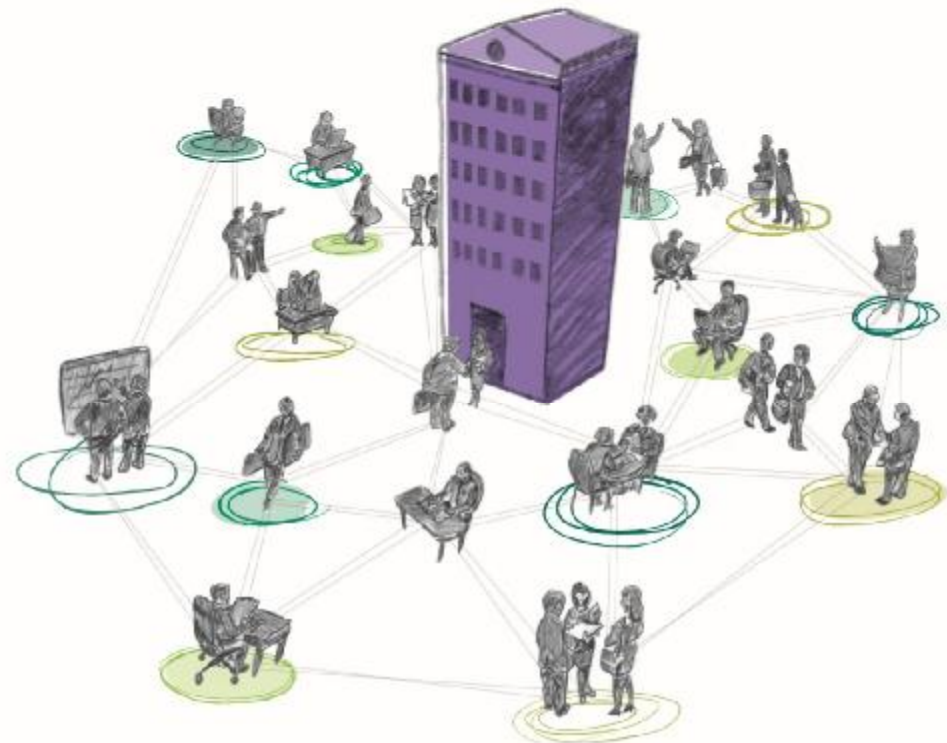


Our values are CLEARR

To achieve our global vision, we capitalize on our strengths by embracing the following values:

- Unite through global **Collaboration**
- Demonstrate **Leadership** in all we do
- Promote a consistent culture of **Excellence**
- Act with **Agility**
- Ensure deep **Respect** for people
- Take **Responsibility** for our actions

Our values serve as the foundation of each step we take toward achieving our vision. They guide our decision-making and provide a framework for our people to make correct and appropriate choices.



Responsibilities



Our responsibilities

We are responsible for:

- Performing an audit of the ICS financial statements as prepared by management, conducted with US GAAS and *Government Accounting Standards*
- Forming and expressing an opinion about whether the financial statements are presented fairly, in all material respects in accordance with US GAAP
- Forming and expressing an opinion about whether certain supplementary information is fairly stated in relation to the financial statements as a whole
- Reading other information and considering whether it is materially inconsistent with the financial statements
- Communicating fraud and abuse with regard to federal programs
- Communicating specific matters to you on a timely basis; we do not design our audit for this purpose
- Reporting material non-compliance related to laws, regulations, contracts and grant agreements, as well as significant deficiencies and/or material weaknesses in internal control related to financial reporting

An audit provides reasonable, not absolute, assurance that the financial statements do not contain material misstatements due to fraud or error. It does not relieve you or management of your responsibilities. Our respective responsibilities are described further in our engagement letter.



Those Charged with Governance and Management responsibilities

Those Charged with Governance

Those charged with governance are responsible for:

- Overseeing the financial reporting process
- Setting a positive tone at the top and challenging the company's activities in the financial arena
- Discussing significant accounting and internal control matters with management
- Informing us about fraud or suspected fraud, including its views about fraud risks
- Informing us about other matters that are relevant to our audit, such as:
 - Objectives and strategies and related business risks that may result in material misstatement
 - Matters warranting particular audit attention
 - Significant communications with regulators
 - Matters related to the effectiveness of internal control and your related oversight responsibilities
 - Your views regarding our current communications and your actions regarding previous communications

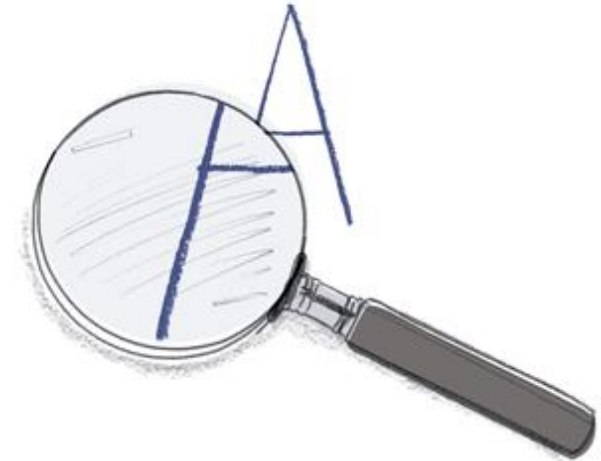
Management

Management is responsible for:

- Preparing and fairly presenting the financial statements in accordance with US GAAP
- Designing, implementing, evaluating, and maintaining effective internal control over financial reporting and state grant requirements
- Communicating significant accounting and internal control matters to those charged with governance
- Providing us with unrestricted access to all persons and all information relevant to our audit
- Informing us about fraud, illegal acts, significant deficiencies, and material weaknesses
- Adjusting the financial statements, including disclosures, to correct material misstatements
- Informing us of subsequent events
- Providing us with certain written representations



Audit scope and results



Audit timeline

March 2016	Client reacceptance	<ul style="list-style-type: none"> • Client reacceptance • Engagement Letter
June 2016	Planning	<ul style="list-style-type: none"> • Meet with management to confirm expectations and discuss business risks • Discuss scope of work and timetable
June – August 2016	Preliminary risk assessment procedures	<ul style="list-style-type: none"> • Develop audit plan that addresses risk areas • Update understanding of internal control environment
June – August 2016	Interim fieldwork	<ul style="list-style-type: none"> • Perform walk-throughs of business processes and controls • Perform selective substantive testing
August – October 2016	Final fieldwork and deliverables	<ul style="list-style-type: none"> • Perform final phase of audit and year-end fieldwork procedures • Prepared presentation of results to the audit committee



Materiality

Essentially, materiality is the magnitude of an omission or misstatement that likely influences a reasonable person's judgment. It is based on a relevant financial statement benchmark.

- We believe that total revenues is the appropriate benchmark for the organization.

Financial statement items greater than materiality are in scope. Other areas less than materiality may be in scope if qualitative factors are present (for example, related party relationships or transactions and fraud risk).



Significant risks and other focus areas

The following provides an overview of the areas of significant audit focus based on our risk assessments.

Areas of focus	Results
Revenue recognition; allowance estimates for contractual adjustments and doubtful accounts; collectability of accounts receivable	<p>During our audit we tested the validity of accounts receivable and revenue, adequacy of the allowance for contractual adjustments and doubtful accounts.</p> <p>Exceptions were noted during our testing over accounts receivables; see discussion on slide 10</p>
Completeness of accounts payable/due to affiliates	<p>During our audit we confirmed amounts payable to affiliates. In addition, we tested the completeness of accounts payable by testing subsequent disbursements.</p> <p>No exceptions were noted during our testing</p>
Investments and retained earnings	<p>During our audit we confirmed investments with custodian and testing the valuation of investments that are not publically traded by testing management's process to determine fair value. This included obtaining audited financial statements of the investment fund.</p> <p>No exceptions were noted during our testing</p>



Summary of adjustments

Description	Increase (Decrease) to:			Change in Net Position
	Assets	Liabilities	Net Position	
<u>Recorded adjustments</u>				
None				
<u>Unrecorded adjustments</u>				
to pass on adjusting deferred rent to actual - Mojave		93,677	(93,677)	3,494
to pass on adjusting deferred rent to actual - MSAN				(32,397)
to pass on recording copier lease properly under capital lease accounting	38,828	50,912	(12,085)	297
To pass on reversing accrual for audit fees		(45,681)	45,681	(9,801)
To pass on reversing debt in allowance	(299,164)	-	(299,164)	299,164
To pass on adjusting the AR balance (net) for error noted in sample	(62,442)	-	(62,442)	62,442
Net impact	\$ (322,779)	\$ 98,908	\$ (421,687)	\$ 323,200

Management believes the unrecorded adjustments are immaterial to the financial statements. Unrecorded misstatements could be potentially material to future financial statements.

Disclosure adjustments

Recorded disclosure adjustments

The following is a description of necessary adjustments to disclosures identified during the audit that were made by the Organization:

- None

Unrecorded disclosure adjustments

The following is a description of possible adjustments to disclosures identified during the audit that were not made by the Organization:

- None



Internal control matters

Our responsibility

- Obtain reasonable assurance about whether the financial statements are free of material misstatement
- Our audit included consideration of internal control over financial reporting as a basis for designing 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 the Organization's internal control
- We express no opinion on the effectiveness of internal control
- Control deficiencies that are of a lesser magnitude than a significant deficiency were communicated to management.

Definitions

- A deficiency in internal control ("control deficiency") 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 the company'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.



Other required communications

Disagreements with management

We had no disagreements with management.

Management's consultations with other accountants

We are not aware of any consultations by management with other accountants regarding accounting or auditing matters.

Significant issues discussed with management

Managements review of receivables.

Significant difficulties encountered during the audit

No significant difficulties were encountered.



Other required communications (continued)

Related parties and related party transactions

The Entity regularly enters into various transactions with University of Nevada School of Medicine (UNSOM). A summary of which is as follows:

- Reimburses UNSOM for physician salaries
- Pays UNSOM Dean's tax/department chair tax
- Covered under UNSOM's Medical malpractice insurance
- Reimburses UNSOM for general and administrative expenses

Modifications to the auditor's report

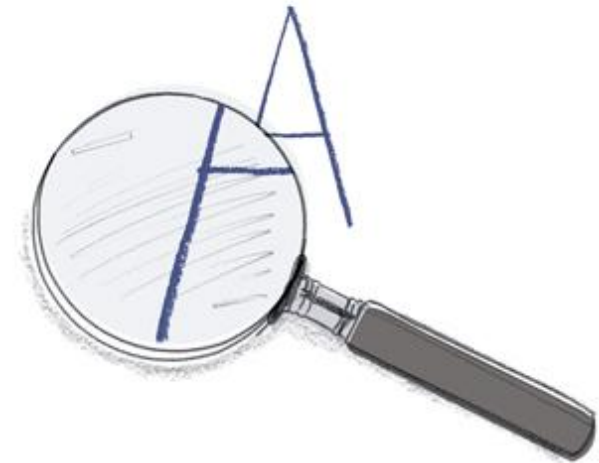
No modifications were made.

Other information in documents containing audited financial statements

Upon reading the other information, we did not identify any material inconsistencies or material misstatements of fact.



Quality of accounting practices and alternative treatments



Quality of accounting practices and alternative treatments

Accounting policies

Accounting policies are disclosed in Note 2 of the financial statements and appear consistent and appropriate.

Accounting estimates

Significant estimates are involved in patient service revenue recognition, the allowance for contractual adjustments, the allowance for doubtful accounts, and the valuation of investments.

Disclosures

Financial statement disclosures appear clear, complete, neutral, and consistent.



Other matters



Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and Internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link

- Can be found on our internal website
- Can be accessed from our external website
(https://secure.ethicspoint.com/domain/en/report_customer.asp?clientid=15191)

Disclaimer: EthicsPoint is not meant to act as a substitute for a company's "whistleblower" obligations.



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- What's important to you?
- How would you rate the team's overall service delivery?
- Would you refer Grant Thornton to a friend or colleague?



This communication is intended solely for the information and use of management and the NSHE Board of Regents – Integrated Clinical Services and is not intended to be and should not be used by anyone other than these specified parties.



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