

REVIEW OF  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC,  
INCORPORATED  
FOR THE YEAR ENDED JUNE 30, 1982

*West Virginia*



**LEGISLATIVE AUDITOR**

**CHARLESTON**

The Honorable Encil Bailey  
Legislative Auditor  
State Capitol - West Wing  
Charleston, West Virginia

Sir:

In compliance with your instructions, we have reviewed the records of the West Virginia School of Osteopathic Medicine Clinic, Incorporated. Our review covered the fiscal year ended June 30, 1982. The results of the review are set forth on the following pages of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Thedford L. Shanklin".

Thedford L. Shanklin, CPA, Director  
Legislative Postaudit Division

TLS:nkk;chw

Auditors: Paul Warren, Auditor-in-Charge  
Gary Baker  
John Osmianski  
John Bower

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC,

INCORPORATED

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WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC,  
INCORPORATED  
EXIT CONFERENCE

We held an exit conference on January 4, 1983 with the President, Treasurer and Business Manager of the Clinic. The report was reviewed and discussed and all concurred with the information included in this report.

WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC,

INCORPORATED

INTRODUCTION

The West Virginia School of Osteopathic Medicine Clinic, Incorporated was formed July 21, 1975 under the provisions of Chapter 30, Article 3 of the West Virginia Code. The following individuals were the incorporators:

- Joseph T. Rogers, D.O.
- Alexander Trefz, D.O.
- Roland P. Sharp, D.O.
- Donald C. Newell, Sr., D.O.
- O. J. Bailes, D.O.

The principal office and place of business of the corporation is located at 400 N. Lee Street, Lewisburg, West Virginia.

The corporation is non-profit and exempt from federal income tax under section 501 (c) (3) of the Internal Revenue Code. Membership in the corporation is limited to physicians licensed to practice osteopathic medicine in West Virginia as provided by Chapter 30, Article 3, Section 4b of the West Virginia Code. During fiscal year 1982, there were 15 members of the corporation.

The corporation's officials for the year ended June 30, 1982 were as follows:

BOARD OF DIRECTORS

- Martyn E. Richardson, D.O. . . . . President
- Harry P. Kornhiser, D.O. . . . . Treasurer
- Donald D. Downing, D.O. . . . . Vice President
- Richard W. Willy, D.O. . . . . Secretary
- Roland P. Sharp, D.O. . . . . Director

EXECUTIVE OFFICER

- Fred O. Hall *copy* . . . . . Business Manager

The objects for which the corporation was formed are as follows:

A. To enable the corporation, through its employee-physicians, to furnish osteopathic medical services to patients seeking same at its clinic at 400 N. Lee Street, Lewisburg, West Virginia, and at its various outreach centers; to collect fees for such medical services through a professional fees office established by the corporation; to pay the Greenbrier College of Osteopathic Medicine, Inc., or its corporate successor, a reasonable amount for the use of facilities at 400 N. Lee Street, Lewisburg, West Virginia; to pay salaries to its employees; and, to disburse the balance of such professional fees received above expenses for the benefit of the Greenbrier College of Osteopathic Medicine, Inc., or its corporate successor.

B. To do any and all lawful acts and things which may be necessary, useful, suitable or proper for furtherance or accomplishment of the aforesaid purposes of this corporation.

C. To accept, hold, invest, reinvest and administer any gifts, legacies, bequests, devises, funds and property of any sort or nature, and to use, expend or donate the income or principal thereof for, and to devote the same to, the aforesaid purposes of the corporation.

D. PROVIDED, HOWEVER, that no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its members, directors, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make distributions in furtherance of the purposes set forth in Article 3(A) hereof. No part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this Article, or

this Agreement, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under §170 (c) (2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law). Upon the dissolution of the corporation, the Board of Directors shall, after paying or making provision for payment of all of the liabilities of the corporation, dispose of all the assets of the corporation exclusively for the purposes of the corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes as shall at the time qualify as an exempt organization or organizations under §501(c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law), as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Circuit Court of the county in which the principal office of the corporation is then located, exclusively for educational and charitable purposes.

E. PROVIDED AND DECLARED FURTHER, that the object and purpose for which this corporation is formed is to advance the cause of education in the osteopathic medical profession, by making available to the students of the Greenbrier College of Osteopathic Medicine, or its successor, a clinical training environment, and all other provisions of this article are to be read and understood in pursuit of this stated goal and purpose.

F. THE CORPORATION shall conduct its activities as will enable it to qualify as an organization which is not a private foundation as defined in §509 of the Internal Revenue Code of 1954 (or any corresponding provision of any subsequent

federal tax law. However, for any period during which the corporation is a private foundation, the corporation shall be subject to the following restrictions and prohibitions:

(1) The corporation shall make distributions for each taxable year at such time and in such manner as not to become subject to the tax imposed on undistributed income by §4942 of the Internal Revenue Code or, its successor.

(2) The corporation shall not engage in any act of self-dealing as defined in §4941(d) of the Internal Revenue Code or its successor.

(3) The corporation shall not retain any excess business holdings which will subject it to tax under §4943 of the Internal Revenue Code, or its successor.

(4) The corporation shall not make any investments in a manner such as to subject it to tax under §4944 of the Internal Revenue Code, or its successor.

(5) The corporation shall not make any taxable expenditure as defined in §4945(d) of the Internal Revenue Code of 1954, or its successor.



WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC,

INCORPORATED

GENERAL REMARKS

Scope

We have completed our review of the West Virginia School of Osteopathic Medicine Clinic, Incorporated for the year ended June 30, 1982. The purpose of our review was to obtain information for the Joint Committee on Government and Finance in order for the Committee to become more knowledgeable of the Clinic's operations.

We have included as a part of this report the independent certified public accountants' report on the Clinic's financial statements for the year ended June 30, 1982.

Revenues

The Clinic's revenues are generated from fees charged patients at the West Virginia School of Osteopathic Medicine for professional medical services. The Clinic's fee schedule is to be reviewed annually prior to the beginning of each fiscal year. This procedure began July 1, 1981. Also, revenues are generated from the investment of funds not needed for immediate operations. During fiscal year 1982, the Clinic's revenues were as follows:

Patient Service - Net	\$450,303.21
Interest Income	5,799.19
	<u>\$456,102.40</u>

Employees' Salaries and Fringe Benefits

During fiscal year-1982, the Clinic employed 8 people. The employees' salaries and fringe benefits are paid by the West Virginia School of Osteopathic Medicine. The Clinic reimburses the School for 50% of the above. The Clinic does not reimburse 100%, because the employees only work for it 50% of the time. The employees are members of the West Virginia School of Osteopathic Medicine's

retirement plans and are covered by the State's insurance plan. The reimbursement for employees' salaries and fringe benefits were as follows during fiscal year 1982:

Salaries	\$39,419.49
Fringe Benefits	<u>13,954.76</u>
	<u>\$53,374.25</u>

Physicians' Salaries

The physicians sign a contract each year with the School of Medicine which states what their compensation will be from the State. The compensation from the Clinic is fixed by its by-laws. The by-laws limit the Clinic compensation to 50% of the State compensation. The physicians' compensation for the year ended June 30, 1982 was as follows:

State	\$798,432.00
Clinic	<u>111,044.39</u>
	<u>\$909,476.39</u>

We noted that no physician was paid by the Clinic an amount in excess of the above stated limit.

Physicians' Fringe Benefits

The physicians have no retirement plan based on their Clinic compensation. However, all physicians are members of the School of Medicine retirement plans which are based on their State compensation and are covered by the State's insurance plan. The Clinic pays the premiums on a \$50,000.00 group-term life insurance policy for each of the physicians. The policies are with the Teachers' Insurance and Annuity Association. The Clinic pays the physicians' professional membership dues; such as, the American Osteopathic Association, the American Academy of Osteopathy, etc. The Clinic's expenses for the above during fiscal year 1982 were as follows:

Insurance	\$ 2,947.25
Membership Dues	<u>11,104.00</u>
	<u>\$14,051.25</u>

Rent and Other General Operating Expenses

The Clinic utilizes 1,210 square feet in the School of Medicine as an administrative business office for which the Clinic pays the School of Medicine \$302.50 per month as rent. The Clinic reimburses the School of Medicine on a 50% basis for other general operating expenses; which are, telephone, utilities, office supplies, postage, printing, machine rent, travel and miscellaneous. The above expenses were as follows for fiscal year 1982:

Office Rent	\$ 3,630.00
Telephone	1,692.68
Utilities	639.06
Office Supplies	1,661.05
Postage	973.06
Printing	401.77
Machine Rent	2,727.12
Travel	1,451.76
Miscellaneous	436.28
	<u>\$13,612.78</u>

Services Provided by West Virginia  
School of Osteopathic Medicine

The School of Medicine provides technical services to the Clinic's patients. When the Clinic prepares the patients' invoices on its letterhead, a charge is included for the technical services provided by the School of Medicine. The checks to pay the patients' invoices are made payable to the Clinic and the Clinic in turn pays the School of Medicine. During fiscal year 1982, the Clinic paid the School of Medicine \$134,832.97.

Purchasing and Travel

The Clinic follows and uses the State Purchasing Procedures for its purchases and the Governor's Travel Regulations for all travel.

FINANCIAL REPORT  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC, INCORPORATED  
June 30, 1982

**BLAKE & BOONE ACCOUNTING CORPORATION**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
P.O. BOX 187 - RT. 219 N.  
LEWISBURG, WEST VIRGINIA 24901

MEMBERS  
W. VA. SOCIETY OF CPAs  
AMERICAN INSTITUTE OF CPAs

OFFICES  
LEWISBURG, W. VA. 497-3192  
MARLINTON, W. VA. 799-6661

September 1, 1982

Board of Directors  
West Virginia School of Osteopathic Medicine Clinic, Incorporated  
Lewisburg, West Virginia

We have examined the balance sheet of West Virginia School of Osteopathic Medicine Clinic, Incorporated as of June 30, 1982 and the related statements of revenues, expenses, and changes in fund balance and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of West Virginia School of Osteopathic Medicine Clinic, Incorporated as of June 30, 1982, and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Blake & Boone Accounting Corporation*

BALANCE SHEET  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC, INCORPORATED  
June 30, 1982

ASSETS

Cash	\$ 45,496.16
Short-term investments	65,999.42
Accounts receivable, less allowance for doubtful accounts and contractual adjustments of \$215,000	<u>205,937.27</u>
Total assets	<u>\$ 317,432.85</u>

LIABILITIES AND FUND BALANCE

Accounts payable and patient overpayments	\$ 36,739.03
Estimated payable to West Virginia School of Osteopathic Medicine	<u>72,400.00</u>
	109,139.03
Fund balance	<u>208,293.82</u>
Total liabilities and fund balance	<u>\$ 317,432.85</u>

See notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE  
 WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC, INCORPORATED  
 For the Year Ended June 30, 1982

REVENUES	
Patient service revenue	\$ 569,953.13
Less contractual allowances and uncollectible accounts	(119,649.92)
Interest income	<u>5,799.19</u>
Total revenues	<u>456,102.40</u>
EXPENSES	
Services provided by West Virginia School of Osteopathic Medicine	134,832.97
Practice plan	111,044.36
Salaries	39,419.49
Professional fees	10,292.56
Rent	6,358.12
Professional association dues	11,104.00
Payroll taxes and benefits	13,954.76
Telephone and utilities	2,331.74
Other expenses	<u>10,267.79</u>
Total expenses	<u>339,605.79</u>
EXCESS OF REVENUE OVER EXPENSE	116,496.61
FUND BALANCE - July 1, 1981	<u>91,797.21</u>
FUND BALANCE - June 30, 1982	<u>\$ 208,293.82</u>

See notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC, INCORPORATED  
For the Year Ended June 30, 1982

FUNDS PROVIDED	
From operations - excess of revenues over expenses	\$ 116,496.61
Increase in accounts payable and patient overpayments	33,749.21
Increase in estimated payable to West Virginia School of Osteopathic Medicine	<u>40,225.40</u>
Total funds provided	<u>\$ 190,471.22</u>
FUNDS USED	
Increase in cash	\$ 37,942.41
Increase in short-term investments	45,999.42
Increase in accounts receivable	<u>106,529.39</u>
Total funds used	<u>\$ 190,471.22</u>

See notes to financial statements.



NOTES TO FINANCIAL STATEMENTS  
WEST VIRGINIA SCHOOL OF OSTEOPATHIC MEDICINE CLINIC, INCORPORATED  
For the Year Ended June 30, 1982

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The West Virginia School of Osteopathic Medicine Clinic, Incorporated is a nonprofit West Virginia corporation and is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Code.

Accounts receivable consist of amounts due for medical services provided by the Clinic. Uncollectible accounts and contractual adjustments under third party agreements are provided for through an allowance for doubtful accounts and contractual adjustments.

NOTE B - RELATED PARTY TRANSACTIONS

The Clinic makes payments to the West Virginia School of Osteopathic Medicine for reimbursement of certain costs incurred by the School on behalf of the Clinic. These payments are made based on collections or accounts receivable and a liability has been recorded for the estimated amount payable from accounts receivable at June 30, 1982.

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report appended hereto was made under my direction and supervision and that the same is a true and correct copy of said report.

Given under my hand this 11<sup>th</sup> day January,  
1983.

*Encil Bailey*

Encil Bailey, Legislative Auditor

Copy forwarded to the Commissioner of the Department of Finance and Administration to be filed as a public record.

Copies forwarded to West Virginia School of Osteopathic Medicine Clinic, Inc.; West Virginia Board of Regents; Attorney General; Governor; and, State Auditor.