

**SPECIAL AUDIT AND COMPLIANCE COMMITTEE
WAITZER HALL BOARDROOM
October 26, 2021
9:00 A.M.**

BOARD MEMBERS PRESENT

Blythe Scott, Esq., Chair
Robert Bianchi, Rear Adm. (USN) Ret.
Betty Bibbins, MD
Sarah Bishop
Sharon Goodwyn, Esq.
Phillip Hucles, Esq.
W. Ashton Lewis, Sr.
Bruce Waldholtz, MD

BOARD MEMBERS ABSENT

Chester Hart, Jr.

OTHERS PRESENT

Tammy Chrisman
Vickie Dean
Helen Heselius
Trey Oglesby, KPMG
Heidi Smith
Nick Strong, KPMG

CALL TO ORDER

Ms. Blythe Scott, Chair, called the meeting to order at 9:00 a.m.

KPMG EXTERNAL AUDIT REPORTS

Mr. Trey Oglesby reviewed the audit of the EVMS consolidated financial statements for the year that ended June 30, 2021. Mr. Oglesby described KPMG's audit process for providing audit quality, including the use of new technology such as the KPMG Clara secure audit platform and virtual audit rooms to adapt to remote work environments.

Mr. Oglesby reported no significant unusual transactions, and no uncorrected or corrected audit differences. Financial statement disclosures were found to be clear, neutral, and consistent with prior periods.

EVMS maintains certain non-GAAP accounting policies, which is not unique to EVMS, but is monitored by KPMG. There were no material issues related to non-GAAP policies to report.

KPMG will be issuing an unmodified opinion, which is the highest level of assurance they can provide. KPMG's opinion, insofar as it relates to the amounts included for the EVMS

Foundation, for which EVMS records a beneficial interest in net assets, is based on the report of the Foundation's auditors.

Mr. Nick Strong discussed the new revenue standard adopted by EVMS- "Topic 606". KPMG and management have been working on this standard for approximately 18 months, which involved a thorough review of each revenue stream. The adoption of Topic 606 did not have a material impact on the financial statements of EVMS. KPMG did not have any matters to report regarding non-compliance with laws and regulations, illegal acts, or disagreements with management. Mr. Strong confirmed KPMG's independence from EVMS.

Mr. Strong identified two significant accounting risks present in the audit, including the EVMS Medical Group allowance for uncollectible patient accounts receivable and management override of controls. KPMG evaluated key factors and assumptions used to develop the allowances, including possible management bias, and determined that the estimates were reasonable in relation to the consolidated financial statements as a whole. KPMG did not identify any instances of management override of internal controls or fraudulent journal entries.

Upon a motion made and seconded, the Audit and Compliance Committee unanimously accepted the auditor's report and approved the financials for issuance as presented.

FINANCIAL STATEMENT HIGHLIGHTS

Ms. Helen Heselius discussed highlights of the financial statements prepared by EVMS. She reviewed the major variances in the balance sheet and income statement from fiscal year 2021. Cash and operating investments increased \$29.7 million, largely due to net increases in operations. Accounts receivable increased by \$3.8 million, largely due to deferred tuition.

Ms. Heselius reported that the EVMS Foundation had a very strong year. The increase in the Foundation net assets was mostly due to \$36.7 million in realized and unrealized investment gains, as well as \$18.9 million in fundraising.

Department reserves increased \$18.5 million.

The fiscal year 2021 operating bottom line of \$43.1 million includes \$25.9 million from unrestricted operations and an increase of \$17.1 million in temporarily restricted net assets. The total change in net assets was \$92.8 million, which includes \$49.8 million of non-operating items.

There being no further business to discuss, the meeting adjourned at 9:36 A.M.

Heidi G. Smith

Heidi G. Smith
Recording Secretary