

## **QUARTERLY FINANCIAL MANAGEMENT REPORT**

### **EXECUTIVE SUMMARY**

The following statements reflect data available as of July 28, 2006. The audited financial data will be different because invoices have not been received from vendors and contractors for all work performed or items received before June 30, 2006.

#### **Net Assets**

Net assets increased \$2.7 million (5%) over Fiscal Year 2005. Unrestricted cash increased from \$10.8 million to \$13.5 million (25%). Some residence hall renovations were postponed until Fiscal Year 2007 to ensure adequate reserves for the operations of the new residence apartments. Restricted cash declined \$3 million and investments declined \$15 million as resources were used for construction. Capital assets increased \$19.2 million (33%) because of construction activity on the new residence apartments and the nursing building.

#### **Revenues**

Total operating revenues were 99.7% of the total Fiscal Year 2006 budgeted revenues.

#### **Expenditures**

Operating expenses were 98.4% of the total Fiscal Year 2006 budget.

### **EXPLANATORY NOTES**

#### **Net Assets**

##### **Assets**

1. Cash and Cash Equivalents: Unrestricted cash increased from \$10.8 million to \$13.5 million (25%). Some residence hall renovations were postponed until Fiscal Year 2007 to ensure adequate reserves for the operations of the new residence apartments.
2. Accounts receivable increased \$53,000 (25%). The due date for the second summer tuition payments was in July of the next fiscal year rather than June.
3. Restricted Cash and Cash Equivalents: This amount declined \$3 million as funds were used for construction.

4. Investments decreased \$15 million from Fiscal Year 2005. The balance declined as the resources were used for construction.
5. Capital assets increased \$19.2 million (33%) because of construction activity on the new residence apartments and the nursing building

### **Liabilities**

1. Accrued liabilities increased \$255,000 (40%). Faculty received the annual experience increment for services performed during Fiscal Year 2006. The number of full-time staff paid in arrears increased. All staff hired after July 1, 2002 are paid in arrears.
2. Long Term Liabilities: The compensated absences liability increased \$962,000 because insurance rates increased. The sick leave accrued and faculty years of experience also increased.

### **Operating Revenues**

1. Tuition and Fee Revenues: Tuition and fee revenues increased 19.4% compared with the prior year. The University's tuition and fee paying enrollment increased 4.79%. In-state enrollment increased 3.54% and out-of-state enrollment increased 7.63%. Tuition rates increased 10.75% for in-state students and 15% for out-of-state students.

### **Operating Expenses**

1. Scholarships and Fellowships: The amount expended for scholarships decreased \$259,000 over Fiscal Year 2005. The scholarship discount increased over the previous year. The scholarship expenditures are reduced by the amount of the scholarship discount.
2. Operations and Maintenance: Total expenditures were 83% of the budget. The renovations to McMurrin Hall were delayed by weather.

### **Non-Operating Revenues and Expenses**

1. Investment income increased \$137,000 (37%) as the cash balances and interest rates increased.

**Shepherd University**  
**Statement of Net Assets**  
**As of June 30, 2006**  
(Dollars in Thousands)

	6/30/2006	6/30/2005	% Change
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	13,520	10,821	24.94%
Appropriations due from Primary Government	60	0	
Accounts receivable net	263	210	25.24%
Grants and contracts receivable, net	161	244	-34.02%
Due from the Commission	125	974	-87.17%
Inventories	444	457	-2.84%
Loans Receivable	179	179	0.00%
Other assets	0	20	-100.00%
<b>Total Current assets</b>	<b>14,752</b>	<b>12,905</b>	<b>14.31%</b>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	1,499	4,482	-66.56%
Investments	4,836	19,863	
Loans receivable, net	275	321	-14.33%
Capital assets net	77,212	58,027	33.06%
Other Noncurrent assets	626	656	-4.57%
<b>Total Noncurrent assets</b>	<b>84,448</b>	<b>83,349</b>	<b>1.32%</b>
<b>TOTAL ASSETS</b>	<b>99,200</b>	<b>96,254</b>	<b>3.06%</b>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	2,414	2,743	-11.99%
Accrued liabilities	897	642	39.72%
Due to the Commission	0	13	0.00%
Due to other State agencies	18	19	
Deferred revenue	795	723	9.96%
Long-term liabilities - current portion	1,284	1,357	-5.38%
<b>Total Current liabilities</b>	<b>5,408</b>	<b>5,497</b>	<b>-1.62%</b>
<b>Noncurrent liabilities:</b>			
Advances from federal sponsors	639	639	0.00%
Deposits	195	180	8.33%
Compensated absences	2,306	1,344	71.58%
Debt obligation due Commission	1,820	2,202	-17.35%
Leases Payable	148	211	-29.86%
Bonds Payable	32,363	32,600	-0.73%
<b>Total Noncurrent liabilities</b>	<b>37,471</b>	<b>37,176</b>	<b>0.79%</b>
<b>TOTAL LIABILITIES</b>	<b>42,879</b>	<b>42,673</b>	<b>0.48%</b>
<b>NET ASSETS</b>	<b>56,321</b>	<b>53,581</b>	<b>5.11%</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>99,200</b>	<b>96,254</b>	<b>3.06%</b>

**Shepherd University**  
**Statement of Cash Flows**  
**For the Period from July 1, 2005 - June 30, 2006**  
(Dollars in Thousands)

	6/30/2006	6/30/2005	% Change
<b>Cash Flows from Operating Activities</b>			
Tuition and fees	14,905	12,049	23.70%
Grants and contracts	6,092	4,203	44.94%
Payments to suppliers	-10,231	-7,866	30.07%
Payments to utilities	-1,548	-1,395	10.97%
Payments to employees	-21,851	-20,484	6.67%
Payments for scholarships & fellowships	-1,908	-1,697	12.43%
Fees retained by Board	-267	-350	23.71%
Loans issued to students	-119	-101	17.82%
Collection of loans to students & employees	167	152	9.87%
Auxiliary enterprise charges	10,999	10,101	8.89%
Sales and service of educational activities	42	40	5.00%
Other receipts (payments)	1,844	557	231.06%
<b>Net cash provided (used) by operating activities</b>	<b>-1,875</b>	<b>-4,791</b>	<b>60.86%</b>
<b>Cash Flows from Non-Capital Financing Activities</b>			
State appropriations	8,821	9,245	4.59%
Transfer of funds to Shepherd Community and Technical College	0	-1,161	100.00%
<b>Net cash provided (used) by non-capital financing activities</b>	<b>8,821</b>	<b>8,084</b>	<b>9.12%</b>
<b>Cash Flows from Capital Financing Activities</b>			
Capital grants and gifts received	1,440	1,609	
Proceeds from Capital Debt	0	28,715	100.00%
Bond Issuance Costs	30	-500	106.00%
Purchase of capital assets	-22,999	-6,060	279.52%
Principal paid on capital debt & leases	-726	-2,624	72.33%
Interest paid on capital debt & leases	-264	-253	4.35%
Increase in noncurrent cash and cash equivalents	2,983	-3,198	193.28%
Interest and other expenses paid on system debt	-206	-266	22.56%
<b>Net cash provided (used) by capital financing activities</b>	<b>-19,742</b>	<b>17,423</b>	<b>213.31%</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from sales and maturities of investments	15,027	-19,863	
Interest on investments	468	316	48.10%
Purchase of investments			
Investment in lease receipts			
<b>Net cash provided (used) by investing activities</b>	<b>15,495</b>	<b>-19,547</b>	
<b>cash - beginning of year</b>	<b>10,821</b>	<b>9,652</b>	<b>12.11%</b>
<b>net increase in cash</b>	<b>2,699</b>	<b>1,169</b>	<b>130.88%</b>
<b>cash - end of period</b>	<b>13,520</b>	<b>10,821</b>	<b>24.94%</b>
<b>Reconciliation of net operating revenues (expenses) to net cash</b>			
net cash provided (used) by operating activities:			
operating income (loss)	-7,488	-6,748	10.97%
<b>Adjustments to reconcile net income (loss) to net cash</b>			
provided (used) by operating activities:			
depreciation expense	3,185	3,146	1.24%
Loss on Disposal of Assets	47		
<b>Changes in assets and liabilities</b>			
Net receivables	20	65	69.23%
Prepaid expenses	20	7	185.71%
Inventories	13	-76	117.11%
Due from the Commission	888	-969	191.64%
Due from other State agencies	-48	1	4900.00%
Accounts payable	203	242	16.12%
Due to the Commission	-13	-104	87.50%
Due to other State Agencies	-1	-38	97.37%
Accrued liabilities employees	233	19	1126.32%
Deferred revenue	72	-277	125.99%
Deposits	14	16	12.50%
compensated absences	933	-3	31200.00%
Loans receivable	47	51	7.84%
Advances from federal sponsors	0	-123	100.00%
<b>Net cash provided (used) by operating activities</b>	<b>-1,875</b>	<b>-4,791</b>	<b>60.86%</b>

**Shepherd University**  
**For the Period from July 1, 2005 - June 30, 2006**  
**Statement of Revenues Expenses and Other Changes**  
(Dollars in Thousands)

	Budget Current	Actual YTD	Prior Budget YTD
<b>OPERATING REVENUES</b>			
Tuition and Fees	\$14,476	\$14,257	\$11,932
Federal Grants and Contracts	2,402	2,634	2,549
State and Local Grants and Contracts	2,339	2,290	2,112
Private Grants and Contracts	775	741	745
Sales and Services of Educational Activities	42	42	40
Auxiliary Enterprises	11,104	11,080	10,180
Transfer from Shepherd Community and Technical College	1,139	1,141	1,512
Other Operating Revenues	756	752	679
<b>TOTAL OPERATING REVENUES</b>	<b>33,033</b>	<b>32,937</b>	<b>29,749</b>
<b>OPERATING EXPENSES</b>			
<b>Education and General (E&amp;G)</b>			
<b>Primary Mission Costs</b>			
Instruction	11,335	11,659	10,218
Academic Support	2,281	2,364	2,173
Student Services	3,379	3,439	3,187
Scholarships & Fellowships	1,696	1,576	1,556
<b>Subtotal Primary Mission Costs</b>	<b>18,691</b>	<b>19,038</b>	<b>17,134</b>
<b>Other Education and General Costs</b>			
Operations and Maintenance	3,776	3,129	2,941
Institutional Support	4,462	4,522	3,739
Research	0	28	0
Public Service	240	233	244
<b>Subtotal Other Education and General Costs</b>	<b>8,478</b>	<b>7,912</b>	<b>6,924</b>
<b>Total Education and General Expenses</b>	<b>27,169</b>	<b>26,950</b>	<b>24,058</b>
<b>Auxiliary Expenses</b>	<b>10,336</b>	<b>10,036</b>	<b>9,034</b>
<b>Depreciation Expense</b>	<b>3,317</b>	<b>3,185</b>	<b>3,158</b>
<b>Transfers and Other (Additions) Subtractions</b>	<b>253</b>	<b>254</b>	<b>247</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>41,075</b>	<b>40,425</b>	<b>36,497</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>			
State Appropriations	8,821	8,821	9,242
Investment Income	272	507	370
Interest on capital asset related debt	(260)	(285)	(231)
Loss on disposal of equipment		(49)	(61)
Fees assessed by the Commission for interest and reserves	(117)	(206)	(266)
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	<b>674</b>	<b>1,300</b>	<b>2,306</b>
<b>OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>			
Capital Grants and Gifts	2,000	1,440	1,609
Transfer of Net Assets to the Shepherd Community and Technical College	0	0	(1,161)
<b>Increase (Decrease) in Net Assets</b>	<b>\$2,674</b>	<b>\$2,740</b>	<b>\$2,754</b>

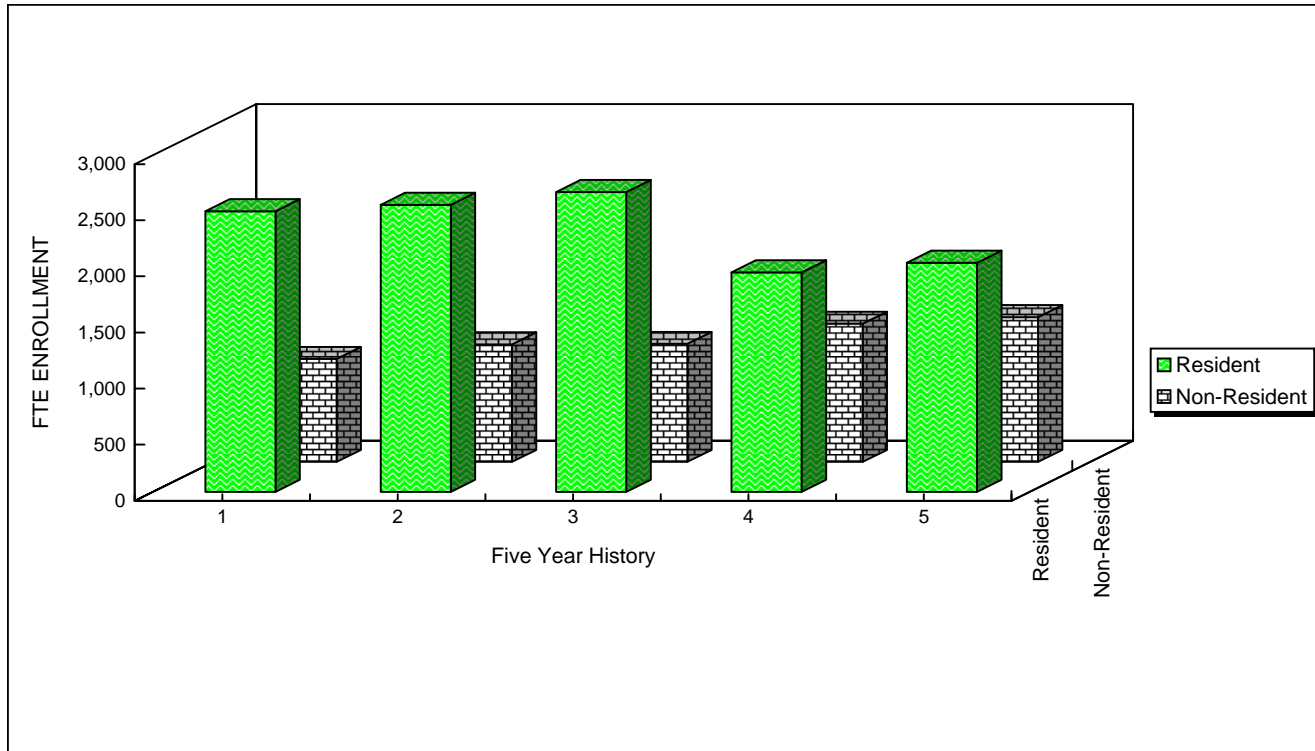
**Shepherd University**  
**For the Period from July 1, 2005 - June 30, 2006**  
(Dollars in Thousands)  
**Statement of Revenues Expenses and Other Changes**

	CURRENT BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		Variance (Points)
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	
<b>OPERATING REVENUES</b>										
Tuition and Fees	\$14,476	43.8%	\$14,476	100.0%	\$14,257	98.5%	(1.5)	\$11,932	100.0%	(1.5)
Federal Grants and Contracts	2,402	7.3%	2,402	100.0%	\$2,634	109.7%	9.7	2,549	100.0%	9.7
State and Local Grants and Contracts	2,339	7.1%	2,339	100.0%	\$2,290	97.9%	(2.1)	2,112	100.0%	(2.1)
Private Grants and Contracts	775	2.3%	775	100.0%	\$741	95.6%	(4.4)	745	100.0%	(4.4)
Sales and Services of Educational Activities	42	0.1%	42	100.0%	\$42	100.0%	0.0	40	100.0%	0.0
Transfer from Shepherd Community and Technical College	1,139	3.4%	1,139	100.0%	\$1,141	100.2%	0.2	1,512	100.0%	0.2
Auxiliary Enterprises	11,104	33.6%	11,104	100.0%	\$11,080	99.8%	(0.2)	10,180	100.0%	(0.2)
Other Operating Revenues	756	2.3%	756	100.0%	\$752	99.5%	(0.5)	679	100.0%	(0.5)
<b>TOTAL REVENUES</b>	<b>\$33,033</b>	<b>100.0%</b>	<b>\$33,033</b>	<b>100.0%</b>	<b>\$32,937</b>	<b>99.7%</b>	<b>(0.3)</b>	<b>\$29,749</b>	<b>100.0%</b>	<b>(0.3)</b>
<b>OPERATING EXPENSES</b>										
<b>Education and General (E&amp;G)</b>										
<b>Primary Mission Costs</b>										
Instruction	\$11,335	41.7%	11,335	100.0%	\$11,659	102.9%	2.9	\$10,218	100.0%	2.9
Academic Support	2,281	8.4%	2,281	100.0%	2,364	103.6%	3.6	2,173	100.0%	3.6
Student Services	3,379	12.4%	3,379	100.0%	3,439	101.8%	1.8	3,187	100.0%	1.8
Scholarships & Fellowships	1,696	6.2%	1,696	100.0%	1,576	92.9%	(7.1)	1,556	100.0%	(7.1)
<b>Subtotal Primary Mission Costs</b>	<b>\$18,691</b>	<b>68.8%</b>	<b>\$18,691</b>	<b>100.0%</b>	<b>\$19,038</b>	<b>101.9%</b>	<b>1.9</b>	<b>\$17,134</b>	<b>100.0%</b>	<b>1.9</b>
<b>Other Education and General Costs</b>										
Operations and Maintenance	\$3,776	13.9%	3,776	100.0%	\$3,129	82.9%	(17.1)	\$2,941	100.0%	(17.1)
Institutional Support	4,462	16.4%	4,462	100.0%	4,522	101.3%	1.4	3,739	100.0%	1.4
Research	0	0.0%	0	0.0%	28	0.0%	0.0	0	0.0%	0.0
Public Service	240	0.9%	240	100.0%	233	97.1%	(2.9)	244	100.0%	(2.9)
<b>Subtotal Other Education and General Costs</b>	<b>\$8,478</b>	<b>31.2%</b>	<b>\$8,478</b>	<b>100.0%</b>	<b>\$7,912</b>	<b>93.3%</b>	<b>(6.7)</b>	<b>\$6,924</b>	<b>100.0%</b>	<b>(6.7)</b>
<b>Total Education and General Expenses</b>	<b>\$27,169</b>	<b>100.0%</b>	<b>\$27,169</b>	<b>100.0%</b>	<b>\$26,950</b>	<b>99.2%</b>	<b>(0.8)</b>	<b>\$24,058</b>	<b>100.0%</b>	<b>(0.8)</b>
<b>Auxiliary Expenses</b>										
Depreciation Expense	\$10,336		\$10,336	100.0%	\$10,036	97.1%	(2.9)	\$9,034	100.0%	(2.9)
Transfers and Other (Additions) Subtractions	\$3,317		\$3,317	100.0%	\$3,185	96.0%	(4.0)	\$3,158	100.0%	(4.0)
	\$253		\$253	100.0%	\$254	100.4%	0.4	\$247	100.0%	0.4
<b>TOTAL OPERATING EXPENSES</b>	<b>\$41,075</b>		<b>\$41,075</b>	<b>100.0%</b>	<b>\$40,425</b>	<b>98.4%</b>	<b>(1.6)</b>	<b>\$36,497</b>	<b>100.0%</b>	<b>(1.6)</b>
<b>NONOPERATING REVENUES AND EXPENSES</b>										
State Appropriations	\$8,821		8,821	100.0%	\$8,821	100.0%	0.0	\$9,242	100.0%	0.0
Investment Income	272		272	100.0%	\$507	186.4%	86.4	\$370	100.0%	86.4
Loss on disposal of equipment	0		0	0.0%	(\$49)	100.0%	100.0	(\$61)	100.0%	0.0
Interest on capital asset related debt	(377)		-377	100.0%	(\$491)	130.2%	30.2	(\$497)	100.0%	30.2
<b>OTHER REVENUES, EXPENSES, GAINS OR LOSSES</b>										
Capital Grants and Gifts	\$2,000		\$2,000	100.0%	\$1,440	72.0%	(28.0)	\$1,609	100.0%	(28.0)
Transfer of Net Assets to the Shepherd Community and Technical College	0		0		\$0	0.0%		(\$1,161)		

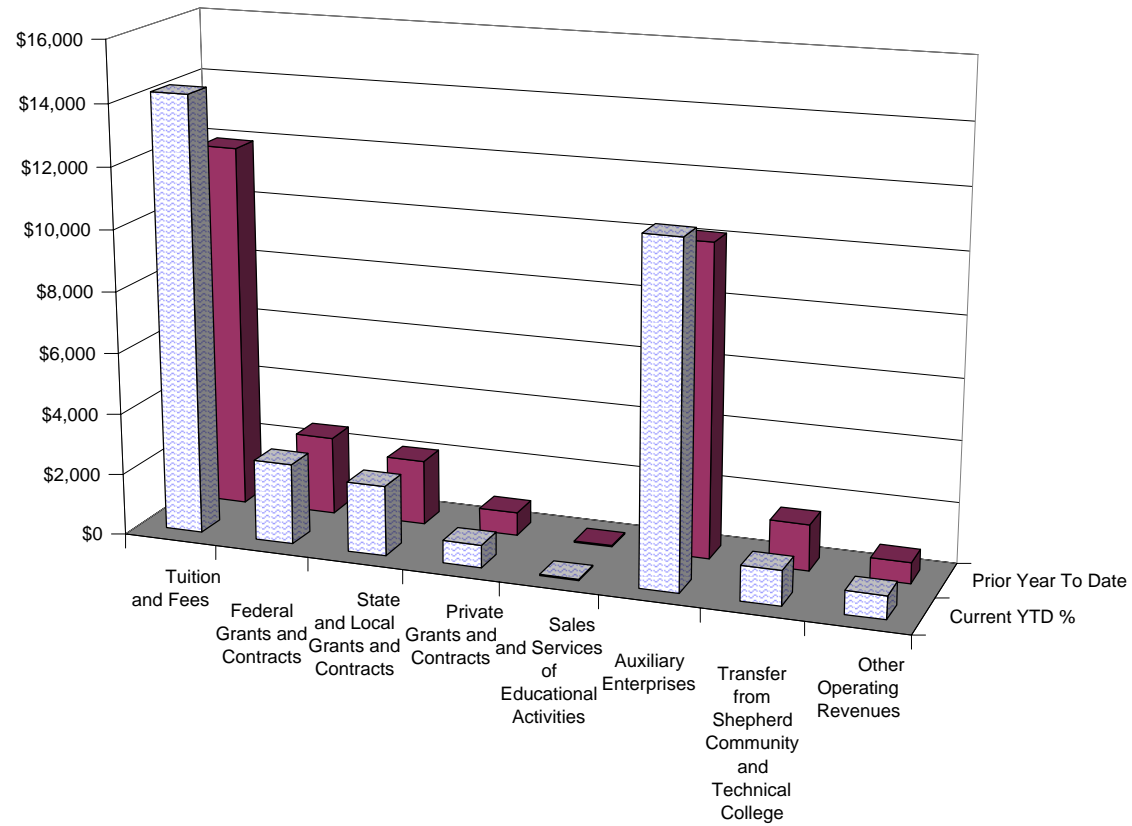
	Shepherd University				Indication
	FY 2006		FY 2005		
	Data	Ratio	Data	Ratio	
<b>Market Demand</b>					
<b>Net Tuition per Student (\$)</b>					
Sum of:					
Gross tuition and fees revenue	14,257		11,932		
Less Scholarship discount and allowances	-2,157		-1,659		
<u>Less Scholarship Expense</u>	-1,576		-1,556		
Total FTEs	3,330	\$ 3,160	3,187	\$ 2,735	Positive
<b>State Appropriation per student (\$)</b>					
<u>State appropriations</u>	8,821		9,242		
Total FTEs	3,330	\$ 2,649	3,187	\$ 2,900	Negative
<b>Educational expense per student (\$)</b>					
<u>Total operating expenses</u>	40,425		36,497		
Total FTEs	3,330	\$ 12,139	3,187	\$ 11,451	Positive
<b>Total Tuition Discount (%)</b>					
The sum of:					
Scholarship discount and allowance	2,157		1,659		
<u>Plus Scholarship expense</u>	1,576		1,556		
Gross tuition and fees revenue	14,257	26.18%	11,932	26.94%	Negative
<b>Capital</b>					
<b>Direct debt per student (\$)</b>					
<u>Direct Debt</u>	35,028		35,525		
Divided by Total FTEs	3,330	\$ 10,518	3,187	\$ 11,146	Positive
<b>Direct debt to cash flow (x)</b>					
The sum of:					
<u>Direct debt</u>	35,028		35,525		
The sum of:					
Operating surplus (deficit)	842		1,997		
Plus Depreciation expense	3,185		3,158		
Plus Interest expense	491	7.75	497	6.29	Negative
<b>Direct debt to capitalization (x)</b>					
<u>Direct debt</u>	35,028		35,525		
The sum of:					
Total net assets	56,321		53,581		
Plus Direct debt	35,028	0.38	35,525	0.40	Positive
<b>Actual debt service to operations (%)</b>					
<u>Actual annual debt service</u>	990		2,877		
Total operating expenses	40,425	2.45%	36,497	7.88%	Positive
<b>Capital expense to operations (%)</b>					
The sum of:					
Depreciation expense	3,185		3,158		
<u>Plus Interest expense</u>	491		497		
Total operating expenses	40,425	9.09%	36,497	10.01%	Positive



### FTE ENROLLMENT Five Year History Level and Residency

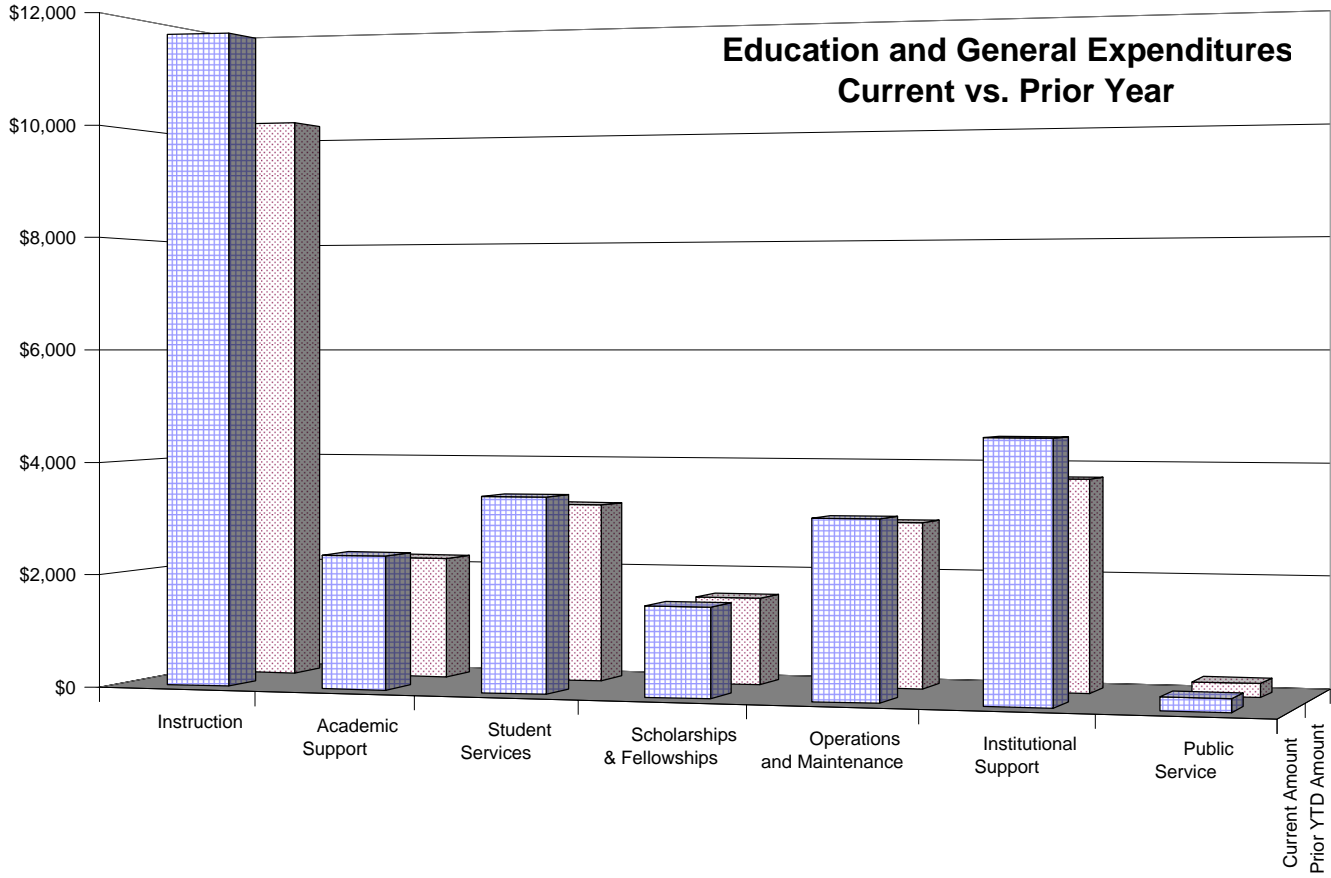


## Operating Revenues Current vs. Prior Year



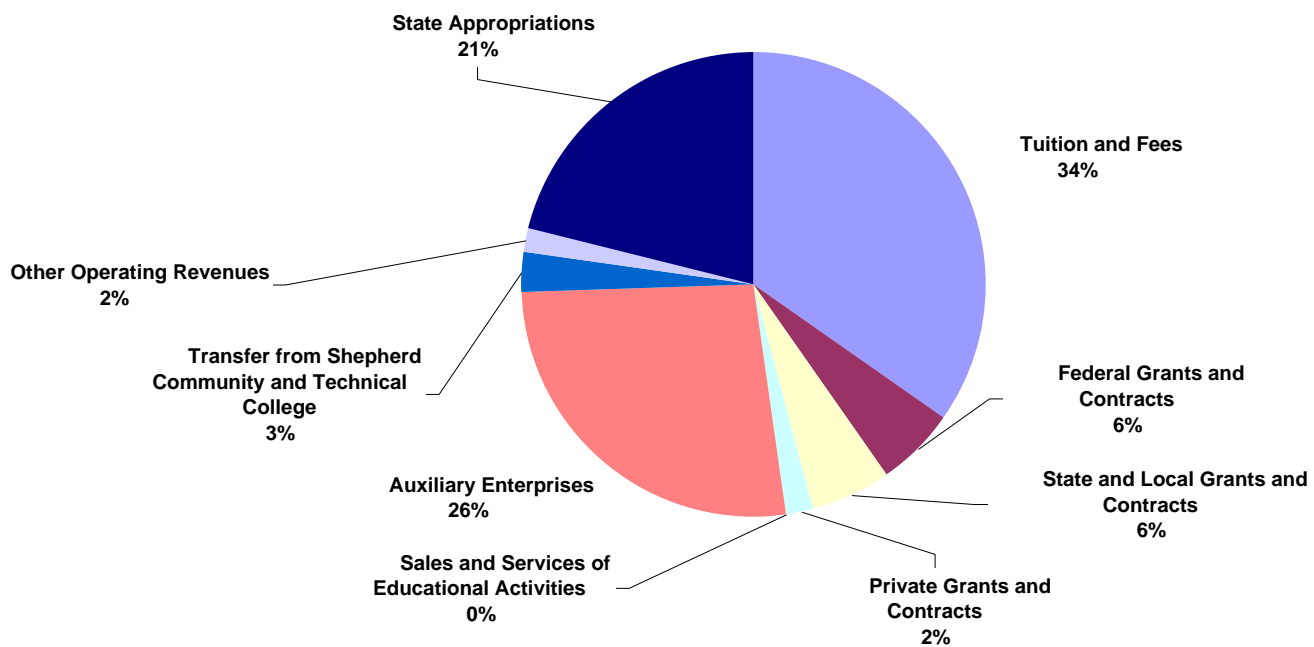
	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Shepherd Community and Technical College	Other Operating Revenues
□ Current YTD %	\$14,257	2,634	2,290	741	42	11,080	1,141	752
■ Prior Year To Date	\$11,932	2,549	2,112	745	40	10,180	1,512	679

### Education and General Expenditures Current vs. Prior Year



	Instruction	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	\$11,659	\$2,364	\$3,439	\$1,576	\$3,129	\$4,522	\$233
Prior YTD Amount	\$10,218	\$2,173	\$3,187	\$1,556	\$2,941	\$3,739	\$244

### Operating Revenues



### Education and General Expenses

