

STATE OF WEST VIRGINIA

SPECIAL REPORT

OF

**WEST VIRGINIA UNIVERSITY MEDICAL
CORPORATION**

ANALYSIS OF FINANCIAL STATEMENTS

FOR THE PERIOD

JULY 1, 1995 - JUNE 30, 2000



OFFICE OF THE LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON, WEST VIRGINIA 25305-0610

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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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CHARLESTON, WEST VIRGINIA 25305-0610

To the Joint Committee on Government and Finance:

The objectives of the Special Report were to evaluate and analyze the financial statements of West Virginia University Medical Corporation for the period July 1, 1995 through June 30, 2000. To achieve the objectives, we performed the following:

Requested and obtained various financial information from West Virginia University Medical Corporation for the period July 1, 1995 through June 30, 2000. The financial information obtained included copies of audit reports of West Virginia University Medical Corporation for the years ended June 30, 1996 through June 30, 2000;

Evaluated and analyzed the Balance Sheets and Statements of Operations of West Virginia University Medical Corporation for the years ended June 30, 1996 through June 30, 2000. The analysis included calculating key financial ratios as a means of assessing the overall financial condition of West Virginia University Medical Corporation. The General Remarks section of this Special Report discloses the analysis of these financial ratios; and,

Contacted the State Board of Risk and Insurance Management and the Robert C. Byrd Health Sciences Center of West Virginia University (West Virginia University School of Medicine) to determine the amount of Medical Malpractice insurance premiums paid by West Virginia University Medical Corporation on behalf of faculty physicians during the years ended June 30, 1996 through June 30, 2000.

As stated above, the results of our work are contained in the General Remarks Section of this Special Report.

Respectfully submitted,

A handwritten signature in black ink that reads "Theford L. Shanklin".

Theford L. Shanklin, CPA, Director
Legislative Post Audit Division

August 16, 2001

Auditors: Michael E. Sizemore, CPA, Supervisor

WEST VIRGINIA UNIVERSITY MEDICAL CORPORATION

ANALYSIS OF FINANCIAL STATEMENTS

INTRODUCTION

The West Virginia University Medical Corporation (the Corporation) is a non-profit corporation recognized under Section 501 (c) (3) of the Internal Revenue Code. The membership of the Corporation consists of physicians who are also faculty members of the West Virginia University School of Medicine (WV School of Medicine). The revenues of the Corporation are used for the public purpose of furthering the goals and objectives of the WV School of Medicine and are derived primarily from billings for medical services furnished by the Corporation's membership within the conduct of their duties as a member of the faculty of the WV School of Medicine. In addition to the revenues generated by direct patient care provided by the Corporation's membership, operating revenues also include interest earnings from investments (including trustee funds related to long-term borrowings), rentals related to the Physician Office Center, and contractual agreements with various health care providers, which provide additional teaching and service opportunities to the Corporation's membership.

WEST VIRGINIA UNIVERSITY MEDICAL CORPORATION

ANALYSIS OF FINANCIAL STATEMENTS

GENERAL REMARKS

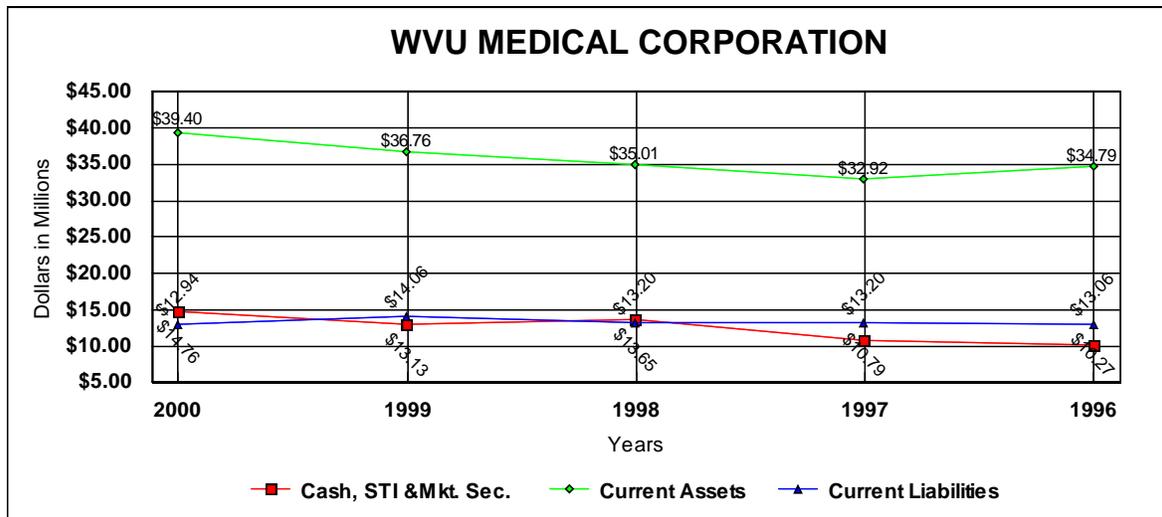
INTRODUCTION

We have completed a review of the financial statements and various other financial information for the West Virginia University Medical Corporation (WVU Medical Corporation) for the period July 1, 1995 through June 30, 2000. We have calculated key financial ratios and presented them as graphic presentations.

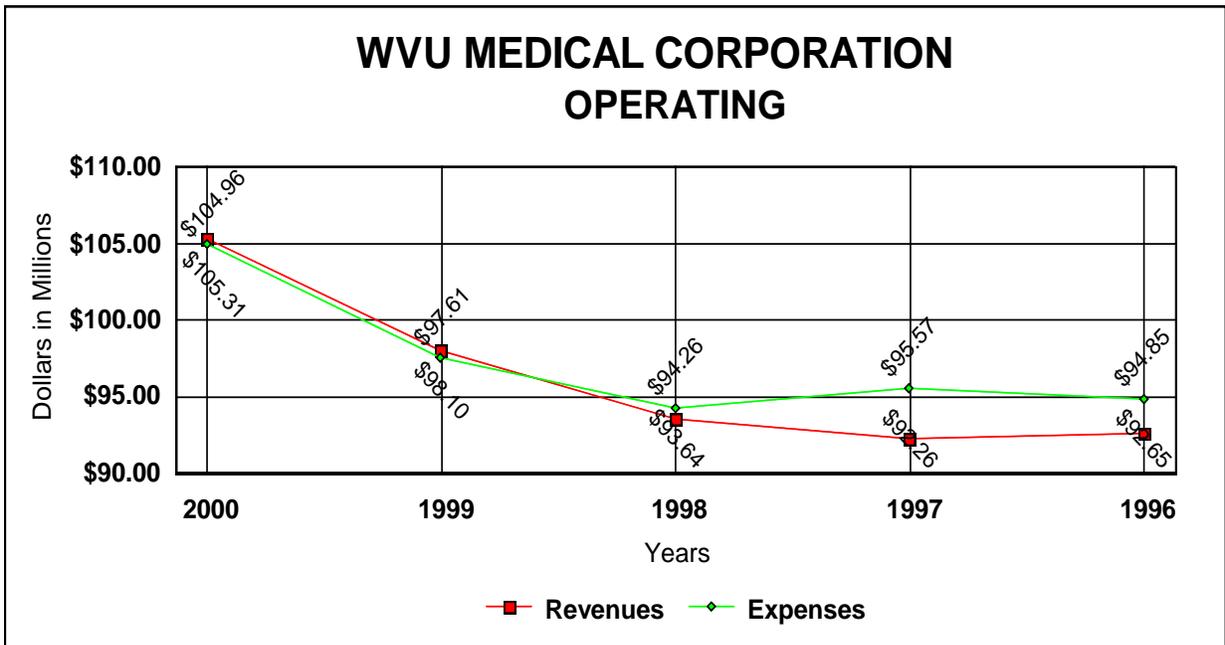
Analysis of Financial Data

Our initial step was to determine for each fiscal year, the total amount representing cash, cash equivalents, short-term investments and marketable securities as reflected on the Balance Sheets of the WVU Medical Corporation. Next, we determined total current assets and total current liabilities as shown on the Balance Sheets for these same fiscal years and plotted these amounts on the graph which follows below as a means of illustrating the relationships of the aforementioned amounts for each fiscal year and to display any trends which might exist. The term **“Cash, STI & Mkt. Sec.”** on the graph represents cash, short-term investments and marketable securities which can be converted to cash within a short time frame (approximately 90 days). **“Current Assets”** are generally those assets which are convertible to cash within 12 months of the Balance Sheet date and **“Current Liabilities”** are generally those liabilities which are payable within 12 months of the Balance Sheet date. As can be seen on the graph current liabilities, the ratio of to (cash, short-term investments and marketable securities) to current liabilities is approximately 0.94 over the five-year period and the ratio of current assets to current liabilities is approximately 2.69 to 1 over this same period. These ratios indicate the

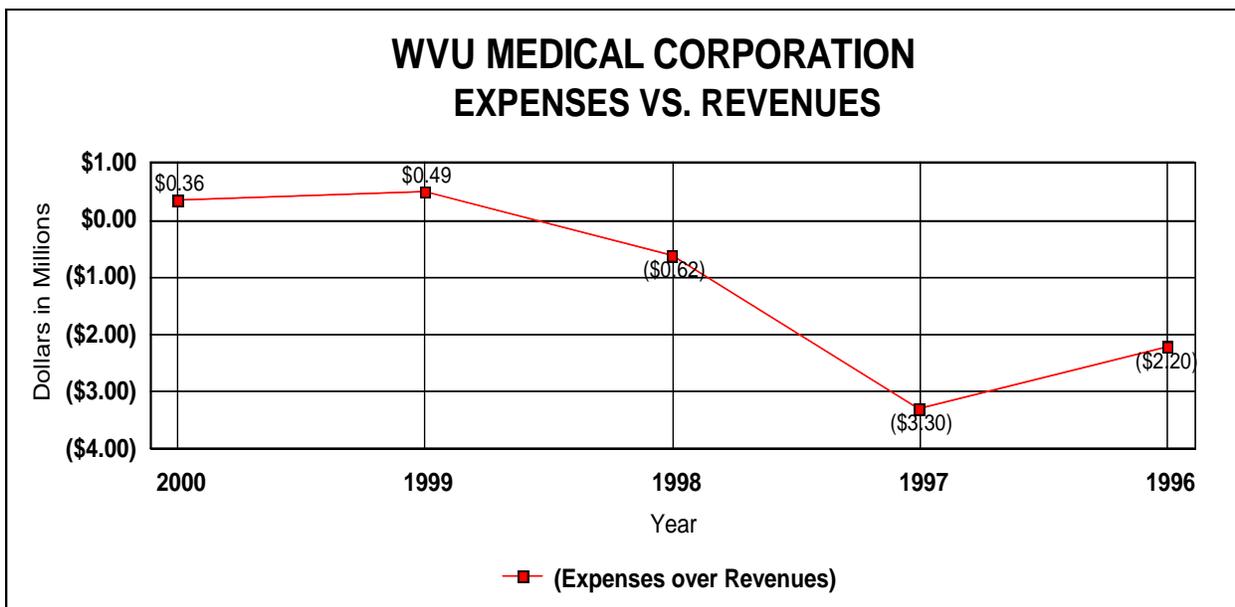
total available cash, short-term investments and marketable securities would be more than sufficient to pay all short-term liabilities and the current assets are more than two and one-half times more than the current liabilities.



In addition, we also determined the operating revenues and operating expenses for the fiscal years ended June 30, 1996 through June 30, 2000. These amounts are plotted on the graph which follows below and illustrate the relationship between the amounts and any apparent trends. As reflected in the graph, the operating revenues and expenses are fairly close from year-to-year; however, a significant increase (7.2%) in revenues is shown for the fiscal year ended June 30, 2000 and the reason for this increase in revenues is not readily apparent; however the Statement of Operations also shows that expenses for Services and Supplies increased substantially in the same year which consumed virtually all of the additional revenues.



Lastly, we determined from the financial statements provided to us the amount of revenues over expenses or (expenses over revenues) for each fiscal year and that information is shown on the graph below. As reflected in the graph, the expenses exceeded revenues by as much as approximately \$3,300,000.00 in the fiscal year ended June 30, 1997 and revenues have exceeded expenses by approximately \$360,000.00 and \$490,000.00 during the fiscal years ended June 30, 2000 and June 30, 1999, respectively.



BRIM Premiums For Malpractice Insurance

Based on information provided us the WVU Medical Corporation through our request to the President of West Virginia University, the following amounts were transferred to West Virginia University for subsequent transfer to the State Board of Risk and Insurance Management (BRIM) for the purpose of paying for Medical Malpractice Insurance premiums for faculty physicians

<u>Year Ended</u>	<u>Amount Transferred for Insurance Payments</u>
June 30, 2000	\$1,199,790.00
June 30, 1999	1,199,790.00
June 30, 1998	1,637,167.00
June 30, 1997	1,712,532.00
June 30, 1996	<u>1,712,532.00</u>
Total	<u>\$7,461,811.00</u>

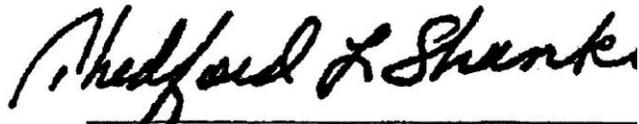
In addition to the funding provided by the WVU Medical Corporation, the State General Revenue Fund appropriations to West Virginia University were used to pay a portion of the BRIM Premiums for any WVU Medical Corporation physicians who are also full-time, tenured, teaching faculty at the West Virginia University School of Medicine. To the extent that State General Revenue Fund appropriations in combination with the moneys provided by the WVU Medical Corporation are not sufficient to cover the BRIM billing, West Virginia University has an outstanding balance due BRIM.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Thedford L. Shanklin, CPA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 10TH day of June, 2001.



Thedford L. Shanklin, CPA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to Governor; Attorney General; and, the State Auditor.