

**WVSOM Board of Governors
Finance and Audit Committee
Friday, March 29, 2024 at 8:30 am
Location: Conference Center located
in the WVSOM Student Center**

Committee Members Present:

Ms. Sharon Hall, Chair
Dr. Randall Belt
Dr. Michael Muscari

Guests Present:

Mr. David Meadows
Dr. James Nemitz
Dr. Drema Hill
Mr. Jeffrey Shawver
Ms. Stella Dodrill

I. Call to Order/Roll Call

Ms. Hall called the meeting to order at 8:31 am.

II. Approval of January 25, 2024 Minutes

Meeting minutes from the January 25, 2024, meeting were approved with the initial motion made by Dr. Muscari and seconded by Dr. Belt.

III. Committee Items

A. FY 2023-2024 Financial Update as of February 29, 2024

Mr. Meadows notes that WVSOM remains in a sound financial position, with a current \$23 million remaining in the budget, and at this time, Mr. Meadows has no concerns. WVSOM has not seen any significant unexpected expenditures. We do have some savings that will roll over to the state reserve account. There will be some procurement expenses that will roll into FY25 due to how they are billed toward the end of FY24. The committee approved RCBC funding to take over the DAX software and the cleaning company is coming out of the reserves and is not affecting the operating budget.

1. Additional Supplemental Updates

a. Tuition Comparison

Mr. Meadows reviewed a 10-year tuition (in-state and out-of-state) comparison with WVU, Marshall and WVSOM. As a state school, Mr. Meadows noted that WVSOM is favorable when compared with other Osteopathic schools. Dr. Nemitz noted that WVSOM's tuition is still the lowest in the state. Most of the Osteopathic schools are private/for-profit schools. Dr. Nemitz did mention that we should start to consider other tuition models like offering a metro-tuition rate similar to what Marshall University offers.

b. WVSOM Foundation Performance

When reviewing the endowment market performance, committee members must consider this information is based on the calendar year and not on a fiscal year basis. From December 31, 2019 to December 31, 2023, we have increased from \$41.2 million to \$47.5 million. In four of the five years, we have seen an increase due to market appreciation and the strategies from Morgan Stanley. The only decrease we have seen has been in the years 2021 to 2022 where we experienced an 11% decrease due to the market downturn during that time. Mr. Meadows is confident in the current earning numbers and where these funds stand. The Foundation Board will need to decide on if the Foundation will want to leverage a higher risk. Dr. Nemitz would like to invite Morgan Stanley representatives to the June board meeting for BOG input on planning for the future.

c. WVSOM Foundation Withdrawals

Many of the withdrawals were transfers required to maintain specific WVSOM funds in a positive operating balance. The Foundation also acts as a payer/payable resource, including: CMAS housing support for students, Clingman Center kitchen upgrades, lease payment for the Clingman Center, COVID relief funds; purchase of past-President Adelman items; and RCBC teaching contract pre-payment (\$250k to be repaid by June 30, 2024).

B. Discussion of Proposed FY2024-2025 Budget

There has been no change to the proposed FY25 Budget since the January 2024 Board of Governors meeting. The operating budget is a balanced budget with an endorsed 5% tuition increase and an anticipated salary increase for WVSOM employees. Mr. Meadows appreciates the WVSOM leadership helping with reducing the operating budget, but noted that continued budget reductions without a corresponding revenue stream will impact student instruction and outcomes. West Virginia state appropriation continues to be flat, but Mr. Meadows stresses that appropriation dollars can change depending on the political landscape. The three WV colleges are not given equal appropriations with WVU receiving the majority of the pop tax allotted dollars. The last increase to the WVSOM state funds was in 2019, designated specifically for Statewide Campus (\$2.1 million of designated funds).

Dr. Nemitz mentioned that the state is looking for requests for projects and programs that are more WV-forward. WVSOM is optimistic to receive one-time funds for Deferred Maintenance.

Dr. Muscari mentioned that the committee/board should increase WVSOM's visibility to our state leaders and that consideration for appropriation dollars should be prorated per student (not by the institutions).

C. Robert C. Byrd Clinic Financial Update

Dr. Hill shared information that would also be presented during the general BOG meeting. Dr. Hill is working through a litany of billing issues and strongly recommends restructuring RCBC leadership utilizing current staff who are already being trained to transition into a

Medical Director position and Director of Finance. They are hoping these two positions will be fully in place by August 2024.

Mr. Meadows presented the RCBC financial state as of the end of February 2024. Mr. Meadows is currently focusing on RCBC's gross patient revenue (encounters & charges) and how it compares with similar RHC/non-RHCs with national standards. Mr. Meadows is also working on RCBC vendor evaluation, bringing billing to optimal levels, and moving forward with the legal review for the Coronis contract and personnel restructuring. RCBC will continue to focus on ways to improve provider productivity and patient revenue to get where RCBC needs by June 30, 2025. The Practice Plan is a \$1.1 mil per year liability and is reflected on both WVSOM and RCBC financial statements for FY24 and FY25. RCBC is expecting a (-\$829,000) operating loss relative to revenue and includes WVSOM reimbursing RCBC for cleaning contract, x-ray equipment, and IT /DAX system costs.

Analysis has been performed on the cash flow challenges which really began in 2021-2022, and related to past leadership using 1-time dollars from CARES funding/Provider Relief funds. These funds were used to support new initiatives and recurring costs. RCBC has implemented strategic reductions in staffing, and discretionary cost.

The RCBC finance team has completed a conservative (but realistic) first draft of the FY24 25 budget. In May, Mr. Meadows is hoping to present to the RCBC Board a budget for approval for implementation on July 1, 2024.

Procurement and materials management processes are under review to find increased efficiency and productivity.

By July 1, RCBC will achieve a \$50,000 per month payroll saving through restructuring, and these funds along with the discretionary savings, will provide a cushion to relieve payroll challenges.

This week, Dr. Hill was notified of the delay of RCBC submitting a COVID audit in which they are working on getting needed information that is needed to remain in compliance. RCBC is at some risk to pay these funds back, but will know more once the single audit is done.

To further support RCBC, Mr. Meadows is recommending that WVSOM re-assume RCBC utilities costs which are approximately \$216,000 annually (starting July 2024). Mr. Meadows also recommends that WVSOM increase the clinical teaching contract from \$625,000 annually to \$700,000 annually (increase of \$75,000). The clinical teaching contract has not been increased in 6 to 8 years. In total, Mr. Meadows is recommending WVSOM increase their financial support of RCBC and annual projected expenses would be \$535,000 which would save RCBC roughly \$45,000 per month. Mr. Meadows notes that revenues are not enough to drive profitability. With these payroll and expense savings, RCBC, at the end of FY25, will hope to have a non-line of credit reserve around \$700,000.

From an audit perspective, RCBC does not owe WVSOM for any other funds other than the Practice Plan which is listed on finance statements over the last two years.

Dr. Hill also noted that RCBC is incorporated as WVSOM doing business as RCBC. Even though RCBC is a 501(c)3 organization, RCBC is WVSOM's clinic.

D. Discussion of Proposed Change in Meeting Structure

It was determined that this committee would continue to meet in person prior to the BOG meeting. They will review topics and possibly schedule ad hoc meetings as they move through the year.

Due to the lack of time, it was decided that the following items would be reviewed during the June committee meeting:

E. Facilities Update

1. Testing Center Update
2. Acceptance of Architectural/Engineering Services Bid for Science Building Project
3. Main Building Classroom #1 Renovation

F. Admissions Tuition Waivers Update

G. Hear reports from School's administration, gather information and prepare recommendations to full Board upon request of the Chair.

IV. Next Committee Meeting Date: June 21, 2024

V. Adjournment

Motion made by Dr. Belt and seconded by Dr. Muscari. Meeting adjourned at 9:52 a.m

Approved on June 21, 2024

DocuSigned by:

2EEB574865B3445...
Sharon A. Hall, Chair