

**Basic Financial Statements and Report of Independent
Certified Public Accountants**

UNLV Medicine, Inc. dba UNLV Health

June 30, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors of UNLV Health
and the Board of Regents of the Nevada System of Higher Education

Report on the financial statements

Opinion

We have audited the financial statements of the business-type activities of UNLV Medicine, Inc. (dba UNLV Health) (the "Entity"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities of the Entity as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable



assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2023 on our consideration of the Entity'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 solely 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 the Entity's 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 Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
November 16, 2023

UNLV Medicine, Inc. dba UNLV Health

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

As of June 30, 2023 and 2022

UNLV Medicine, Inc. dba UNLV Health ("UNLV Health" or the "Company") presents its financial statements for fiscal years ended June 30, 2023 and 2022. These financial statements should be read in conjunction with the audited financial statements of the Nevada System of Higher Education ("NSHE"). Unless otherwise indicated, reference made to these financial statements is for the fiscal years ended June 30, 2023 and 2022.

UNLV Health'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 ("GASB") 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, 2023 and 2022 and include explanatory footnotes or provide additional detail regarding the financial information presented.

UNLV Medicine, Inc. dba UNLV HEALTH

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

In 2016, UNLV established UNLV Health, 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 KSOM employs 170 full-time physicians in 39 different medical specialties engaged in education, patient care and research. Treating approximately 244,267 patients a year, our physicians' primary goal is improving the quality of health care in Nevada. UNLV Health's resources are located in 13 physician practice offices in the Las Vegas area.

UNLV Health provides continued development and expansion of a physician faculty committed to meeting the health care needs of Nevada's residents.

FINANCIAL POSITION

The statements of net position present the assets, liabilities, and net position of UNLV Health and contains data concerning current and noncurrent assets, deferred outflow of resources, liabilities, and net position (assets less liabilities) as of the fiscal years ended June 30, 2023 and 2022. 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 statements of net position provide a picture of the availability of assets for expenditure.

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

FINANCIAL POSITION—Continued

The major components of UNLV Health's assets, liabilities, and net positions as of June 30, 2023 and 2022 were as follows:

	2023	2022	Percentage Change FY 23 to FY 22
ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,791,161	\$ 7,130,712	9%
Restricted cash and cash equivalents	94,105	14,754	538%
Patient accounts receivable, net	5,482,856	6,909,616	(21%)
Other receivables	3,293,249	2,110,378	56%
Due from affiliates	98,855	93,474	6%
Inventory	426,671	383,371	11%
Prepaid expenses and other assets	143,423	146,786	(2%)
Total current assets	17,330,320	16,789,091	3%
Noncurrent assets			
Property and equipment, net	263,235	653,237	(60%)
Right-of-use assets, net	19,683,509	17,766,270	11%
Total assets	\$ 37,277,064	\$ 35,208,598	6%
Deferred outflow of resources	\$ -	\$ 7,110	(100%)
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable	\$ 2,053,387	\$ 1,854,250	11%
Patient refunds	305,391	693,252	(56%)
Accrued payroll and employee related expenses	1,260,839	1,170,304	8%
Other short-term liabilities	95,579	325,439	(71%)
Right-of-use lease liabilities	2,969,145	3,011,615	(1%)
Right-of-use software liabilities	398,809	-	100%
Due to affiliates	2,452,283	3,326,654	(26%)
Total current liabilities	\$ 9,535,433	10,381,514	(8%)
Noncurrent liabilities			
Right-of-use lease liabilities, net of current portion	15,752,160	15,001,837	5%
Right-of-use software liabilities, net of current portion	1,162,829	-	100%
Total liabilities	26,450,422	25,383,351	4%
Net position			
Invested in capital assets, net of related debt	(336,199)	413,995	(181%)
Restricted	94,105	14,754	538%
Unrestricted	11,068,736	9,403,608	18%
Total net position	10,826,642	9,832,357	10%
Total liabilities and net position	\$ 37,277,064	\$ 35,215,708	6%

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

FINANCIAL POSITION—Continued

UNLV Health's assets

UNLV Health's total assets during fiscal year 2023 increased by \$2,068,466, or 6%, to \$37,277,064.

Cash and cash equivalents, including restricted cash and cash equivalents, increased during fiscal year 2023 by \$739,800 or 10%, to \$7,885,266. The increase in cash and cash equivalents is primarily attributable to improved cash collections of patient accounts receivable.

Patient accounts receivable, net of allowances for contractual adjustments and allowances for uncollectible accounts, decreased during the fiscal year 2023 by \$1,426,760 or 21% to \$5,482,856 primarily due to physician services, particularly, lower hospital encounters and lower average charge per encounters.

Capital assets include medical equipment, computer equipment and software, furniture, fixtures and office equipment, vehicles and leasehold improvements. Capital additions in fiscal year 2023 were \$130,389 which included \$20,778 for computer equipment, \$40,091 for leasehold improvements, and \$69,520 for medical equipment. On July 1, 2022 capital assets of \$3,487, net of accumulated depreciation, was reclassified to right-of-use ("ROU") assets, net. There were no capital disposals in fiscal year 2023.

Accumulated depreciation for property and equipment for fiscal year 2023 increased by \$499,461, or 12% to \$4,714,377.

GASB Statement No. 87, *Leases* ("GASB 87"), a lease is a contract that conveys control of the right to use ("RTU") another entity's nonfinancial asset as specified by the contract, for a period of time, in an exchange or exchange like transaction. The Adoption of statement 87 is to establish a unified model for lease accounting based on the principle that leases are financings of the RTU an underlying asset. The statement eliminated the distinction between operating and capital leases and brought substantially all leases on the statement of net position. The statement also changed the presentation in the statement of activities and cash flow statement. Therefore, state agency lessees and lessors account for the same transaction in a way that mirrors how the other party accounts for it.

While in the adoption phase it took UNLV Health significant effort upfront to develop/adjust new processes and controls to identify and account for leases. However, GASB 87 provided insight about overall lease portfolio to aid asset/capital deployment decisions, comply with accounting and reporting and improve management of end of lease term options. RTU lease assets of \$15,801,910, net of accumulated depreciation, and lease liabilities of \$ 15,801,910, net of liability reductions, in its Statement of Net Position as of July 1, 2021. (See Note G for additional details).

GASB 96 Subscription-Based Information Technology Arrangements ("GASB 96" or "SBITA") is effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. GASB 96 addresses the treatment and financial reporting for SBITA agreements because of the increased popularity of subscription-based IT arrangements allowing governments to benefit from the use of IT software without maintaining a perpetual license of title to the software. Therefore, these arrangements are mutually beneficial for both the vendor and the government therefore UNLV Health implemented accounting for certain types of software agreements with the new standard. Under this Statement, SBITA requires governments to recognize a subscription liability for the amount owed on SBITA contracts offset by a capitalized asset. SBITAs is accounted for in a similar manner to leases under GASB87. On July 1, 2022, the Company adopted GASB 96 and recorded RTU SBITA Assets of \$1,803,369, net of accumulated depreciation, and SBITA liabilities of \$1,803,369, net of liability reductions, in its Statement of Net Position as of July 1, 2022.

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

FINANCIAL POSITION—Continued

UNLV Health's deferred outflow

During fiscal year 2018, UNLV Health 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 Health for this pharmacy acquisition. In fiscal years 2020 and 2021, UNLV forgave this indebtedness (see liabilities below). The accumulated amortization of the deferred outflow was \$445,000, \$520,000 and \$437,890 at June 30, 2023 and 2022, respectively.

UNLV Health's liabilities

Long-term liabilities for fiscal year 2023 increased by \$1,067,071 or 13%, to \$16,914,989 due to the adoption of GASB 96.

UNLV Health's net position

Net position represents the residual interest in assets after all liabilities have been deducted. UNLV Health's net position was \$10,826,642 and \$9,832,357 at June 30, 2023 and 2022, respectively, and is reported in three major categories: invested in capital assets net of related debt, unrestricted and restricted.

Invested in capital assets net of related debt decreased by \$750,194 or 181% to (\$336,199) due to the addition of new leases that increased the overall lease liability in excess of the net property, plant and equipment.

Under generally accepted accounting principles in the United States of America ("GAAP"), net position, not subject to externally imposed restrictions governing its use, must be classified as unrestricted for financial reporting purposes. Although UNLV Health's unrestricted net positions of \$11,068,736 and \$9,403,608 as of June 30, 2023 and 2022, respectively, were not subject to externally imposed restrictions, the net positions generally result from providing or agreeing to provide 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 Health operates and the limits resulting from contractual agreements with suppliers, creditors and others entered into the ordinary course of business.

UNLV Health's restricted net positions were \$94,105 and \$14,754 at June 30, 2023 and 2022, respectively, in line with contributions received during fiscal years 2023 and 2022.

UNLV Medicine, Inc. dba UNLV Health
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)
As of June 30, 2023 and 2022
RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a representation of UNLV Health's operating results for the year.

Generally, operating revenues are earned by providing pharmaceuticals and services to the various patients and clients of the Company. 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 Health's mission. Revenues and expenses, for which pharmaceuticals and services were not provided, such as KSOM Support and interest expense, are reported as non-operating revenues or expenses.

The following table compares the results of operations for the fiscal years ended June 30, 2023 and 2022.

	2023	2022	Percentage Change
Revenues:			
Net patient service revenue	\$ 37,995,689	\$ 40,490,507	(6%)
Contract revenue	16,240,718	14,724,946	10%
Other revenue	<u>10,861,625</u>	<u>10,441,569</u>	4%
Total revenues	<u>65,098,032</u>	<u>65,657,022</u>	(1%)
Operating expenses:			
Employee salaries and wages	23,432,214	21,668,080	8%
Physician services	22,639,945	24,893,533	(9%)
Medical fees	11,805,434	10,660,456	11%
Supplies	504,563	684,999	(26%)
Purchased services, insurance and other	4,700,990	4,686,526	0%
Depreciation and amortization	<u>4,195,005</u>	<u>4,341,744</u>	(3%)
Total operating expenses	<u>67,278,151</u>	<u>66,935,338</u>	1%
Operating (loss) income	(2,180,119)	(1,278,316)	71%
Non-operating income:			
KSOM Support	3,536,719	1,991,801	78%
Grants and contracts	-	7,000	(100%)
Interest expense	<u>(362,315)</u>	<u>(192,011)</u>	89%
	3,174,404	1,806,790	76%
CHANGE IN NET POSITION	994,285	528,474	88%
Net position - beginning of year	<u>9,832,357</u>	<u>9,303,883</u>	6%
Net position - end of year	<u>\$ 10,826,642</u>	<u>\$ 9,832,357</u>	10%

UNLV Medicine, Inc. dba UNLV Health

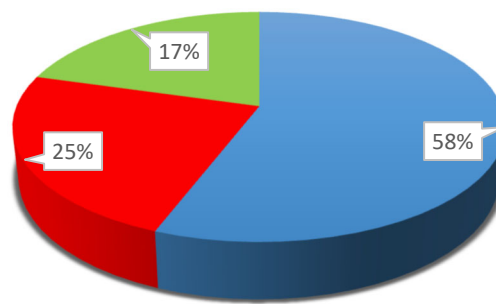
MANAGEMENT’S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

RESULTS OF OPERATIONS—Continued

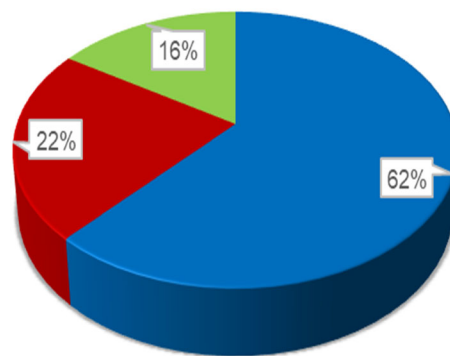
Categories and percentages of operating and non-operating revenues that support UNLV Health’s core activities for the fiscal years ended June 30, 2023 and 2022 were as follows:

2023 Categories of Revenue



■ Net Patient Service Revenue ■ Contract Revenue ■ Other Revenue

2022 Categories of Revenue



■ Net patient service revenue ■ Contract revenue ■ Other revenue

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

RESULTS OF OPERATIONS—Continued

The statements of revenues, expenses, and changes in net position reflect a positive year with an increase in the net position at the end of the year. A review of the individual revenue and expense categories that contributed to the overall increase in the net position reveals the following:

Net patient service revenue



Patient service revenue, net of contractual allowance, bad debt and refunds for the fiscal year ended June 30, 2023 decreased by \$2,494,818, or 6%, to \$37,995,689 due to reduced physician services related to lower hospital encounters and lower average charge per encounters and loss of some highly productive clinical physicians primarily in Internal Medicine, specifically pulmonology.

Contract revenue



Contract revenue from federal, state, and local governments, as well as private partner organizations for the fiscal year ended June 30, 2023 increased by \$1,515,772, or 10%, to \$16,240,718 primarily due to renegotiated hospital professional service agreement revenue with our primary teaching hospital for the fiscal year ended June 30, 2023.

Other revenue



Other revenues for the fiscal year ended June 30, 2023 increased by \$420,056, or 4%, to \$10,861,625 primarily due to the recalculation of Medicaid upper payment limit. The other operating revenues were used to offset variable-rate expenses, and other administrative expenses.

UNLV Medicine, Inc. dba UNLV Health

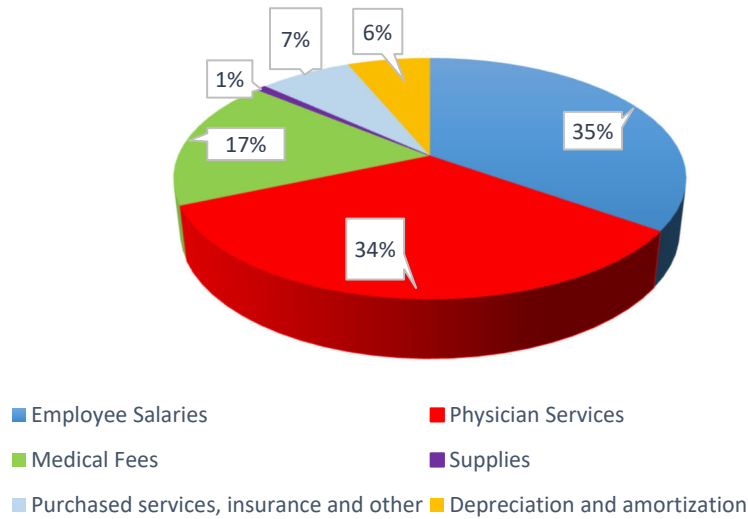
MANAGEMENT’S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

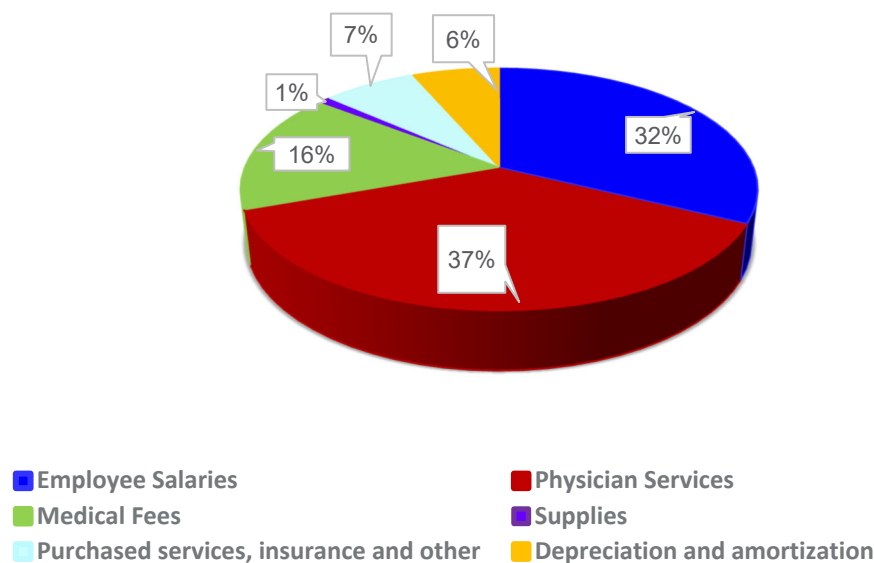
RESULTS OF OPERATIONS—Continued

Categories and percentages of expenses related to UNLV Health’s core activities for the years ended June 30, 2023 and 2022 were as follows:

2023 Categories of Expense



2022 Categories of Expense



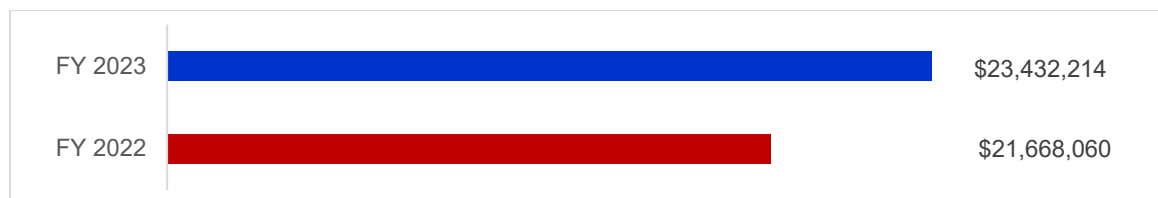
UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

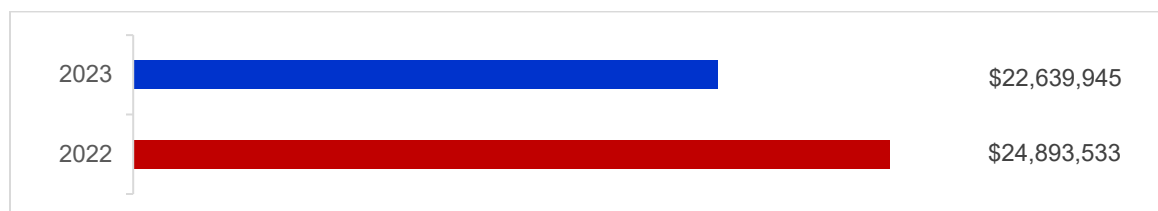
RESULTS OF OPERATIONS—Continued

Employee salaries, wages and benefits



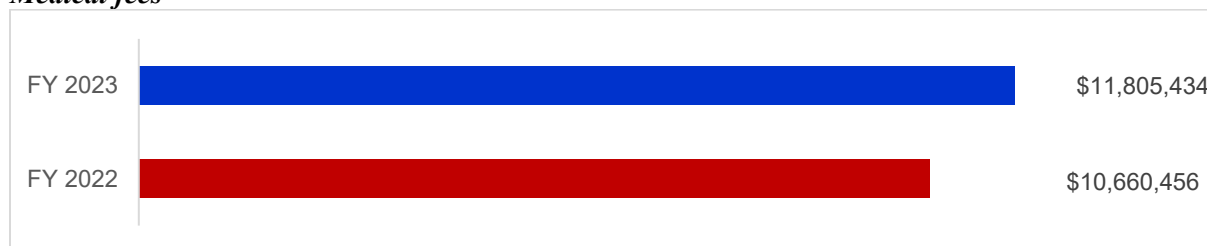
Employee salaries, wages and benefits for the fiscal year ended June 30, 2023 increased by \$1,764,134, or 8%, to \$23,432,214 due to the efforts to hire and retain support staff.

Physicians' services



Physician services for the fiscal year ended June 30, 2023 decreased by \$2,253,588, or 9% to \$22,639,945 due to the reduction in fringe pool rates by UNLV from 29.9% to 23.3%. Physician shortages in Southern Nevada and continues to effect UNLV Health as we attempt to grow our faculty. There were a number of physicians who left and new hires throughout the year but were not active the entire year which also reduced the physician expense.

Medical fees



Medical fees consist of clinic rents, maintenance and utilities, medical supplies and drug expense for the pharmacy operations and supportive living expenses. Medical fees for the fiscal year ended June 30, 2023 increased by \$1,144,978, or 11%, to \$11,805,434 primarily due to stocking medical supplies and drugs in a new Pediatric clinic, as well as expanding the Family Planning Program in OBGYN.

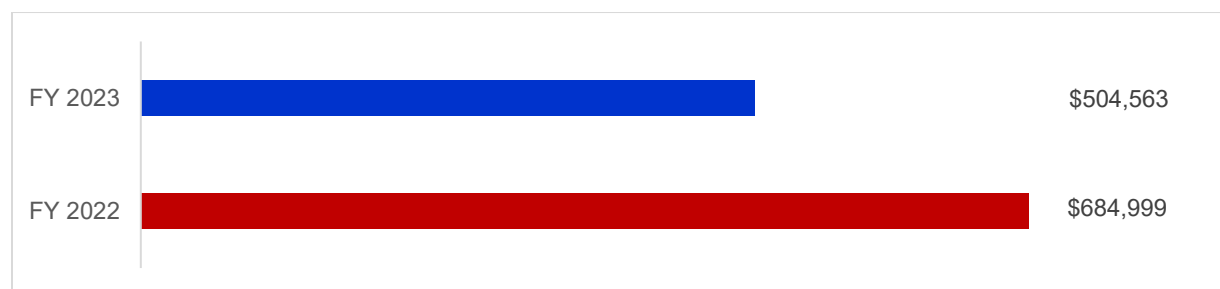
UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

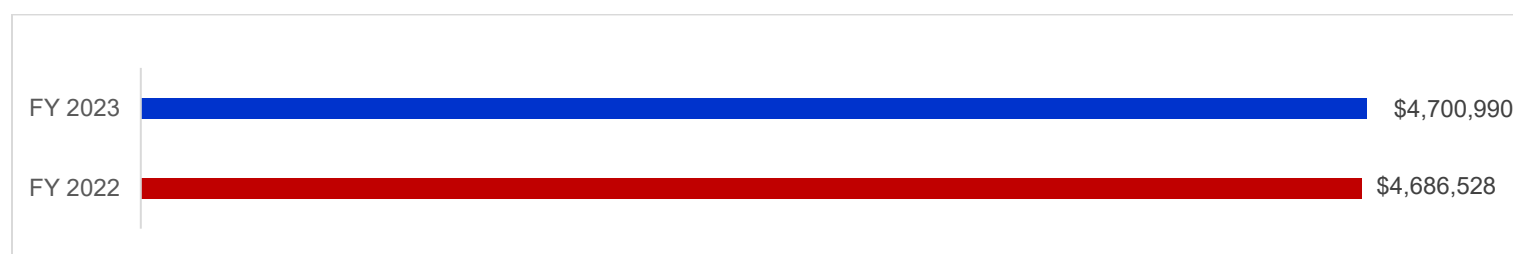
RESULTS OF OPERATIONS—Continued

Supplies



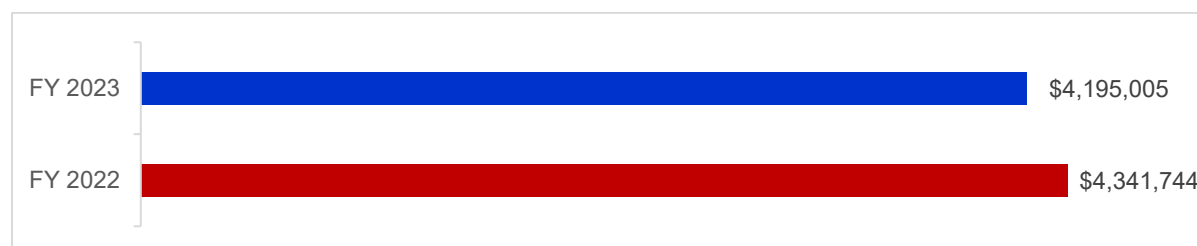
Supplies expense for the fiscal year ended June 30, 2023 decreased by \$180,436, or 26%, to \$504,563 primarily due to the decrease in number of patients requesting vaccinations.

Purchased services



Purchased services for the fiscal year ended June 30, 2023 increased by \$14,464, or 0.3%, to \$4,700,990 due primarily to the increased number of vacancies in physician position.

Depreciation and amortization expense



Depreciation and amortization for the fiscal year ended June 30, 2023 decreased by \$146,739, or 3% to \$4,195,005 due primarily to some fully depreciated assets.

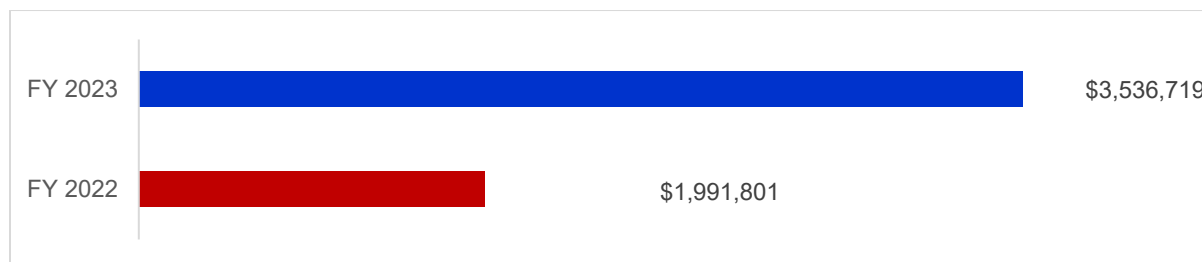
UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

RESULTS OF OPERATIONS—Continued

Non-operating income—KSOM support



KSOM support for the fiscal years ended June 30, 2023 increased by \$1,544,918, or 78%, to \$3,536,719; consisting of gifts to support physician salaries and information technology.

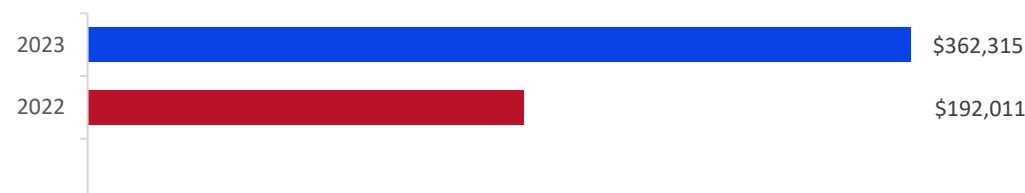
NON-OPERATING INCOME (LOSS)

Non-operating income—grants and contracts



Various donations for the fiscal year ended June 30, 2023 decreased by \$7,000, or 100%, to \$0. Fiscal year ended June 30, 2023 did not include any funds related to the CARES Act.

Interest expense



Interest expense for the fiscal year ended June 30, 2023 increased by \$170,304, or 89%, to \$362,315 due to recording interest on the ROU assets required under GASB 87 and 96 effective July 1, 2021 and July 1, 2022, respectively.

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

CASH FLOW STATEMENTS

The following table compares the results of operations for the fiscal years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash provided by (used in)		
Operating activities	\$ 4,547,756	\$ 4,999,423
Capital and related financing and investing activities	<u>(3,807,956)</u>	<u>(1,480,244)</u>
 NET INCREASE (DECREASE IN)		
CASH AND CASH EQUIVALENTS	739,800	3,519,179
 Cash and cash equivalents, beginning of year	<u>7,145,466</u>	<u>3,626,287</u>
 Cash and cash equivalents, end of year	<u><u>\$ 7,885,266</u></u>	<u><u>\$ 7,145,466</u></u>

The statement of cash flows presents detailed information about the cash activities of UNLV Health 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 Health's net income and the net cash provided by or used in operating activities. Cash and cash equivalents as of June 30, 2023 and 2022 were \$7,885,266 and \$7,145,466, respectively.

UNLV Medicine, Inc. dba UNLV Health

MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
(Unaudited)

As of June 30, 2023 and 2022

CONTRACTUAL OBLIGATIONS

The following table summarizes UNLV Health's contractual obligations as of June 30, 2023:

	July 1, 2022	Additions	Liabilities Reduction	June 30, 2023
Facility lease liabilities	\$ 17,914,731	\$ 3,277,184	\$ 2,866,488	\$ 18,325,427
Equipment lease liabilities	98,721	405,118	107,961	395,878
Software	<u>1,803,369</u>	<u>127,157</u>	<u>368,888</u>	<u>1,561,638</u>
Total contractual obligations	<u>\$ 19,816,821</u>	<u>\$ 3,809,459</u>	<u>\$ 3,343,337</u>	<u>\$ 20,282,943</u>

Requests for information

This report is designed to provide a general overview of UNLV Health's finances for all interested parties. Questions concerning the information contained in this report should be addressed to UNLV Kirk Kerkorian School of Medicine Dean, 3016 West Charleston Blvd., Las Vegas, NV 89102.

BASIC FINANCIAL STATEMENTS

UNLV Medicine, Inc. dba UNLV Health**STATEMENT OF NET POSITION****As of June 30, 2023****ASSETS****CURRENT ASSETS**

Cash and cash equivalents	\$	7,791,161
Restricted cash and cash equivalents		94,105
Patient accounts receivable, net of estimated contractual allowances and estimated uncollectables of \$6,315,608 and \$2,122,593.		5,482,856
Other receivables		3,293,249
Due from affiliates, net		98,855
Inventory		426,671
Prepaid expenses and other assets		143,423
Total current assets		<u>17,330,320</u>

NONCURRENT ASSETS

Property and equipment, net		263,235
Right-of-use assets, net		<u>19,683,509</u>
Total assets		<u><u>37,277,064</u></u>

LIABILITIES AND NET POSITION**CURRENT LIABILITIES**

Accounts payable	\$	2,053,387
Patient refunds		305,391
Accrued payroll and employee related expenses		1,260,839
Other short-term liabilities		95,579
Right-of-use lease liabilities		2,969,145
Right-of-use software liabilities		398,809
Due to affiliates, net		<u>2,452,283</u>
Total current liabilities		<u>9,535,433</u>

NONCURRENT LIABILITIES

Right-of-use lease liabilities, net of current portion		15,752,160
Right-of-use software liabilities, net of current portion		<u>1,162,829</u>
Total liabilities		<u>26,450,422</u>

COMMITMENTS AND CONTINGENCIES (Note N)**NET POSITION**

Invested in capital assets, net of related debt		(336,199)
Restricted, expendable		94,105
Unrestricted		<u>11,068,736</u>
Total net position		<u>10,826,642</u>
Total liabilities and net position	\$	<u><u>37,277,064</u></u>

The accompanying notes are an integral part of this statement.

UNLV Medicine, Inc. dba UNLV Health**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****For the Fiscal Year Ended June 30, 2023****REVENUES**

Net patient service revenue	\$ 37,995,689
Net contract revenue	16,240,718
Other revenue	<u>10,861,625</u>
Total revenue	<u>65,098,032</u>

OPERATING EXPENSES

Employee salaries, wages and benefits	23,432,214
Physician services	22,639,945
Medical fees	11,805,434
Supplies	504,563
Purchased services, insurance and other	4,700,990
Depreciation and amortization	<u>4,195,005</u>
Total operating expenses	<u>67,278,151</u>
Operating loss	<u>(2,180,119)</u>

NON-OPERATING INCOME (EXPENSES)

KSOM support	3,536,719
Interest expense	<u>(362,315)</u>
Total non-operating income	<u>3,174,404</u>
CHANGE IN NET POSITION	<u>994,285</u>

Net position - beginning of year	<u>9,832,357</u>
Net position - end of year	<u><u>\$ 10,826,642</u></u>

The accompanying notes are an integral part of this statement.

UNLV Medicine, Inc. dba UNLV Health

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2023

Cash flows from operating activities:

Receipts from patients and third-party payors	\$ 39,034,588
Payments to employees	(23,341,679)
Payments to suppliers	(40,601,344)
Other receipts	<u>29,456,191</u>
Net cash provided by operating activities	<u>4,547,756</u>

Cash flows from capital and related financing activities:

Payments on leases	(3,692,443)
Payments of interest	<u>(6,054)</u>
Net cash used in capital and related financing activities	<u>(3,698,497)</u>

Cash flows from capital and related investing activities:

Proceeds from sale of property and equipment	20,930
Purchase of property and equipment	<u>(130,389)</u>
Net cash used in capital and related investing activities	<u>(109,459)</u>

NET INCREASE IN CASH

739,800

Cash and cash equivalents - beginning of year	<u>7,145,466</u>
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Cash and cash equivalents - end of year	<u>\$ 7,885,266</u>
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Reconciliation of income from operations to net cash provided by (used in) operating activities:

Operating loss	\$ (2,180,119)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,195,005
Contributions from KSOM	3,536,719
Changes in operating assets and liabilities:	
Patient accounts receivable	1,426,760
Other receivables	(1,182,871)
Inventory	(43,300)
Due to affiliates	(5,381)
Prepaid expenses and other assets	3,363
Accounts payable	199,137
Patient refund	(387,861)
Accrued payroll and employee related expenses	90,535
Other short-term liabilities	(229,860)
Due from affiliates	<u>(874,371)</u>

Net cash provided by operating activities	<u>\$ 4,547,756</u>
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The accompanying notes are an integral part of this statement.

UNLV Medicine, Inc. dba UNLV Health

STATEMENT OF CASH FLOWS - CONTINUED

For the Fiscal Year Ended June 30, 2023

Supplemental disclosure of cash flow information:

Cash paid for interest	<u>\$ 362,315</u>
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Supplemental noncash investing and financing activities information:

Right-of-use lease facilities being financed	<u>\$ 3,277,184</u>
Right-of-use lease equipment being financed	<u>\$ 405,118</u>
Right-of-use SBITA being financed	<u>\$ 1,930,526</u>

The accompanying notes are an integral part of this statement.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2023

NOTE A—COMPANY AND OPERATIONS

UNLV Health (“UNLV Health” or the “Company”) was incorporated as a not-for-profit corporation on June 16, 2016. Full business operations for the faculty practice plan started in fiscal year 2018 with the opening of the University of Nevada, Las Vegas School of Medicine (“UNLV SOM”).

The mission and goals of the Company 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 and develop an effective clinical practice environment to support the teaching, education, training and clinical research missions of UNLV SOM and its physicians. In 2021, UNLV SOM formerly changed its name to UNLV Kirk Kerkorian School of Medicine.

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, as amended, *Determining Whether Certain Organizations are Component Units*.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

These statements have been prepared on the accrual basis of accounting in accordance with accounting standards promulgated by 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.
- 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 Company and the purpose specified in its articles of incorporation or by laws and limits resulting from contractual agreement, if any.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

3. Cash and Cash Equivalents

Cash and cash equivalents are highly liquid assets including coin, currency and short-term investments that typically mature in 30-90 days. Cash and cash equivalents include demand deposit accounts.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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. *Patient Refunds*

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

6. *Inventory*

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

7. *Property and Equipment*

Capital asset purchases and leasehold improvements are recorded at cost, net of accumulated depreciation. Asset purchases in excess of \$2,500 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.

8. *Right-of-Use (ROU) Assets*

ROU assets are recognized at the lease commencement date and represent the Company's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Amortization is computed using the straight line method over the shorter of the contract term or the life of the asset.

9. *Subscription-Based Information Technology Arrangements (SBITAs)*

SBITAs are defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Assets and liabilities resulting from SBITAs are recognized and measured using the facts and circumstances that existed at the beginning of the fiscal years beginning after June 15, 2022 and all reporting periods thereafter. The subscription asset is initially measured as the sum or (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Subscription-Based Information Technology Arrangements (SBITAs)—Continued

any incentives received from the SBITA vendor at or before the commencement of the subscription term. UNLV Health recognizes amortization of the subscription asset as an outflow of resources over the subscription term.

10. ROU Lease and Software Liabilities

Lease and software liabilities represent the Company's obligation to make payments arising from leases other than short-term leases or software subscription contracts. Lease and software liabilities are recognized at the commencement date based on the present value of future payments over the remaining term. The present value of payments are discounted based on a borrowing rate determined by the Company using a third-party valuation firm. Short term leases and software contracts, those with a maximum period of 12 months, are expensed as incurred.

11. Income Taxes

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

12. 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 Company's ongoing operations. The principal operating revenues of the Company are net patient service revenue and contract revenue. Other revenue includes pharmaceuticals and other exchange transactions, along with federal, state, local grants. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expense requirements.

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

- *Medicare* is a federal health insurance program that 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 Company is paid.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Operating Revenues and Expenses—Continued

Net Patient Services Revenue—Continued

- *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 Company is paid according to the Medicaid fee schedule.
- *Commercial and Other Insurance* - The Company 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 Company 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 revenue. Contractual adjustments were \$41,991,384 incurred during the fiscal year ended June 30, 2023. The Company also treats patients without insurance or provides elective surgery services that are not covered by third-party payors. Bad debt expenses of \$7,169,999 were incurred during the fiscal year ended June 30, 2023.

Contract Revenue

Contract revenue includes agreements the Company 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.

13. *Compensated Absences*

The Company'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 one year of continuous service. The estimated amount of accrued PTO is reported as accrued payroll and employee-related expenses.

14. *New Accounting Pronouncements*

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which addressed informational needs of the financial statement users by improving the accounting and financial reporting for subscription-based agreements by governments. SBITAs are recognized and measured using the facts and circumstances that exist for years beginning after June 15, 2022. The Company adopted this statement on July 1, 2022 and recorded ROU assets of \$1,803,369, net of accumulated amortization, and ROU liabilities of \$1,803,369 net of lease liability reductions, in the Company's Statement of Net Position as of July 1, 2022.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

New Accounting Pronouncements—Continued

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which addresses informational needs of the financial statement users by improving the accounting and financial reporting for compensated absences, such as PTO. GASB 101 is effective for years beginning after December 31, 2023. The Company has not adopted this statement and is in the process of determining the impact to its financial statements.

NOTE C—CONCENTRATION OF CREDIT RISK

The Company 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 year ended June 30, 2023 were as follows:

Financial Class	2023
Medicare	25%
Medicaid	23%
Commercial	22%
Governmental Agencies	3%
Self Pay	27%
	<u>100%</u>

NOTE D—CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are highly liquid assets including coin, currency and short-term investments that typically mature in 30-90 days. The Company maintains its cash accounts in deposit accounts, the balance of which is periodically in excess of federally insured limits. As of June 30, 2023, cash and cash equivalents consisted of the following:

	2023
Cash on deposits	\$ 7,815,640
Custodial credit risk	\$ 8,324,788

NOTE E—RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash refers to cash that is held onto by a company for specific reasons and is, therefore, not available for immediate ordinary business use. Restricted cash and cash equivalents of \$94,105 consisted of various small gifts.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE F—PROPERTY AND EQUIPMENT

The property and equipment activity for the fiscal year ended June 30, 2023 was as follows:

Fixed Assets	July 1, 2022	Additions / Depreciation Expense	Disposals	June 30, 2023
Medical equipment	\$ 786,112	\$ 69,520	\$ -	\$ 855,632
Computer equipment and software	3,456,031	20,778	(20,930)	3,455,879
Furniture, fixtures and office equipment	327,120	-	-	327,120
Vehicles	15,940	-	-	15,940
Leasehold improvements	282,950	40,091	-	\$ 323,041
Property and equipment, at cost	4,868,153	130,389	(20,930)	4,977,612
Less: accumulated depreciation	(4,214,916)	(516,904)	17,443	(4,714,377)
Property and equipment, net	<u>\$ 653,237</u>	<u>\$ (386,515)</u>	<u>\$ (3,487)</u>	<u>\$ 263,235</u>

Depreciation expense property and equipment for the fiscal year ended June 30, 2023, inclusive of depreciation of deferred outflow, was \$499,461.

NOTE G—RIGHT-OF-USE ASSETS

The activity for leases for facilities for the fiscal year ended June 30, 2023 was as follows:

Right-of-Use Assets	Start Date	End Date	Term (mos)	July 1, 2022	Additions / Amortization Expense	June 30, 2023
3196 Maryland Parkway	10/1/2021	9/30/2031	120	\$ 2,091,264	\$ -	\$ 2,091,264
5320 S. Rainbow Blvd.	7/1/2021	11/1/2030	113	2,583,254	-	\$ 2,583,254
4000 E. Charleston Blvd.	7/1/2021	4/1/2029	94	4,699,003	-	\$ 4,699,003
3016 W. Charleston Blvd.	7/1/2021	1/31/2026	175	4,473,156	3,277,184	\$ 7,750,340
1524 Pinto Lane	7/1/2021	10/1/2024	40	1,593,688	-	\$ 1,593,688
5380 S. Rainbow Blvd.	7/1/2021	9/1/2022	15	34,975	-	\$ 34,975
1707 W. Charleston Blvd.	7/1/2021	5/1/2026	59	5,353,831	-	\$ 5,353,831
Right-of-use assets				20,829,171	3,277,184	24,106,355
Less: accumulated amortization				(3,157,728)	(3,201,137)	(6,358,865)
Right-of-use assets at carrying value				<u>\$ 17,671,443</u>	<u>\$ 76,047</u>	<u>\$ 17,747,490</u>

There were no terminations of leases for facilities in the fiscal year ended June 30, 2023.

The activity for leases for equipment for the fiscal year ended June 30, 2023 was as follows:

Right-of-Use Assets	Start Date	End Date	Term (mos)	July 1, 2022	Additions / Amortization Expense	June 30, 2023
Wells Fargo Leasing	7/1/2021	6/1/2023	23	\$ 163,098	\$ (1,580)	\$ 161,518
Wells Fargo Lease (New)	6/1/2023	5/1/2028	60	-	395,084	395,084
General Electric Financing	7/1/2021	9/1/2023	27	13,433	-	13,433
Hewlett Packard Financing	3/15/2020	2/15/2024	48	13,921	7,009	20,930
Right-of-use assets				190,452	400,513	590,965
Less: accumulated amortization				(105,287)	(92,205)	(197,492)
Right-of-use assets at carrying value				<u>\$ 85,165</u>	<u>\$ 308,308</u>	<u>\$ 393,473</u>

UNLV Medicine, Inc. dba UNLV Health
NOTES TO FINANCIAL STATEMENTS—CONTINUED
For the Fiscal Year Ended June 30, 2023
NOTE H—RIGHT-OF-USE ASSETS - SBITAs

The activity for software for the fiscal year ended June 30, 2023 was as follows:

Right-of-Use Assets	Start Date	End Date	Term (mos)	July 1, 2022	Additions / Amortization Expense	June 30, 2023
EMR (EPIC)	7/1/2022	5/1/2027	59	\$ 1,803,369	\$ -	\$ 1,803,369
Work-Vivo	1/1/2023	12/1/2025	36	-	127,157	127,157
Right-of-use assets				1,803,369	127,157	1,930,526
Less: accumulated amortization				-	(387,980)	(387,980)
Right-of-use assets at carrying value				\$ 1,803,369	\$ (260,823)	\$ 1,542,546

NOTE I—LEASE LIABILITIES
Facilities

	July 1, 2022	Additions	Reductions	June 30, 2022
3196 Maryland Parkway	\$ 1,965,669	\$ -	\$ (174,011)	\$ 1,791,658
5320 S. Rainbow Blvd.	2,357,124	-	(236,670)	2,120,454
4000 E Charleston Blvd.	4,184,930	-	(537,598)	3,647,332
3016 W. Charleston Blvd.	3,974,182	3,277,184	(364,266)	6,887,100
1524 Pinto Lane	1,135,863	-	(474,955)	660,908
5380 S. Rainbow Blvd.	7,056	-	(7,056)	-
1707 W. Charleston Blvd. (PCC)	4,289,907	-	(1,071,932)	3,217,975
Lease liabilities—facilities	\$ 17,914,731	\$ 3,277,184	\$ (2,866,488)	\$ 18,325,427

Equipment

	July 1, 2022	Additions	Reductions	June 30, 2022
Wells Fargo Lease	\$ 81,717	\$ -	\$ (81,717)	\$ -
Wells Fargo Lease (New)	-	395,084	(6,063)	389,021
General Electric Financing	7,642	-	(6,033)	1,609
Hewlett Packard lease	9,362	10,034	(14,148)	5,248
Lease liabilities—equipment	\$ 98,721	\$ 405,118	\$ (107,961)	\$ 395,878

Interest expense associated with facilities and equipment leases was \$320,945 for the year ended June 30, 2023.

NOTE J—SUBSCRIPTION LIABILITIES - SBITAs

	July 1, 2022	Additions	Reductions	June 30, 2022
EMR (EPIC)	\$ 1,803,369	\$ -	\$ (349,559)	\$ 1,453,810
Work Vivo	-	127,157	(19,329)	107,828
Subscription liabilities—SBITAs	\$ 1,803,369	\$ 127,157	\$ (368,888)	\$ 1,561,638

Interest expense associated with subscription liabilities was \$40,830 for the year ended June 30, 2023.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE K—FUTURE MINIMUM LEASE AND SBITAS PAYMENTS

Future minimum lease and SBITAS payments as of June 30, were as follows:

	Principal	Interest	Total
2024	\$ 3,367,802	\$ 397,976	\$ 3,765,778
2025	3,147,500	350,825	3,498,325
2026	3,011,203	302,561	3,313,764
2027	1,999,692	267,408	2,267,100
2028	1,728,059	224,575	1,952,634
Thereafter	7,028,687	755,815	7,784,502
Total present value of minimum lease and software payments	20,282,943	\$ 2,299,160	\$ 22,582,103
Lease and software liability current portion	3,367,954		
Lease and software liability, net of current portion	\$ 16,914,989		

NOTE L—TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

KSOM pays salaries for all its faculty physician members along with leases, malpractice, EMR, and other administration expenses. The Company reimburses KSOM for any amounts not covered by state appropriations, grant contract income, or other sources that are administered by KSOM. During the fiscal year ended June 30, 2023 the Company paid \$20,095,344 to KSOM for physician salaries, \$3,577,116 for leases, \$1,830,231 for malpractice, legal, and general liability expenses, \$1,673,260 for EMR and IT expenses, and \$162,540 for other administration expenses for a total of \$27,338,491 paid to KSOM. As of June 30, 2023, the Company owed KSOM \$2,452,283, for salaries, leases, EMR and IT expenses, and other administration expenses, which are included in the net due to affiliates in the accompanying Statements of Net Position.

On April 16, 2020, a Memorandum of Understanding (“MOU”) was made by and between the Board of Regents of the NSHE on behalf of KSOM and UNLV Health. The MOU commenced and continues in full force and effect for five years from the effective date of April 6, 2020. The purpose of the MOU is to memorialize those certain real estate leases held under the name of KSOM as lessee, but for which KSOM has granted UNLV Health rights to use the respective facility assets. In return for KSOM granting UNLV Health the RTU to use those certain facility assets, UNLV Health will be responsible for paying monthly financial obligations due for said leases for the duration of the lease terms unless the parties agree otherwise in writing.

The Company is covered under a professional liability insurance policy for medical malpractice claims that is purchased by KSOM and names the Company as additional named insured. 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. KSOM presently intends to renew claims-made coverage annually and expects to be able to obtain such coverage. The Company reimbursed KSOM \$1,782,182 for the professional liability malpractice insurance and other insurance premiums during the year ended June 30, 2023.

At June 30, 2023, the Company recorded ROU facility assets sub-leased from KSOM of \$17,747,490, and lease liabilities of \$18,325,427.

During the fiscal year ended June 30, 2023, KSOM gifted the Company \$3,536,719 (“the KSOM Gift”), in the form of liability forgiveness. The KSOM Gift was made available to UNLV Health to help cover physician and information technology salaries of \$3,231,071 and \$305,648, respectively.

The Company also paid \$ 237,600 to UNLV for PCC expenses that consisted of (a) variable cost rent expense of \$209,793 and (b) interest expense of \$27,807.

UNLV Medicine, Inc. dba UNLV Health

NOTES TO FINANCIAL STATEMENTS—CONTINUED

For the Fiscal Year Ended June 30, 2023

NOTE L—TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES—*Continued*

During the year ended June 30, 2023, the Company paid \$1,639,064 to KSOM for the Resolute Billing System, part of electronic medical record system maintenance.

During the fiscal year ended June 30, 2023, the Company paid KSOM \$113,000 for the reimbursement of one-time charges for audit fees.

The Company 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 year ended June 30, 2023 was \$385,416. The total amounts due from UNLV in relation with these services as of June 30, 2023 was \$24,711.

NOTE M—RETIREMENT PLAN

The Company participates in a defined contribution retirement plan sponsored by the UNLV Health under Section 401(k) of the Code that covers all employees are eligible after 3 months and 250 hours worked and 21 years and older. The UNLV Health 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 year ended June 30, 2023, the Company contributed 3% for each eligible employee for a total of \$511,971.

NOTE N—COMMITMENTS AND CONTINGENCIES

Malpractice Insurance

GAAP 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 Company beyond the insurance coverage levels which would have a material adverse effect on the Company'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 Company is subject to various lawsuits and claims arising out of the normal course of business. Management and the Company's legal counsel are of the opinion that the ultimate liability from such matters will not have a material adverse impact on the Company's financial position.

NOTE O—SUBSEQUENT EVENTS

The Company has evaluated subsequent events for the period from June 30, 2023 through November 16, 2023, the date these financial statements were issued.

UNLV Medicine, Inc. dba UNLV Health

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 Health
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 (*Government Auditing Standards*), the financial statements of the the business-type activities of UNLV Medicine Inc. (dba UNLV Health) (the "Entity") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated November 16, 2023.

Report on internal control over financial reporting

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

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. 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 or significant deficiencies may exist that were not identified.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity'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 financial statements. 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*.

Purpose of this report

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 Entity'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 Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

San Jose, CA
November 16, 2023

UNLV Medicine, Inc. dba UNLV Health

SCHEDULE OF FINDINGS AND RESPONSES

For the Fiscal Year Ended June 30, 2023

None reported.