Financial Statements and Report of Independent Certified Public Accountants

UNLV Medicine, Inc.

June 30, 2019 and 2018

CONTENTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors of UNLV Medicine, Inc.
and the Board of Regents of the Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying financial statements of UNLV Medicine, Inc. (or the "Organization), which comprise the statements of net position as of June 30, 2019 and 2018, and the related 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 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 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 financial statements based on our audits. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the 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 Organization'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 financial statements.

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

Grant Thornton

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UNLV Medicine, Inc. as of June 30, 2019 and 2018 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 financial statements. Such information, although not a required part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 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.

Other reporting required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report, dated October 31, 2019, on our consideration of UNLV Medicine, Inc.'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 UNLV Medicine, Inc.'s internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
October 31, 2019

UNLV Medicine, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

As of and for the Periods Ended June 30, 2019 and 2018

UNLV Medicine, Inc. ("UNLV Medicine") presents its financial statements for fiscal years ended June 30, 2019 and 2018. These financial statements should be read in conjunction with the audited financial statements of the Nevada System of Higher Education. Unless otherwise indicated, reference made to these financial statements is for the fiscal years ended June 30, 2019 and 2018.

UNLV Medicine's financial statements are comprised of three statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. The Notes to the 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 our financial position resulting from operations for the fiscal years ended June 30, 2019 and 2018 and include explanatory footnotes or provide additional detail regarding the financial information presented.

UNLV MEDICINE, INC.

The University of Nevada, Las Vegas ("UNLV") is one of two public medical schools in the state of Nevada. UNLV's School of Medicine ("UNLVSOM") has nine clinical education departments including: Family Medicine, Internal Medicine, Neurology, Otolaryngology, Pediatrics, Surgery, Obstetrics/Gynecology, Psychiatry and Behavioral Sciences. UNLVSOM was chartered in 2016 to expand statewide medical education and patient care, and continues to expand its role in the state's educational system. UNLVSOM's first inaugural class of medical students and residents commenced in fiscal year 2018.

In 2016, UNLVSOM established UNLV Medicine, as a separate, not-for-profit corporation comprised of multispecialty physicians, enabling access to diverse patient populations for medical students, residents, and fellows in an educational environment. As Nevada's largest faculty physician practice group, the School of Medicine employs 144 full-time physicians in 30 different medical specialties engaged in education, patient care and research. Treating more than 87,000 patients a year, our physicians' primary goal is improving the quality of health care in Nevada. UNLV Medicine's resources are located in 13 physician practice offices in the Las Vegas area.

UNLV Medicine provides continued development and expansion of a physician faculty committed to meeting the health care needs of Nevada's residents. UNLV Medicine generates revenue to enhance financial resources available for the UNLVSOM to preserve and fulfill its multiple missions. Therefore, it is included in the financial statements of the Nevada System of Higher Education as a discrete component unit.

UNLV MEDICINE, INC. - FINANCIAL POSITION

The Statement of Net Position presents the assets, liabilities, and net position of UNLV Medicine and contains data concerning current and noncurrent assets, deferred outflow of resources, and liabilities, and net position (assets less liabilities) as of the fiscal years ended June 30, 2019 and 2018. The Statements of Net Position reflect the assets available for continued use in operations and the liabilities owed to vendors, patients, employees, and affiliates. Finally, the Statement of Net Position provides a picture of the availability of assets for expenditure.

Fiscal Year Ended June 30, 2019 Compared to Fiscal Year Ended June 30, 2018

UNLV MEDICINE, Inc. - FINANCIAL POSITION - Continued

The major components of UNLV Medicine's assets, liabilities, and net positions, as of June 30, 2019 and 2018 are as follows:

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,690,812	$ 2,581,658
Patient accounts receivable, net	8,867,728	12,069,031
Other receivables	1,938,865	2,211,285
Due from affiliates	153,159	136,771
Inventory	318,881	319,033
Prepaid expenses and other assets	100,027	245,493
Total current assets	13,069,472	17,563,271
Noncurrent assets		
Property and equipment, net	3,580,166	4,782,704
Total assets	$ 16,649,638	$ 22,345,975
Deferred outflow of resources	$ 274,110	$ 363,110
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,972,321	$ 2,246,739
Capital lease obligations	240,216	227,620
Patient refunds	1,536,920	451,779
Accrued payroll and employee related expenses	1,347,036	1,323,442
Due to affiliates	3,843,453	2,669,559
Total current liabilities	8,939,946	6,919,139
Noncurrent liabilities		
Capital lease obligations, net of current portion	452,803	692,558
Due to affiliates, net of current portion	14,700,000	14,611,471
Total liabilities	24,092,749	22,223,168
Net assets		
Invested in capital assets, net of related debt	2,909,396	3,200,043
Restricted	167,098	380,112
Unrestricted	(10,245,495)	(3,094,238)
Total net assets	(7,169,001)	485,917
Total liabilities and net position	$ 16,923,748	$ 22,709,085

UNLV MEDICINE, INC. - FINANCIAL POSITION - Continued

UNLV Medicine, Inc.'s Assets
UNLV Medicine's total assets for fiscal year 2019 decreased by $5,696,337 or 26% to $16,649,638.

Cash and cash equivalents fiscal year 2019 decreased by $890,846 or 35% to $1,690,812. The decrease in cash and cash equivalents is attributable to a decrease in cash from operations and cash from financing.

Patient accounts receivable, net of contractual allowances and allowance for doubtful accounts, for fiscal year 2019 decreased by $3,201,303 or 27% to $8,867,728. The decrease in net accounts receivable in 2019 was primarily due to reduced patient services revenue. In June 2019, UNLV Medicine implemented a new electronic medical record system and began to transition services provided at both clinical operations and the autism center to the new system and recorded a write-off of $3,933,210.

Capital assets include medical equipment, computer equipment and software, furniture, fixtures and office equipment, vehicles and leasehold improvements. Capital additions in fiscal year 2019 were $259,070, which included $45,167 for equipment purchases, $196,964 for computer equipment, and $16,939 for furniture, fixture and office equipment. Capital disposals in fiscal year 2019 were $57,344 net of accumulated depreciation of $35,646. Capital additions in fiscal year 2018 were $5,373,825, which included $826,000 for medical equipment purchases, $4,191,181 for computer equipment, and $229,151 for furniture, fixture and office equipment, $15,940 for vehicles, and $108,553 for leasehold improvements. There were no capital disposals in fiscal year 2018.

Accumulated depreciation for property and equipment for fiscal year 2019 increased by $1,368,617 or 232% to $1,959,739. Depreciation expense for 2018 was $591,121.

UNLV Medicine, Inc.'s deferred outflow
During fiscal year ended 2018, UNLV Medicine purchased Campus Pharmacy Mojave from Integrated Clinical Services, Inc. for $520,000. The purchase price of $520,000 less the fair value of the tangible assets of $75,000 is being amortized over five years. The valuation was determined using projected future revenues based on a stable patient base that took into account the possible risk of lost patient volume and/or nonrenewal of insurance contracts as well as any other unknown risks. During 2018, UNLV loaned funds to UNLV Medicine for this pharmacy acquisition. In 2019, UNLV forgave this indebtedness (see liabilities below). The accumulated amortization of the deferred outflow was $89,000 and $81,890 at June 30, 2019 and 2018, respectively.

UNLV Medicine, Inc.'s liabilities
UNLV Medicine's total liabilities increased by $1,869,581 or 8% to $24,092,749. The change was primarily due to increased patient refunds payable partially offset by lower accounts payable and higher due to affiliates. In 2018, UNLV loaned UNLV Medicine $1,278,471 to support operations, specifically the purchase of equipment and the pharmacy. In 2019, this debt plus $166,392 of accrued interest on the long-term loan was forgiven by UNLV.

Long-term liabilities consisted primarily of a long-term loan for $14,700,000 issued by UNLV for the start-up operations of UNLV Medicine and capital lease obligations, net of current portion of $452,803. In 2019, the terms of the loan were amended from five years, with principal and interest payments tied to the terms of a UNLV bank loan that funded the loan to UNLV Medicine, to ten years with the first five years being

UNLV MEDICINE, INC. - FINANCIAL POSITION - Continued

interest free followed by interest commencing in year six at a rate of 2% per year. In 2018, UNLV Medicine purchased computer equipment through a capital lease for $975,665 plus interest of $111,303. Long-term liabilities decreased by $151,226, or 1%, to $15,152,803 due to payments made against the capital lease obligation.

UNLV Medicine's, Inc.'s net position
Net position represents the residual interest in assets after all liabilities have been deducted. UNLV Medicine's net position was negative $7,169,001 and $485,917 at June 30, 2019 and 2018, respectively, and is reported in three major categories: invested in capital assets net of related debt, unrestricted and restricted.

Under generally accepted accounting principles, net position, not subject to externally imposed restrictions, governing its use, must be classified as unrestricted for financial reporting purposes. Although UNLV Medicine's negative unrestricted net positions of $10,245,495 and $3,094,238 as of June 30, 2019 and 2018, respectively were not subject to externally imposed restrictions, the net positions generally result from providing or agreeing to provide healthcare services and receiving income from investing in income-producing assets less expenses incurred to provide the healthcare services. The healthcare services provide other community benefits and perform educational and administrative functions. The limits on the use of unrestricted net assets are the broad limits resulting from the environment in which UNLV Medicine operates and the limits resulting from contractual agreements with suppliers, creditors and others entered into the ordinary course of business. UNLV Medicine's restricted net positions were $167,098 and $380,112 at June 30, 2019 and 2018, respectively, in line with a contribution received during 2018 for a patient navigation project.

UNLV MEDICINE, INC. - RESULTS OF OPERATIONS

The Statement of Revenues, Expenses and Changes in Net Position is a representation of UNLV Medicine's operating results for the year.

Generally, operating revenues are earned for providing pharmaceuticals and services to the various patients and clients of UNLV Medicine. 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 UNLV Medicine's mission. Revenues and expenses, for which pharmaceuticals and services were not provided, such as debt forgiveness and interest expense, are reported as non-operating revenues or expenses.

Fiscal Year Ended June 30, 2019 Compared to Fiscal Year Ended June 30, 2018

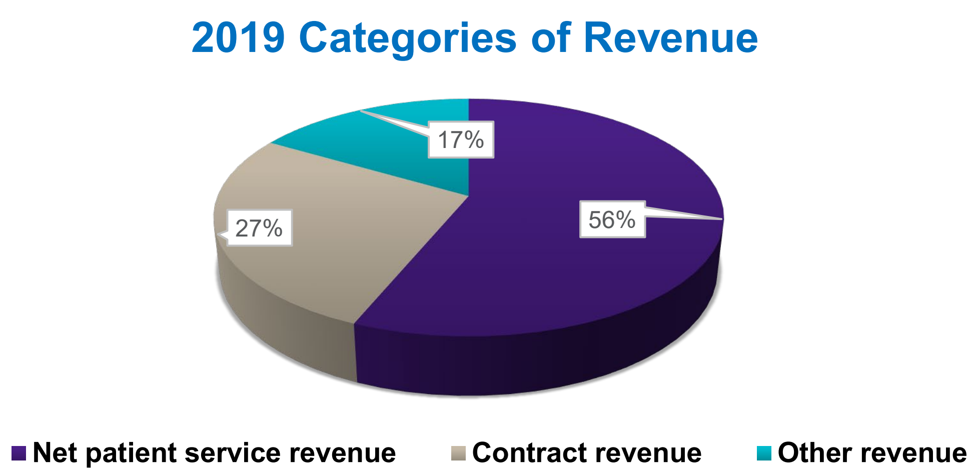
UNLV MEDICINE, INC. - RESULTS OF OPERATIONS - Continued

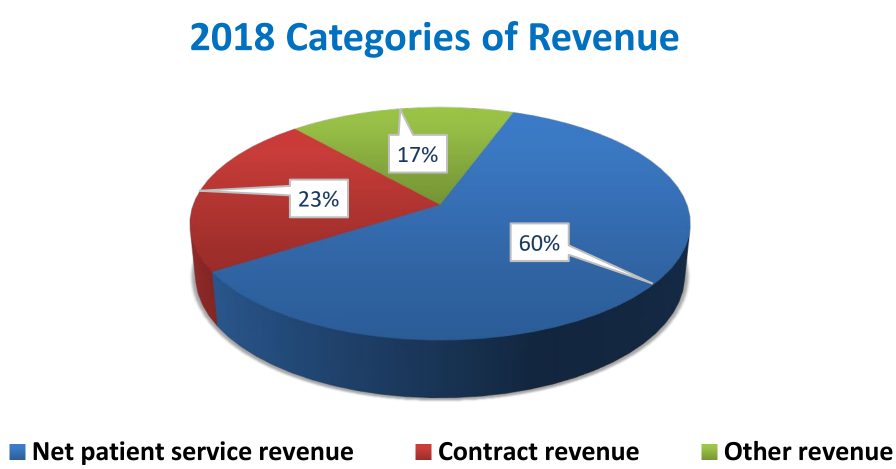
The following table compares the results of operations for the fiscal years ended June 30, 2019 and 2018.

	2019	2018	Variance	Percentage Change
Revenues:				
Net patient service revenue	$ 33,653,522	$ 40,674,583	$ (7,021,061)	(17%)
Contract revenue	16,309,858	15,227,033	1,082,825	7%
Other revenue	9,901,324	11,473,627	(1,572,303)	(14%)
Total revenues	59,864,704	67,375,243	(7,510,539)	(11%)
Operating expenses:				
Employee salaries and wages	22,999,012	22,297,312	701,700	3%
Physician services	24,197,714	22,910,416	1,287,298	6%
Medical fees	13,896,719	13,433,911	462,808	3%
Supplies	697,796	847,838	(150,042)	(18%)
Purchased services, insurance and other	5,643,286	6,549,989	(906,703)	(14%)
Depreciation and amortization	1,493,264	673,011	820,253	122%
Total operating expenses	68,927,791	66,712,477	2,215,314	3%
Operating income	(9,063,087)	662,766	(9,725,853)	(1,467%)
Nonoperating income - interest, net				
Forgiveness of debt	1,444,863	-	1,444,863	N/A
Gain (loss) on sale of asset	8,206	-	8,206	N/A
Interest expense	(44,900)	(176,849)	131,949	(75%)
CHANGE IN NET ASSETS	(7,654,918)	485,917	(8,140,835)	(1,675%)
Net assets - beginning of year	485,917	-	485,917	N/A
Net assets - end of year	$ (7,169,001)	$ 485,917	$ (7,654,918)	(1,575%)

UNLV MEDICINE, INC. - RESULTS OF OPERATIONS - Continued

Categories and percentages of operating and non-operating revenues that support UNLV Medicine's core activities for the fiscal years ended June 30, 2019 and 2018 are as follows:





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

Net patient service revenue

2019 $33,653,522

2018 $40,674,583

Patient service revenue, net of contract allowance, bad debt and refunds for the fiscal year ended June 30, 2019 decreased by $7,021,061 to $33,653,522 primarily due to the addition of physicians.

UNLV MEDICINE, INC. - RESULTS OF OPERATIONS - Continued

Contract revenue

2019 $16,309,858

2018 $15,227,033

Contract revenue from federal, state, and local governments, as well as private partner organizations for the fiscal year ended June 30, 2019 increased by $1,082,825, or 7%, to $16,309,858 primarily due to increased revenue from amended contract and administrative reimbursement.

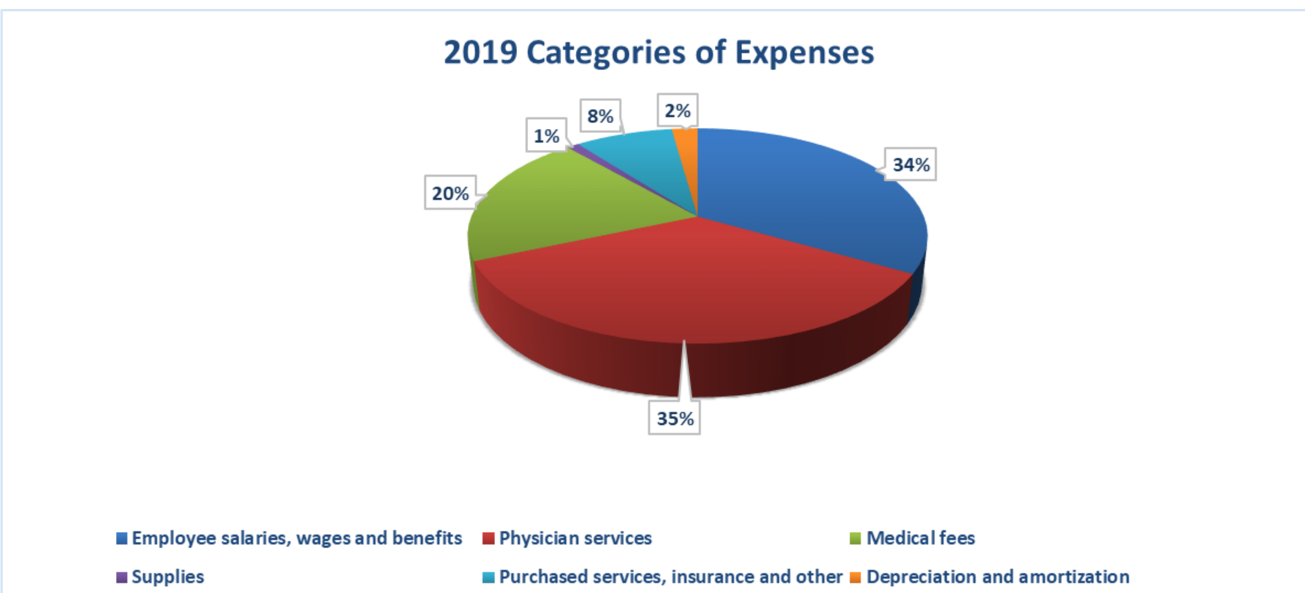
Other revenues

2019 $9,901,324

2018 $11,473,627

Other revenues for the fiscal year ended June 30, 2019 decreased by $1,572,303, or 14%, to $9,901,324 primarily driven by decreased mission support reimbursement and gifts partially offset by increased pharmaceutical sales and Medicare incentive payments.

Categories and percentages of expenses related to UNLV Medicine's core activities for the years ended June 30, 2019 and 2018 were as follows:

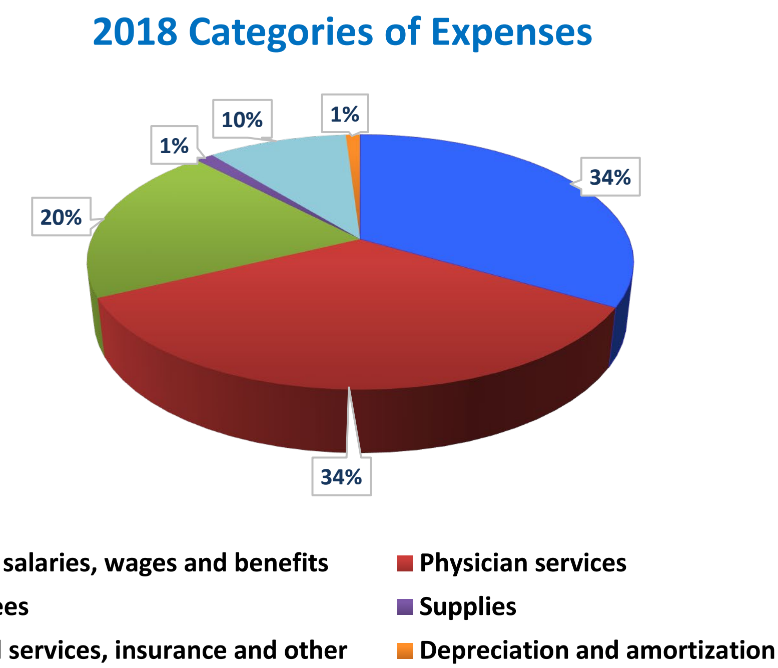


UNLV Medicine, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
(Unaudited)

Fiscal Year Ended June 30, 2019 Compared to Fiscal Year Ended June 30, 2018

UNLV MEDICINE, INC. - RESULTS OF OPERATIONS - Continued



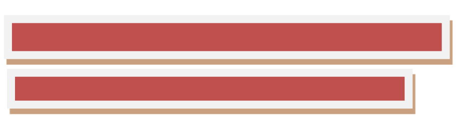
Employee salaries, wages and benefits

2019 $22,999,012

2018 $22,297,312

Employee salaries, wages and benefits for the fiscal year ended June 30, 2019 increased by $701,700, or 3%, to $22,999,012 due primarily to an increase in staff due and the addition of call center.

Physician services



2019 $24,197,714

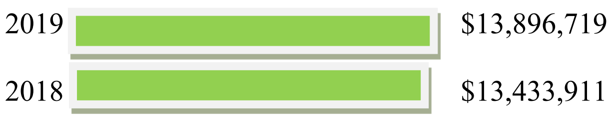
2018 $22,910,416

Physician services for the fiscal year ended June 30, 2019 increased by $1,287,298, or 6%, to $24,197,714 due primarily to the addition of physicians, especially specialty physicians.

Fiscal Year Ended June 30, 2019 Compared to Fiscal Year Ended June 30, 2018

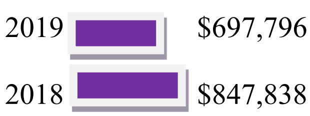
UNLV MEDICINE, INC. - RESULTS OF OPERATIONS - Continued

Medical fees



Medical fees for the fiscal year ended June 30, 2019 increased by $462,808, or 3%, due to an increase in repairs and maintenance of the clinics, supportive living and utilities. Medical fees consist of clinic rents, maintenance and utilities, medical supplies and drug expense for the pharmacy operations and supportive living expenses.

Supplies

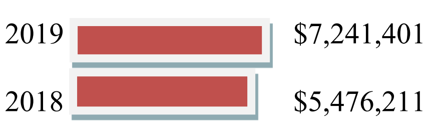


Supplies expense for the fiscal year ended June 30, 2019 decreased by $150,042, or 18%, to $697,796.

Purchased services

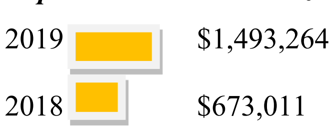
Purchased services for the fiscal year ended June 30, 2019 decreased by $906,703, or 14%, to $5,643,286 due primarily to decreased need for community physicians to cover call requirements. The Company had more physicians on staff. Purchased services include expenses related to electronic medical record consultants, purchased physician services and temporary staff.

Bad Debt Expense



Bad debt expense for the fiscal year ended June 30, 2019 increased by $1,765,190, or 32%, to $7,241,401 due primarily to write-off of legacy system accounts receivable.

Depreciation and amortization



Depreciation and amortization for the fiscal year ended June 30, 2019 increased by 820,253, or 122%, to $1,493,264 due to depreciation on asset additions.

Fiscal Year Ended June 30, 2019 Compared to Fiscal Year Ended June 30, 2018

UNLV MEDICINE, INC. - NON-OPERATING INCOME (LOSS)

Non-operating income - debt forgiveness

2019	$1,444,863
2018	$0

Debt forgiveness for the fiscal year ended June 30, 2019 was $1,444,863. There was no debt forgiveness in 2018.

Gain (loss) on sale of assets

2019	$8,206
2018	$0

Gain (loss) on the sale of assets for the fiscal year ended June 30, 2019 was $8,206. There were no asset disposals in 2018.

Interest income (expense)

2019	($44,900)
2018	($176,849)

Interest income (expense) for the fiscal year ended June 30, 2019 decreased by $131,949, or 75%, to $44,900 due to reduced interest expense on the capital lease obligation.

UNLV MEDICINE, INC. - CASH FLOWS

A summary of cash flows for the fiscal years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Cash provided by (used in)		
Operating activities	$ (1,958,659)	$ (8,487,708)
Noncapital financing activities	-	-
Capital and related financing activities	1,067,813	11,069,366
Investing activities	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(890,846)	2,581,658
Cash and cash equivalents, beginning of year	2,581,658	-
Cash and cash equivalents, end of year	$ 1,690,812	$ 2,581,658

The Statement of Cash Flows presents detailed information about the cash activities of UNLV Medicine during the fiscal year and is divided into five sections. The first section reflects operating cash flows and shows the net cash provided by or used in operating activities. The second section reflects the cash flows from noncapital financing activities. The third reflects cash flows from capital and related financing activities, 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 UNLV Medicine's net income and the net cash provided by or used in operating activities. Cash and cash equivalents as of June 30, 2019 and 2018 were $1,690,812 and $2,581,658, respectively.

Other issues

As UNLV Medicine enters its second year of operations, its focus will be to continue developing a learning culture that benefits from improved revenues, which will be accomplished by recruiting [and hiring] high quality physician with top leadership skills. These physicians will impart their knowledge and skills to the UNLVSOM's residents creating improved health outcomes for the community. Additionally, UNLV Medicine will develop stronger relationships with improved health outcomes for the community. 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 local communities with state-of-the-art healthcare facilities and resources. UNLV Medicine also continues 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 UNLV Medicine's finances for all interested parties. Questions concerning the information contained in this report should be addressed to UNLV School of Medicine Dean, 2040 West Charleston, Las Vegas, NV 89102.

BASIC FINANCIAL STATEMENTS

UNLV Medicine, Inc.

STATEMENTS OF NET POSITION

As of June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,690,812	$ 2,581,658
Patient accounts receivable, net	8,867,728	12,069,031
Other receivables	1,938,865	2,211,285
Due from affiliates	153,159	136,771
Inventory	318,881	319,033
Prepaid expenses and other assets	100,027	245,493
Total current assets	13,069,472	17,563,271
Noncurrent assets		
Property and equipment, net	3,580,166	4,782,704
Total assets	$ 16,649,638	$ 22,345,975
Deferred outflow of resources	$ 274,110	$ 363,110
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 1,972,321	$ 2,246,739
Capital lease obligations	240,216	227,620
Patient refunds	1,536,920	451,779
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Capital lease obligations, net of current portion	452,803	692,558
Due to affiliates, net of current portion	14,700,000	14,611,471
Total liabilities	24,092,749	22,223,168
Net assets		
Invested in capital assets, net of related debt	2,909,396	3,200,043
Restricted	167,098	380,112
Unrestricted	(10,245,495)	(3,094,238)
Total net assets	(7,169,001)	485,917
Total liabilities and net position	$ 16,923,748	$ 22,709,085

The accompanying notes are an integral part of these statements.

UNLV Medicine, Inc.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Years Ended June 30, 2019 and 2018

	2019	**2018**
REVENUES		
Net patient service revenue	$ 33,653,522	$ 40,674,583
Net contract revenue	16,309,858	15,227,033
Other revenue	9,901,324	11,473,627
Total revenue	59,864,704	67,375,243
OPERATING EXPENSES		
Employee salaries, wages and benefits	22,999,012	22,297,312
Physician services	24,197,714	22,910,416
Medical fees	13,896,719	13,433,911
Supplies	697,796	847,838
Purchased services, insurance and other	5,643,286	6,549,989
Depreciation and amortization	1,493,264	673,011
Total operating expenses	68,927,791	66,712,477
Operating income (loss)	(9,063,087)	662,766
NONOPERATING INCOME (EXPENSES)		
Forgiveness of debt	1,444,863	-
Gain (loss) on sale of assets	8,206	-
Interest expense	(44,900)	(176,849)
Total non-operating income (expense)	1,408,169	(176,849)
CHANGE IN NET POSITION	(7,654,918)	485,917
Net position - beginning of year	485,917	-
Net position - end of year	$ (7,169,001)	$ 485,917

The accompanying notes are an integral part of these statements.

UNLV Medicine, Inc.

STATEMENTS OF CASH FLOWS

For the Fiscal Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from patients and third-party payors	$ 37,939,968	$ 29,057,331
Payments to employees	(22,975,418)	(20,973,870)
Payments to suppliers	(41,953,766)	(40,923,773)
Other receipts	26,475,420	24,352,604
Net cash used in operating activities	(513,796)	(8,487,708)
Cash flows from capital and related financing activities:		
Payments on capital leases	(138,630)	(55,486)
Proceeds from loans	-	14,700,000
Payments of interest	(44,900)	(10,458)
Purchases of property and equipment	(259,070)	(3,564,690)
Proceeds from disposals of equipment	65,550	-
Net cash (used in) provided by capital and related financing activities	(377,050)	11,069,366
Cash flows from investing activities:		
Net cash provided by investing activities	-	-
NET DECREASE (INCREASE) IN CASH	(890,846)	2,581,658
Cash and cash equivalents - beginning of year	2,581,658	-
Cash and cash equivalents - end of year	$ 1,690,812	$ 2,581,658
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income (loss)	$ (9,063,087)	$ 662,766
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,493,264	673,011
Changes in operating assets and liabilities:		
Patient accounts receivable	3,201,303	(12,069,031)
Other receivables	272,420	(2,211,285)
Inventory	152	(319,033)
Due to affiliates	2,618,757	(136,771)
Prepaid expenses and other assets	145,466	(245,493)
Accounts payable	(274,419)	2,246,739
Patient refund	1,085,141	451,779
Accrued payroll and employee related expenses	23,594	1,323,442
Due from affiliates	(16,388)	1,136,168
Net cash used in operating activities	$ (513,797)	$ (8,487,708)
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 44,900	$ (10,458)
Supplemental noncash investing and financing activities information:		
Deferred outflows acquired using loan from UNLVSOM	$ -	$ 445,000
Equipment obtained using loan from UNLVSOM	$ -	$ 833,471
Forgiveness of debt by UNLV	$ 1,444,863	$ -
Equipment financed through capital lease	$ 693,019	$ 920,179

The accompanying notes are an integral part of these statements.

UNLV Medicine, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE A - ORGANIZATION AND OPERATIONS

UNLV Medicine, Inc. (“UNLV Medicine” or the “Organization”) was incorporated as a not-for-profit corporation on June 16, 2016. Full business operations for the faculty practice plan started in fiscal year 2019 with the opening of the University of Nevada, Las Vegas School of Medicine (“UNLVSOM”).

The mission and goals of the corporation are to do and perform every act or acts necessary as an “affiliated group” with the School of Medicine to implement an academic medical center with all the legal rights and authority granted to such a center under state and federal law. Develop an effective clinical practice environment to support the teaching, education, training and clinical research missions of UNLVSOM and its physicians.

The faculty practice plan is considered to be a component unit of the Nevada System of Higher Education, as defined by Government Accounting Standards Board (“GASB”) Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation-These statements have been prepared on the accrual basis of accounting in accordance with accounting standards promulgated by the GASB using enterprise fund accounting and the economic resources measurement focus.

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; and
- Unrestricted - Net position that is 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.

3. 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.

4. Patient Refunds

Patient refunds are overpayments from patients and third-party payors for services performed. The Organization issues checks refunding payments once an overpayment is identified.

5. Inventories

Inventories are valued at the lower of cost or market with cost being determined using a weighted average method. The cost of pharmaceuticals are expensed as they are sold.

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. Asset purchases in excess of $2,000 are capitalized. Depreciation for property and equipment purchases is calculated using the straight-line method. The following estimated useful life policy has been enacted for each asset class: computer equipment, software, furniture and fixtures and equipment: 3-5 years, vehicles: 10 years and buildings: 40 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 is depreciated over the shorter of the lease term or the estimated useful life of the equipment.

Per GASB Statement No. 72, *Fair measurement and application*, donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets life are expensed as incurred.

7. Income Taxes

UNLV Medicine as defined in Section 501(c)(3) of the Internal Revenue Code (the "Code") is a public charity, and a Type 1 supporting organization under 509(a)(3), supporting organization operated, supervised, or controlled by one or more publicly supported charities. As a public charity, the organization is exempt from federal income taxes. However, income generated from activities unrelated to the Organization's exempt purpose is subject to tax under section 511 of the Code. The Organization did not conduct any unrelated business activities. Therefore, the Organization made no provisions for federal income taxes in the accompanying financial statements. Accordingly, all contributions to the Organization are tax deductible within the limitations prescribed in the Code. The Organization believes that it has appropriate support for any tax position taken, and as such does not have any uncertain tax positions that are material to the financial statements.

8. Operating Revenues and Expenses

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result directly or indirectly from providing patient care in connection with the Organization's ongoing operations. The principal operating revenues of the Organization are net patient service revenue and contract revenue. Other revenue is consistent with pharmaceuticals and non-exchange transactions in which the Organization receives value without directly giving equal value in return, including federal, state, local grants and other contributions. Revenue from grants and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expense requirements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Operating Revenues and Expenses* *- Continued*

Operating expenses include the cost of the faculty, staff, administration, medical fees, supply expenses, and depreciation of property and equipment. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 years 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") that assigns values to procedures in relation to one another; and is used to establish the Medicare fee schedule. The Medicare fee schedule determines how the Organization is paid.
- *Medicaid* is a medical coverage program jointly funded by both the states and the federal government for residents who qualify based on annual income that 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, including capitation payment arrangements, at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments include differences between established billing rates and amounts reimbursable under various contractual agreements. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net patient service revenues. Contractual adjustments were $44,807,217 and $35,353,884 incurred during the fiscal years ended June 30, 2019 and 2018, respectively. The Organization also treats patients without insurance or provides elective surgery services that are not covered by third-party payors. Bad debt expense of $7,241,401 and $5,476,211 was incurred during the fiscal years ended June 30, 2019 and 2018, respectively.

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. Contract revenue is recognized when services are performed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

9. Deferred Outflows

The Mojave pharmacy acquisition was recorded as a deferred outflow of resources. Deferred outflows are a consumption of net assets applicable to future reporting period.

10. 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.

11. New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which addresses informational needs of the financial statement users by improving the accounting and the financial reporting for leases by governments. GASB 87 is effective for fiscal years beginning after December 15, 2019. The anticipated impact of this pronouncement is uncertain at this time.

NOTE C - CONCENTRATION OF CREDIT RISK

The Organization grants credit without collateral to its patients, most of whom are local residents and insured under third-party insurance or governmental payor agreements. The components of receivables from patients and third-party payors for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Medicare	12%	12%
Medicaid	39%	37%
Commercial insurance	21%	21%
Other third-party payors	5%	8%
Patients	23%	22%
	100%	100%

NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS

As of June 30, 2019 and 2018, cash and cash equivalents consisted of the following:

	2019	2018
Cash on deposits	1,690,812	2,623,119
Custodial credit risk	2,053,857	3,062,508

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, 2019 and 2018, the Organization had approximately $2,053,857 and $3,062,508, respectively, exposed to custodial credit risk.

NOTE E - PROPERTY AND EQUIPMENT

The property and equipment activity for the fiscal years ended June 30, 2019 was as follows:

	July 1, 2018	Additions	Disposals	June 30, 2019
Medical equipment	$ 826,000	$ 45,167	$ (92,990)	$ 778,177
Computer equipment and software	4,194,181	196,964	-	4,391,145
Furniture, fixtures and office equipment	229,151	16,938	-	246,089
Vehicles	15,940	-	-	15,940
Leasehold improvements	108,553	-	-	108,553
Property and equipment, at cost	5,373,825	259,069	(92,990)	5,539,904
Less: accumulated depreciation	(591,121)	(1,404,264)	35,646	(1,959,739)
Property and equipment, net	$ 4,782,704	$ (1,145,195)	$ (57,344)	$ 3,580,165

The property and equipment activity for the fiscal years ended June 30, 2018 was as follows:

	July 1, 2017	Additions	Disposals	June 30, 2018
Medical equipment	-	$ 826,000	-	$ 826,000
Computer equipment and software	-	4,194,181	-	4,194,181
Furniture, fixtures and office equipment	-	229,151	-	229,151
Vehicles	-	15,940	-	15,940
Leasehold improvements	-	108,553	-	108,553
Property and equipment, at cost	-	5,373,825	-	5,373,825
Less: accumulated depreciation	-	(591,121)	-	(591,121)
Property and equipment, net	-	$ 4,782,704	-	$ 4,782,704

Depreciation expense for the fiscal years ended June 30, 2019 and 2018 was $1,404,264 and $591,121.

NOTE E - PROPERTY AND EQUIPMENT - Continued

During fiscal year ended June 30, 2019, assets with a cost of $92,990 were disposed of for a gain of $8,206. There were no assets sold or disposed of during fiscal year ended June 30, 2018.

The Organization did not lease any computer equipment during fiscal year ended June 30, 2019 and leased computer equipment with a historical cost of $975,665 during fiscal year ended June 30, 2018. Depreciation expense for computer equipment and software under capital lease arrangements for the fiscal years ended June 30, 2019 and 2018 was $243,914 and $60,978, respectively. Future minimum lease payments as of June 30, 2019 were as follows:

Years ending June 30,	
2020	$ 271,739
2021	271,739
2022	203,805
Total future minimum lease payments	747,283
Less: interest payment	(54,264)
Total present value minimum lease payments	693,019
Less: current portion of capital lease	(240,216)
Long-term portion of capital lease	$ 452,803

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

UNLVSOM pays the salaries for all its faculty physician members. The Organization reimburses UNLVSOM for any amounts not covered by state appropriations, grant contract income, or other sources that are administered by UNLVSOM. During the fiscal years ended June 30, 2019 and 2018, the Organization paid $22,786,287 and $22,049,472 to UNLVSOM, respectively, for physician salaries. As of June 30, 2019 and 2018, the Organization owed UNLVSOM a total of $2,563,419 and $800,732, respectively, for salaries, which is included in the net due to affiliates in the accompanying statement of net position.

During the fiscal years ended June 30, 2019 and 2018, the Organization received $275,000 and $3,025,000, respectively, from University Medical Center mission support through UNLVSOM to support physician services.

During the fiscal year ended June 30, 2018, the Organization received a draw down loan of $19,000,000 from UNLV. At June 30, 2019 and 2018, the Organization had drawn $14,700,000. In January 2019, this loan was restructured changing the term on the loan from five years to ten years with interest commencing in year six at a rate of LIBOR plus 1% due each payment period. During the fiscal year ended June 30, 2019, the Organization recognized $166,392 in debt forgiveness related to interest. Additionally, UNLV purchased on behalf of the Organization, fixed assets in the amount of $758,471 from Integrated Clinical Services and the University of Nevada, Reno along with $520,000 for the Mojave pharmacy for a total of $1,278,471, which is included in deferred outflows from resources and is being amortized over a five-year period. In January 2019, the $1,278,471 was forgiven by UNLV and recorded as forgiveness of debt as non-operating income in our financial statements.

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES - Continued

The contractual obligations for the fiscal years ended June 30 is as follows:

	Principal	Interest	Total
FY2021	$ 1,633,333	$ -	$ 1,633,333
FY2022	1,633,333	-	1,633,333
FY2023	1,633,333	-	1,633,333
FY2024	1,633,333	196,000	1,829,333
Thereafter	8,166,668	490,000	8,656,668
	$ 14,700,000	$ 686,000	$ 15,386,000

The Organization is covered under a professional liability insurance policy for medical malpractice claims that is purchased by UNLVSOM and names the Organization, 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. UNLVSOM presently intends to renew claims-made coverage annually and expects to be able to obtain such coverage. The Organization reimbursed UNLVSOM $1,235,708 for the professional liability insurance premiums during the year ended June 30, 2019.

The Organization is occupying and reimbursing for a portion of the rent in facilities leased by UNLVSOM. The Organization paid UNLVSOM $2,294,069 for clinical and administrative rent for the year ended June 30, 2019. As of June 30, 2019, $1,220,136 of clinical and administrative rent is included in due to affiliates.

UNLV paid on behalf of the Organization $587,590 for the Resolute Billing System, part of electronic medical record system implementation and $38,078 for software maintenance, both of which were fully reimbursed by the Organization to UNLV prior to June 30, 2019.

The Organization reimbursed UNLVSOM for $87,500 related to risk management. As of June 30, 2019, $47,083 of risk management is included in due to affiliates.

The Organization paid $113,000 of audit fees, $38,292 in computer software subscriptions, $34,194 in liability insurance and a miscellaneous one-time payment of $16,839 for the fiscal year ended June 30, 2019.

The Organization provides coverage in UNLV's student health clinic, sport medicine, and Obstetrics/Gynecology. The total amount of service provided and included in contract revenue for the fiscal years ended June 30, 2019 was $441,444. The total amounts due from UNLV in relation with these services as of June 30, 2019 was $44,586.

The Organization is a sub recipient of several federal grants that pass through from UNLV. The total amount of this grant revenue recorded during the fiscal year ended June 30, 2019 was $632,072, of which $108,574 was due as of June 30, 2019.

NOTE G - RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan sponsored by the UNLV Medicine, Inc. under Section 401(k) of the Code that covers all employees who are 21 year of age or older. Eligibility to qualify to participate requires the employee must complete three full months and a minimum of 250 hours of service. The employee entry date is the first day of the month after three months of employment or coinciding with the next enrollment period after eligibility requirements have been met. The UNLV Medicine employer contribution is 3% of gross pay for each eligible employee beginning when the employee is eligible to participate based on a vesting schedule.

Employees may elect to defer either a flat dollar amount or a percentage, not to exceed the dollar limit set by federal law. Contributions may be pre-tax or post tax 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 fiscal years ended June 30, 2019 and 2018, the Organization has a 3% contribution for each eligible employee for a total of $484,616 and $428,306, respectively.

NOTE H - COMMITMENTS AND CONTINGENCIES

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 I - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for the period from June 30, 2019 through October 31, 2019, the date these financial statements were issued, and has determined that no subsequent events have occurred of a nature that would require recognition or disclosure.

COMPLIANCE SECTION

GRANT THORNTON LLP
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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

Board of Directors of UNLV Medicine, 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 financial statements of UNLV Medicine, Inc. (the "Organization"), which comprise the statement of net position as of June 30, 2019, and the related statements of revenue, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2019.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 the Organization'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 have not been 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency in the Organization's internal control.

Compliance and other matters
As part of obtaining reasonable assurance about whether the Organization's 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*.

Organization's response to findings
The Organization's response to our finding, which is described in the accompanying corrective action plan, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Organization's response.

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Jose, California
October 31, 2019

FINDING 2019-001 - Significant Deficiency - Fee for Service Revenue Cutoff

Criteria
Under revenue recognition principles, revenue is to be recognized during the period earned. Management is responsible for the design, implementation and maintenance of internal controls relevant to revenue recognition principles to recognize revenue during the period earned at its net realizable value.

Context
As a result of the revenue cutoff testing performed, the audit team identified revenue related to dates of service in FY2018 that was recognized as revenue during FY2019 in the amount of $382,182.

Condition
The Organization had recognized revenue in fiscal year 2019 for services rendered during fiscal year 2018.

Effect
Revenue was overstated in fiscal year 2019 and understated in fiscal year 2018 in the financial records.

Cause
Patient charges were captured by the patient accounting systems several months after date of service occurred. The impact was not recognized by management until several months after 2018 fiscal year end was closed and the estimation process in place was not robust enough to accurately recognize this revenue in the period earned.

Recommendation
We recommend the Organization closely monitor the occurrence of late charges captured in the patient accounting system and develop a process for estimating additional expected late charges after the financial statement close period.

Views of Responsible Officials
UNLV Medicine concurs with the findings.

CORRECTIVE ACTION PLAN

Finding 2019-001
Significant Deficiency: Fee for Service revenue Cutoff
View of Responsible Officials and Corrective Action Plan:

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Controller
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Management Response

UNLV Medicine agrees with this finding.

UNLV Medicine is aware there is a need to perform additional steps to ensure that all revenue and costs related to fee for service revenue for the prior year have been identified and recorded in the appropriate year. The issue identified was directly related to the system implementation occurring throughout the 2018 fiscal year-end closing process. As is typical of a system conversion of this magnitude, the conversion was not without complications that resulted in some operational challenges during the go live to stabilization period. UNLV Medicine has continued to improve upon user training and system processes that impact charge capture/billing lag. These changes have significantly improved the timeliness of charge capture such that we are confident in the accuracy of ongoing reporting.

Nonetheless, we continue to improve upon these procedures and system functionality and reporting in order to seek continued improvement in overall revenue cycle management. Throughout the year, charge capture/billing lag will be tracked to monitor improvement and trends to ensure year-end revenue cutoff is accurate.

The UNLV Medicine Controller is responsible for ensuring accurate revenue recognition.