

QUARTERLY FINANCIAL MANAGEMENT REPORT

Mr. Ed Magee, Vice President for Administration and Finance, will present the quarterly financial management report.

EXECUTIVE SUMMARY

Net Assets

Net Assets increased \$18.7 million or 33.5% over Fiscal Year 2006. *Cash* increased from \$13.5 million to \$17 million or 25.75%. *Restricted Cash* in the capitalized interest fund for the residence apartment complex was used to pay \$699,000 for debt service on the complex. The payment of interest from the capitalized interest fund allowed Shepherd University to accumulate additional cash in the residence apartment complex fund. Actual expenses were less than budgeted amounts resulting in cash savings. *Grants and Contracts* and *Due from the Commission* increased \$865,000 and \$944,000, respectively because the amounts due for construction projects increased.

Revenues

As of June 30, 2007 total *Operating Revenues* were 102% of the total Fiscal Year 2007 budgeted revenues. *Federal Grants and Contracts* increased \$261,000 and exceed the budgeted revenues by 8.9%. *State Grants and Contracts* increased \$434,000 and exceed budgeted revenues by 14.3%.

Full-time equivalent (FTE) enrollment increased 4.11% in the fall and 2.57% in the spring over the FTE enrollments for both semesters of the previous years.

Expenditures

Operating Expenses were 98.2% of the total budgeted expenditures for Fiscal Year 2007 as of June 30, 2007.

EXPLANATORY NOTES

Net Assets

Assets

1. *Grants and Contracts Receivable* increased \$865,000 because the amount due from the federal government for reimbursement of Erma Ora Byrd Hall construction costs increased.
2. *Restricted Cash and Cash Equivalents* decreased \$1.2 million and reflects the cash held in bond funds for construction and debt service. These funds declined as cash was spent for construction.
3. *Investments* decreased \$4.4 million over Fiscal Year 2006. Invested proceeds from the Fiscal Years 2004 and 2005 bond issues declined compared to the previous year because expenditures were made to complete the residence apartment complex and infrastructure project.
4. The \$17.2 million increase in *Capital Assets* compared to the previous year was caused by the construction of the residence apartment complex, Erma Ora Byrd Hall, the Center for Contemporary Arts, infrastructure and equipment purchases. These increases were offset by depreciation expense.

Liabilities

1. *Accounts Payable* decreased \$913,000 over Fiscal Year 2006. The accounts payable for construction projects decreased over Fiscal Year 2006.
2. *Accrued Liabilities* increased \$168,000 or 18.42% over the previous year. The number of faculty electing to be paid over 24 pay periods increased. In addition, the number of employees paid in arrears increased over Fiscal Year 2006.
3. *Deferred Revenues* decreased \$140,000 or 17.31% because the amount of grant revenues received in advance decreased \$92,000. In addition, the amount of deposits made through the tuition payment plan declined in the amount of \$44,000.

Operating Revenues

1. *State and Local Grants and Contracts* increased \$434,000 and exceed the budgeted revenues by 14.3% because the number of West Virginia Grant recipients increased and the dollar values of the *West Virginia Grants and the Promise Scholarships* increased.
2. *Transfer from Blue Ridge Community and Technical College* decreased \$658,000 because the contract with Blue Ridge Community and Technical decreased.

Operating Expenses

1. The amount expended for *Operations and Maintenance* exceeded the original expense budget by \$574,000 or 13.1%. Approximately \$832,000 was expended from bond funds and the construction grant for items categorized as operating expenses such as furniture and miscellaneous equipment purchases.
2. *Depreciation Expense* increased \$1.1 million because depreciation was recorded for the residence apartment complex and infrastructure.

Capital Grants and Gifts

1. *Capital Grants and Gifts* increased \$14.6 million over the previous year as Erma Ora Byrd Hall was completed and progress continued on the Center for Contemporary Arts.

Shepherd University
Statement of Net Assets
As of June 30, 2007
(Dollars in Thousands)

	6/30/2007	6/30/2006	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	17,004	13,522	25.75%
Appropriations due from Primary Government	0	60	
Accounts receivable net	374	308	21.43%
Grants and contracts receivable, net	1,175	310	279.03%
Due from the Commission	1,070	126	749.21%
Inventories	503	444	13.29%
Loans Receivable	138	158	-12.66%
Other assets	0	0	0.00%
Total Current assets	20,264	14,928	35.74%
Noncurrent assets:			
Restricted cash and cash equivalents	280	1,501	-81.35%
Investments	390	4,853	-91.96%
Loans receivable, net	316	293	7.85%
Capital assets net	96,229	79,011	21.79%
Other Noncurrent assets	607	626	-3.04%
Total Noncurrent assets	97,822	86,284	13.37%
TOTAL ASSETS	118,086	101,212	16.67%
LIABILITIES			
Current liabilities:			
Accounts payable	3,864	4,777	-19.11%
Accrued liabilities	1,080	912	18.42%
Due to the Commission	0	7	0.00%
Due to other State agencies	6	41	-85.37%
Deferred revenue	669	809	-17.31%
Long-term liabilities - current portion	1,842	1,363	35.14%
Total Current liabilities	7,461	7,909	-5.66%
Noncurrent liabilities:			
Advances from federal sponsors	573	635	-9.76%
Deposits	196	196	0.00%
Compensated absences	2,153	2,318	-7.12%
Debt obligation due Commission	1,436	1,821	-21.14%
Leases Payable	85	148	-42.57%
Bonds Payable	31,657	32,363	-2.18%
Total Noncurrent liabilities	36,100	37,481	-3.68%
TOTAL LIABILITIES	43,561	45,390	-4.03%
NET ASSETS	74,525	55,822	33.50%
TOTAL LIABILITIES AND NET ASSETS	118,086	101,212	16.67%

Shepherd University
Statement of Cash Flows
For the Period from July 1, 2006 - June 30, 2007
(Dollars in Thousands)

	6/30/2007	6/30/2006	% Change
Cash Flows from Operating Activities			
Tuition and fees	16,869	14,862	13.50%
Grants and contracts	3,630	4,945	26.59%
Payments to suppliers	-11,588	-10,371	11.73%
Payments to utilities	-1,880	-1,548	21.45%
Payments to employees	-23,342	-21,851	6.82%
Payments for scholarships & fellowships	-1,880	-1,725	8.99%
Fees retained by Board	-272	-261	4.21%
Loans issued to students	-120	-119	0.84%
Collection of loans to students & employees	117	169	30.77%
Auxiliary enterprise charges	12,288	11,083	10.87%
Sales and service of educational activities	44	42	4.76%
Other receipts (payments)	1,304	1,783	26.86%
Net cash provided (used) by operating activities	-4,830	-2,991	61.48%
Cash Flows from Non-Capital Financing Activities			
State appropriations	10,419	8,738	19.24%
Gifts	607	492	
Net cash provided (used) by non-capital financing activities	11,026	9,230	19.46%
Cash Flows from Capital Financing Activities			
Capital grants and gifts received	16,143	1,910	100.00%
Proceeds from Capital Debt	0	0	0.00%
Bond Issuance Costs	0	0	0.00%
Purchase of capital assets	-23,112	-22,090	4.63%
Principal paid on capital debt & leases	-709	-695	2.01%
Interest paid on capital debt & leases	-1,497	-1,498	0.07%
Increase in noncurrent cash and cash equivalents	1,221	2,982	59.05%
Interest and other expenses paid on system debt	-189	-206	8.25%
Net cash provided (used) by capital financing activities	-8,143	-19,597	58.45%
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	966	15,010	
Interest on investments	4,463	1,049	325.45%
Purchase of investments			
Investment in lease receipts			
Net cash provided (used) by investing activities	5,429	16,059	
cash - beginning of year	13,522	10,821	24.96%
net increase in cash	3,482	2,701	28.92%
cash - end of period	17,004	13,522	25.75%
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	-7,730	-8,658	10.72%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	4,549	3,427	32.74%
Amortization of bond issuance costs	19	30	
Changes in assets and liabilities			
Appropriations due from state government	60	-60	200.00%
Net receivables	-981	-90	990.00%
Prepaid expenses	0	20	100.00%
Inventories	-59	14	521.43%
Due from the Commission	-942	575	263.83%
Due from other State agencies	26	11	136.36%
Accounts payable	433	336	28.87%
Due to the Commission	-7	-2	250.00%
Due to other State Agencies	-35	16	318.75%
Accrued liabilities employees	172	249	30.92%
Deferred revenue	-140	86	262.79%
Deposits	0	15	100.00%
compensated absences	-131	996	113.15%
Loans receivable	-2	49	104.08%
Advances from federal sponsors	-62	-5	0.00%
Net cash provided (used) by operating activities	-4,830	-2,991	61.48%

Shepherd University
For the Period from July 1, 2006 - June 30, 2007
Statement of Revenues Expenses and Other Changes
(Dollars in Thousands)

	Budget Current	Actual YTD	Prior Actual YTD
OPERATING REVENUES			
Tuition and Fees	\$16,816	\$16,781	\$14,279
Federal Grants and Contracts	2,479	2,699	2,438
State and Local Grants and Contracts	2,374	2,714	2,280
Private Grants and Contracts	283	313	250
Sales and Services of Educational Activities	42	44	42
Auxiliary Enterprises	12,204	12,283	11,010
Transfer from Blue Ridge Community and Technical College	483	483	1,141
Other Operating Revenues	779	857	681
TOTAL OPERATING REVENUES	35,460	36,174	32,121
OPERATING EXPENSES			
Education and General (E&G)			
Primary Mission Costs			
Instruction	12,447	11,755	11,641
Academic Support	2,567	2,568	2,344
Student Services	3,618	3,566	3,444
Scholarships & Fellowships	1,441	1,880	1,700
Subtotal Primary Mission Costs	20,073	19,769	19,129
Other Education and General Costs			
Operations and Maintenance	4,374	4,948	3,908
Institutional Support	4,081	3,856	3,757
Research	18	22	28
Public Service	236	235	232
Subtotal Other Education and General Costs	8,709	9,061	7,925
Total Education and General Expenses	28,782	28,830	27,054
Auxiliary Expenses	11,626	10,207	10,058
Depreciation Expense	3,963	4,549	3,427
Transfers and Other (Additions) Subtractions	264	265	254
TOTAL OPERATING EXPENSES	44,635	43,851	40,793
NONOPERATING REVENUES AND EXPENSES			
State Appropriations	10,335	10,335	8,821
Investment Income	603	1,028	1,106
Gifts	492	607	492
Interest on capital asset related debt	(1,491)	(1,492)	(845)
Loss on disposal of equipment	(50)	(52)	(49)
Fees assessed by the Commission for interest and reserves	(140)	(189)	(206)
Income Before Other Revenues, Expenses, Gains or Losses	624	2,560	647
OTHER REVENUES, EXPENSES, GAINS OR LOSSES			
Capital Grants and Gifts	17,435	16,143	1,595
Increase (Decrease) in Net Assets	\$18,059	\$18,703	\$2,242

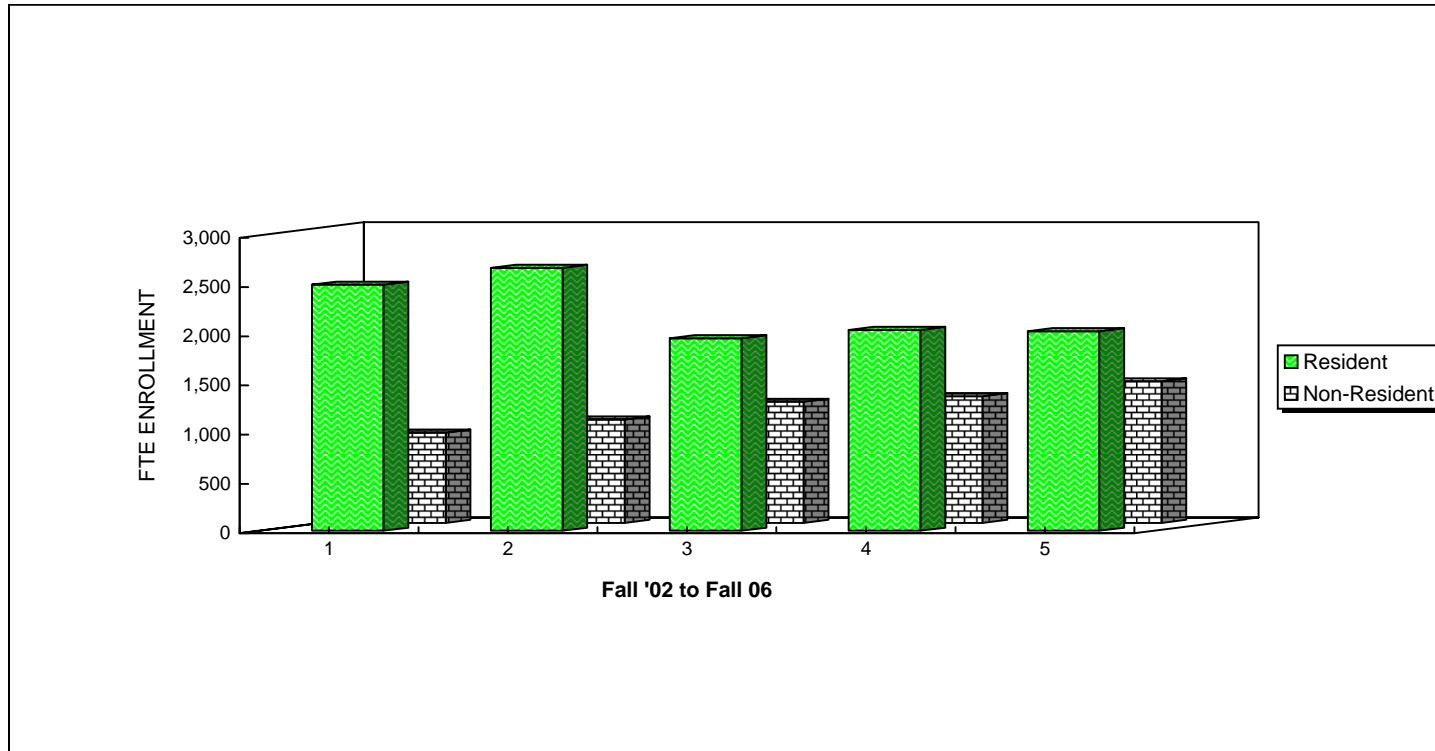
Shepherd University
For the Period from July 1, 2006 - June 30, 2007
(Dollars in Thousands)
Statement of Revenues Expenses and Other Changes

	CURRENT BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount
OPERATING REVENUES								
Tuition and Fees	\$16,816	47.4%	\$16,816	100.0%	\$16,781	99.8%	(0.2)	\$14,279
Federal Grants and Contracts	2,479	7.0%	\$2,479	100.0%	\$2,699	108.9%	8.9	2,438
State and Local Grants and Contracts	2,374	6.7%	\$2,374	100.0%	\$2,714	114.3%	14.3	2,280
Private Grants and Contracts	283	0.8%	\$283	100.0%	\$313	110.6%	10.6	250
Sales and Services of Educational Activities	42	0.1%	\$42	100.0%	\$44	104.8%	4.8	42
Transfer from Blue Ridge Community and Technical College	483	1.4%	\$483	100.0%	\$483	100.0%	0.0	1,141
Auxiliary Enterprises	12,204	34.4%	\$12,204	100.0%	\$12,283	100.6%	0.7	11,010
Other Operating Revenues	779	2.2%	\$779	100.0%	\$857	110.0%	10.0	681
TOTAL REVENUES	\$35,460	100.0%	\$35,460	100.0%	\$36,174	102.0%	2.0	\$32,121
OPERATING EXPENSES								
Education and General (E&G)								
Primary Mission Costs								
Instruction	\$12,447	43.2%	\$12,447	100.0%	\$11,755	94.4%	(5.6)	\$11,641
Academic Support	2,567	8.9%	\$2,567	100.0%	2,568	100.0%	0.0	2,344
Student Services	3,618	12.6%	\$3,618	100.0%	3,566	98.6%	(1.4)	3,444
Scholarships & Fellowships	1,441	5.0%	\$1,441	100.0%	1,880	130.5%	30.5	1,700
Subtotal Primary Mission Costs	\$20,073	69.7%	\$20,073	100.0%	\$19,769	98.5%	(1.5)	\$19,129
Other Education and General Costs								
Operations and Maintenance	\$4,374	15.2%	\$4,374	100.0%	\$4,948	113.1%	13.1	\$3,908
Institutional Support	4,081	14.2%	\$4,081	100.0%	3,856	94.5%	(5.5)	3,757
Research	18	0.1%	\$18	100.0%	22	122.2%	22.2	28
Public Service	236	0.8%	\$236	100.0%	235	99.6%	(0.4)	232
Subtotal Other Education and General Costs	\$8,709	30.3%	\$8,709	100.0%	\$9,061	104.0%	4.0	\$7,925
Total Education and General Expenses	\$28,782	100.0%	\$28,782	100.0%	\$28,830	100.2%	0.2	\$27,054
Auxiliary Expenses								
Depreciation Expense	\$11,626		\$11,626	100.0%	\$10,207	87.8%	(12.2)	\$10,058
Transfers and Other (Additions) Subtractions	\$3,963		\$3,963	100.0%	\$4,549	114.8%	14.8	\$3,427
	\$264		\$264	100.0%	\$265	100.4%	0.4	\$254
TOTAL OPERATING EXPENSES	\$44,635		\$44,635	100.0%	\$43,851	98.2%	(1.8)	\$40,793
NONOPERATING REVENUES AND EXPENSES								
State Appropriations	\$10,335		\$10,335	100.0%	\$10,335	100.0%	0.0	\$8,821
Investment Income	603		\$603	100.0%	\$1,028	170.5%	70.5	\$1,106
Gifts	492		\$492	100.0%	\$607	123.4%	23.4	\$492
Loss on disposal of equipment	0		\$0	0.0%	(\$52)	0.0%	0.0	(\$49)
Interest on capital asset related debt	(1,631)		-\$1,631	100.0%	(\$1,681)	103.1%	3.1	(\$1,051)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES	\$17,435		\$17,435	100.0%	\$16,143	92.6%	(7.4)	\$1,595

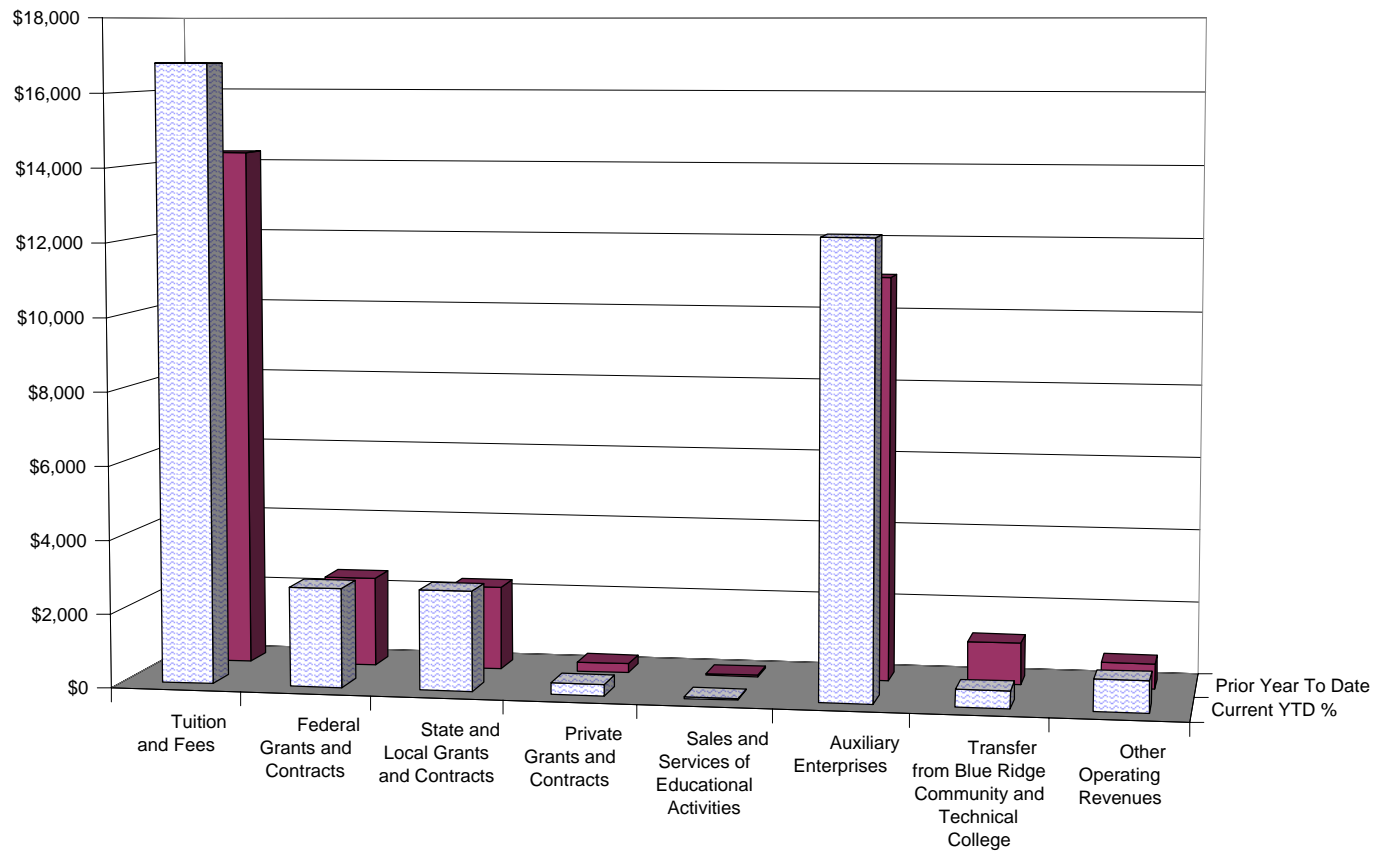
SHEPHERD UNIVERSITY					
	FY 2007		FY 2006		Indication
	Data	Ratio	Data	Ratio	
Market Demand					
Net Tuition per Student (\$)					
Sum of:					
Gross tuition and fees revenue	16,781		14,279		
Less Scholarship discount and allowances	-2,514		-2,157		
Less Scholarship Expense	-1,880		-1,700		
Total FTEs	3,467	\$ 3,573	3,330	\$ 3,129	Positive
State Appropriation per student (\$)					
State appropriations	10,335		8,821		
Total FTEs	3,467	\$ 2,981	3,330	\$ 2,649	Positive
Educational expense per student (\$)					
Total operating expenses	43,851		40,793		
Total FTEs	3,467	\$ 12,648	3,330	\$ 12,249	Positive
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,514		2,157		
Plus Scholarship expense	1,880		1,700		
Gross tuition and fees revenue	16,781	26.18%	14,279	27.01%	Negative
Capital					
Direct debt per student (\$)					
Direct Debt	33,875		34,844		
Divided by Total FTEs	3,467	\$ 9,770	3,330	\$ 10,463	Positive
Direct debt to cash flow (x)					
The sum of:					
Direct debt	33,875		34,844		
The sum of:					
Operating surplus (deficit)	977		-902		
Plus Depreciation expense	4,549		3,427		
Plus Interest expense	1,681	4.70	1,051	9.74	Positive
Direct debt to capitalization (x)					
Direct debt	33,875		34,844		
The sum of:					
Total net assets	74,525		55,822		
Plus Direct debt	33,875	0.31	34,844	0.38	Positive
Actual debt service to operations (%)					
Actual annual debt service	2,206		2,193		
Total operating expenses	43,851	5.03%	40,793	5.38%	Positive

Capital expense to operations (%)					
The sum of:					
Depreciation expense	4,549		3,427		
Plus Interest expense	1,681		1,051		
Total operating expenses	43,851	14.21%	40,793	10.98%	Negative
Operating Ratios					
Operating margin (%)					
Operating surplus (deficit)	977		-902		
Total operating revenue	46,509	2.10%	40,942	-2.20%	Positive
Actual debt service coverage (x)					
The sum of:					
Operating surplus (deficit)	977		-902		
Plus Depreciation expense	4,549		3,427		
Plus Interest expense	1,681		1,051		
Total principal and interest payments	2,206	3.27	2,193	1.63	Positive
Average peak debt service coverage (x)					
Three year average:					
Sum of:					
Operating surplus (deficit)	977		-902		
Depreciation expense	4,549		3,427		
Plus interest expense	1,681		1,051		
Peak principal and interest payments	2,457	2.93	2,193	1.63	Positive
Return on net assets (%)					
(Increase) decrease in net assets	18,703		2,242		
Divided by average total net assets	65,174	28.70%	54,701	4.10%	Positive
(the sum of beginning and ending net assets divided by 2)					

**FTE ENROLLMENT
Five Year History
Level and Residency**

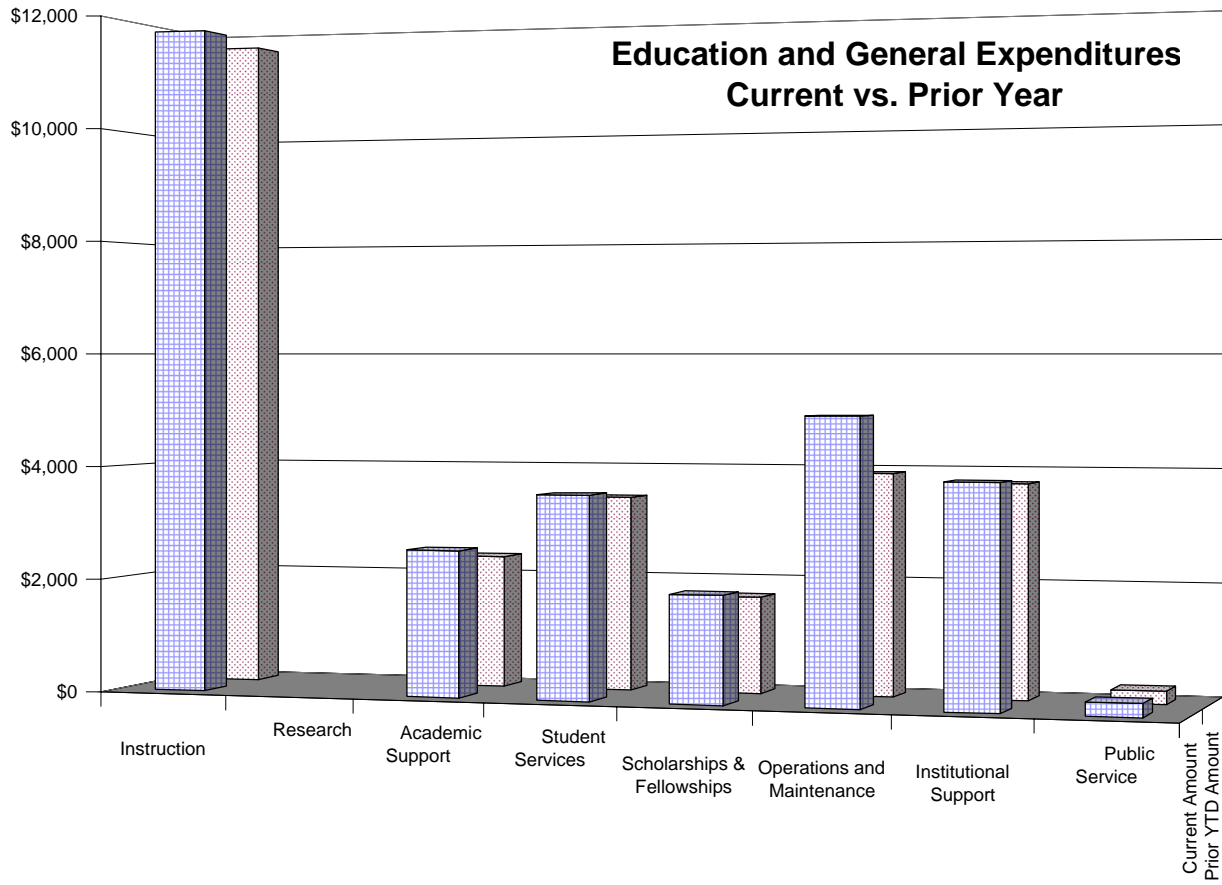


Operating Revenues Current vs. Prior Year



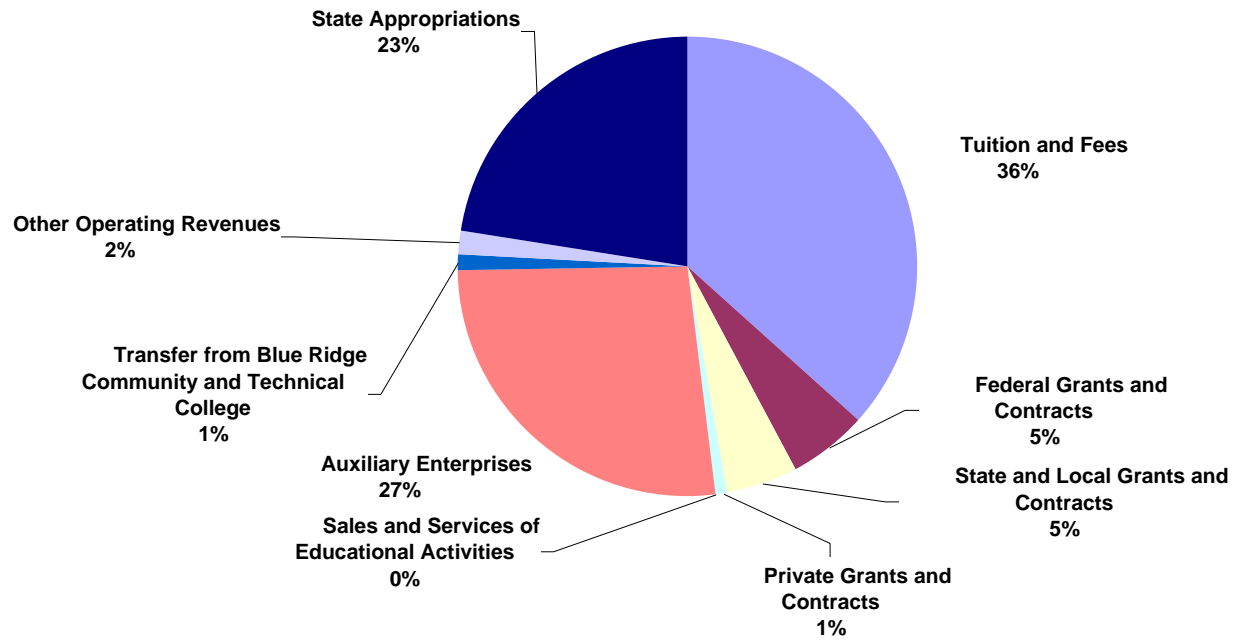
	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Blue Ridge Community and Technical College	Other Operating Revenues
□ Current YTD %	\$16,781	2,699	2,714	313	44	12,283	483	857
■ Prior Year To Date	\$14,279	2,438	2,280	250	42	11,010	1,141	681

Education and General Expenditures Current vs. Prior Year



	Instruction	Research	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	\$11,755		\$2,568	\$3,566	\$1,880	\$4,948	\$3,856	\$235
Prior YTD Amount	\$11,641		\$2,344	\$3,444	\$1,700	\$3,908	\$3,757	\$232

Operating Revenues and State Appropriations



Education and General Expenses

