

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets

Net Assets increased \$5.2 million or 10.1% over the second quarter of fiscal year 2005. Cash increased from \$9.5 million to \$11.9 million or 25.02%. Cash increased because the cash reserves depleted by the fiscal year 2004 asbestos problem in the residence halls were replenished in fiscal year 2005. Cash also increased because a greater portion of the budget is funded by student fees that are collected at the beginning of each semester. Total liabilities increased 79.51% because additional debt was issued in fiscal year 2005. Deferred revenues increased 18.04% because tuition and fee charges and the enrollment rose.

Revenues

As of December 31, 2005, total operating revenues were 51.9% of the total fiscal year 2005 budgeted revenues. This is .9% more than the percent of budgeted revenues collected for the prior fiscal year.

The increase in full time equivalent (FTE) number of students was 143 for the fall semester. In-state student FTE increased 4.3% and out-of-state student FTE increased 4.7%. The tuition and fee budgets were adjusted for these increases.

Expenditures

Operating expenses were 43.7% of the total fiscal year 2006 budget as of December 31, 2005. This is 2.7% less than the percent of the budget expended for the prior fiscal year.

EXPLANATORY NOTES

Net Assets

Assets

1. Grants and Contracts receivable decreased \$348,000. The amount receivable from financial aid programs decreased compared to the second quarter of fiscal year 2005.
2. Restricted Cash and Cash Equivalents: This amount decreased \$2.1 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 increased \$13.8 million over the second quarter of fiscal year 2005. Proceeds from the fiscal year 2005 bond issue were invested. Investments are held with the Trustee Bank and MBIA Insurance Corporation and are invested in U.S. Treasury Money Market Fund and repurchase agreements. The U.S. Treasury Money Market Fund invests in U.S. Treasury Securities. This fund is rated AAA by Standard and Poor's and AAA Moody's. The repurchase agreements invest in: (a) securities issued by the United States Government or the Government National Mortgage Association; and (b) securities issued or guaranteed by Freddie Mac or Fannie Mae or other agency, corporation, or instrumentality of the United States; and (c) such other securities as INC and the Bond Trustee may agree to in writing.
4. The \$11.8 million increase in Capital Assets compared to the previous year was caused by equipment purchases and building construction.
5. Other noncurrent assets increased \$349,000 because the University recorded bond issuance costs associated with the new residence hall bond debt.

Liabilities

1. Accrued liabilities increased \$113,000. The majority of the increase was caused by the accrued interest payable related to the new bond issues. The number of full time staff paid in arrears increased. All staff hired after July 1, 2001 are paid in arrears.
2. Long term liabilities: The current portion of noncurrent liabilities decreased \$2 million because the University paid the note payable for the Shaw and Thatcher Hall renovations with proceeds from the 2005 bond issue.
3. Deferred revenues increased \$1.8 million. Tuition and fees billed in advance of the spring semester increased in proportion to the rate and enrollment increases. Deferred revenues related to grants increased \$133,000.
4. Compensated absences increased \$111,000 because fringe benefits are now included in the calculation of the annual leave liability.
5. Bonds payable increased \$23.4 million because debt was issued for the residence halls and infrastructure projects.

Operating Revenues

1. State and Local Grants and Contracts: State and local grants and contracts increased \$205,000 because the revenues were collected earlier in fiscal year 2006 than in the previous fiscal year.
2. Transfer from the Community and Technical College of Shepherd: The amount transferred decreased \$437,000 because the contract with the Community and Technical College of Shepherd decreased.
3. Other Operating Revenues: Other operating revenues increased \$76,000 because the amounts collected for parking registrations, facilities rental, wellness center, vending and orientation fee revenues increased.

Operating Expenses

1. Scholarships and Fellowships: The amount expended for scholarships decreased \$259,000 over the second quarter of 2005. The scholarship discount increased over the previous year. The scholarship expenditures are reduced by the amount of the scholarship discount.

Non-Operating Revenues and Expenses

1. Interest revenues increased \$70,000 over the second quarter of fiscal year 2005. Cash balances and the interest rates increased over the previous year.

Shepherd University
Statement of Net Assets
As of December 31, 2005
(Dollars in Thousands)

	12/31/2005	12/31/2004	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	11,871	9,495	25.02%
Appropriations due from Primary Government	0	0	
Accounts receivable net	10,226	8,730	17.14%
Grants and contracts receivable, net	130	478	-72.80%
Due from the Commission	210	17	1135.29%
Inventories	853	824	3.52%
Loans Receivable	179	184	-2.72%
Other assets	25	25	0.00%
Total Current assets	23,494	19,753	18.94%
Noncurrent assets:			
Restricted cash and cash equivalents	2,184	4,312	-49.35%
Investments	13,798	0	
Loans receivable, net	297	339	-12.39%
Capital assets net	66,568	54,725	21.64%
Other Noncurrent assets	641	292	119.52%
Total Noncurrent assets	83,488	59,668	39.92%
TOTAL ASSETS	106,982	79,421	34.70%
LIABILITIES			
Current liabilities:			
Accounts payable	403	338	19.23%
Accrued liabilities	499	386	29.27%
Due to the Commission	0	0	0.00%
Due to other State agencies	0	0	
Deferred revenue	11,515	9,755	18.04%
Long-term liabilities - current portion	1,317	3,357	-60.77%
Total Current liabilities	13,734	13,836	-0.74%
Noncurrent liabilities:			
Advances from federal sponsors	639	639	0.00%
Deposits	196	181	8.29%
Compensated absences	1,309	1,198	9.27%
Debt obligation due Commission	1,969	2,922	-32.61%
Leases Payable	180	242	-25.62%
Bonds Payable	32,511	9,135	255.89%
Total Noncurrent liabilities	36,804	14,317	157.07%
TOTAL LIABILITIES	50,538	28,153	79.51%
NET ASSETS	56,444	51,268	10.10%
TOTAL LIABILITIES AND NET ASSETS	106,982	79,421	34.70%

Shepherd University
Statement of Cash Flows
For the Period from October 1, 2005 - December 31, 2005
(Dollars in Thousands)

	12/31/2005	12/31/2004	% Change
Cash Flows from Operating Activities			
Tuition and fees	4,864	4,157	17.01%
Grants and contracts	3,222	1,997	61.34%
Payments to suppliers	-5,708	-5,130	11.27%
Payments to utilities	-728	-543	34.07%
Payments to employees	-10,753	-10,071	6.77%
Payments for scholarships & fellowships	-654	-786	16.79%
Fees retained by Board	-140	-240	41.67%
Loans issued to students	-50	-50	0.00%
Collection of loans to students & employees	75	78	3.85%
Auxiliary enterprise charges	9,527	8,155	16.82%
Sales and service of educational activities	20	23	13.04%
Other receipts (payments)	1,042	1,281	18.66%
Net cash provided (used) by operating activities	717	-1,129	163.51%
Cash Flows from Non-Capital Financing Activities			
State appropriations	3,740	3,749	0.24%
Transfer of funds to Shepherd Community and Technical College	0	-1,148	100.00%
Net cash provided (used) by non-capital financing activities	3,740	2,601	43.79%
Cash Flows from Capital Financing Activities			
Capital grants and gifts received	144		
Proceeds from Capital Debt	0	5,560	100.00%
Bond Issuance Costs	15	-136	111.03%
Purchase of capital assets	-11,516	-4,075	182.60%
Principal paid on capital debt & leases	-381	-243	56.79%
Interest paid on capital debt & leases	-107	-69	55.07%
Increase in noncurrent cash and cash equivalents	2,298	-3,027	175.92%
Interest and other expenses paid on system debt	-59	-133	55.64%
Net cash provided (used) by capital financing activities	-9,606	-2,123	352.47%
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	6,066		
Interest on investments	133	80	66.25%
Purchase of investments			
Investment in lease receipts			
Net cash provided (used) by investing activities	6,199	80	
cash - beginning of year	10,821	9,652	12.11%
net increase in cash	1,050	-157	768.79%
cash - end of period	11,871	9,495	25.02%
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	-1,007	-1,652	39.04%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	1,422	1,381	2.97%
Changes in assets and liabilities			
Net receivables	-9,912	-8,699	13.94%
Prepaid expenses	-6	2	400.00%
Inventories	-396	-443	10.61%
Due from the Commission	804	21	3728.57%
Due from other State agencies	11	13	15.38%
Accounts payable	-788	-420	87.62%
Due to the Commission	-13	-117	88.89%
Due to other State Agencies	-19	-56	66.07%
Accrued liabilities employees	-165	-218	24.31%
Deferred revenue	10,792	9,226	16.97%
Deposits	15	16	6.25%
compensated absences	-46	-89	48.31%
Loans receivable	25	29	13.79%
Advances from federal sponsors	0	-123	100.00%
Net cash provided (used) by operating activities	717	-1,129	163.51%

Shepherd University
For the Period from October 1, 2005 - December 31, 2005
Statement of Revenues Expenses and Other Changes

(Dollars in Thousands)

	Budget Current	Actual YTD	Prior Budget YTD	Prior Budget Total
OPERATING REVENUES				
Tuition and Fees	\$13,901	\$7,165	\$6,463	\$11,932
Federal Grants and Contracts	3,194	1,203	1,280	3,193
State and Local Grants and Contracts	2,129	1,111	906	2,675
Private Grants and Contracts	665	335	308	791
Sales and Services of Educational Activities	42	20	23	40
Auxiliary Enterprises	11,104	6,102	5,373	10,180
Transfer from Shepherd Community and Technical College	960	571	1,008	1,511
Other Operating Revenues	756	459	383	756
TOTAL OPERATING REVENUES	32,751	16,966	15,744	31,078
OPERATING EXPENSES				
Education and General (E&G)				
Primary Mission Costs				
Instruction	11,335	5,139	4,865	10,218
Academic Support	2,281	1,114	1,159	2,173
Student Services	3,379	1,612	1,502	3,187
Scholarships & Fellowships	1,815	608	867	1,557
Subtotal Primary Mission Costs	18,810	8,473	8,393	17,135
Other Education and General Costs				
Operations and Maintenance	3,776	1,520	1,298	2,941
Institutional Support	4,352	1,907	1,622	3,739
Research	0	0	0	0
Public Service	240	103	80	244
Subtotal Other Education and General Costs	8,368	3,530	3,000	6,924
Total Education and General Expenses	27,178	12,003	11,393	24,059
Auxiliary Expenses	10,336	4,381	4,027	9,034
Depreciation Expense	3,450	1,422	1,381	3,158
Transfers and Other (Additions) Subtractions	253	127	123	247
TOTAL OPERATING EXPENSES	41,217	17,933	16,924	36,498
NONOPERATING REVENUES AND EXPENSES				
State Appropriations	8,821	3,740	3,749	8,876
Investment Income	272	173	103	155
Interest on capital asset related debt	(260)	(129)	(153)	(262)
Loss on disposal of equipment		(39)	0	(46)
Fees assessed by the Commission for interest and reserves	(117)	(59)	(133)	(207)
Income Before Other Revenues, Expenses, Gains or Losses	250	2,719	2,386	3,096
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital Grants and Gifts	2,000	144	0	1,489
Transfer of Net Assets to the Shepherd Community and Technical College	0	0	(1,944)	
Increase (Decrease) in Net Assets	\$2,250	\$2,863	\$442	\$4,585

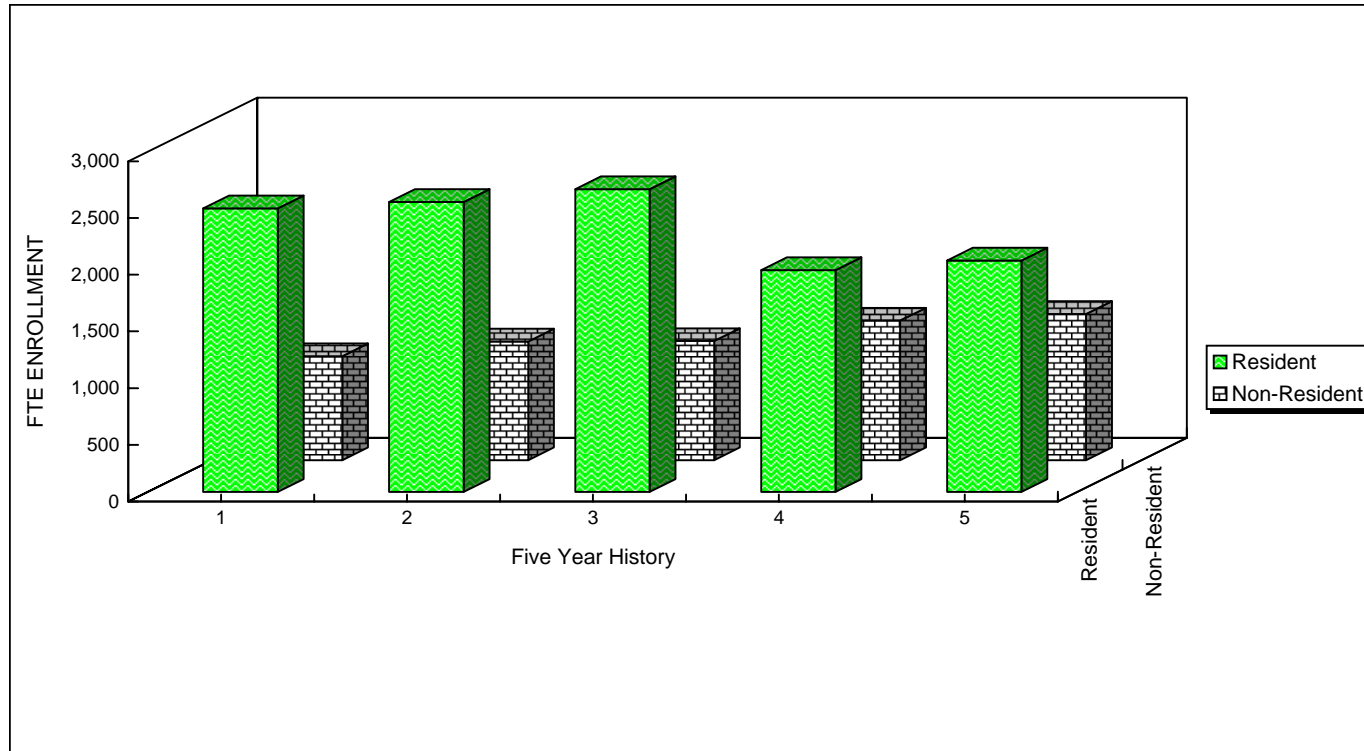
Shepherd University
For the Period from October 1, 2005 - December 31, 2005
(Dollars in Thousands)

Statement of Revenues Expenses and Other Changes

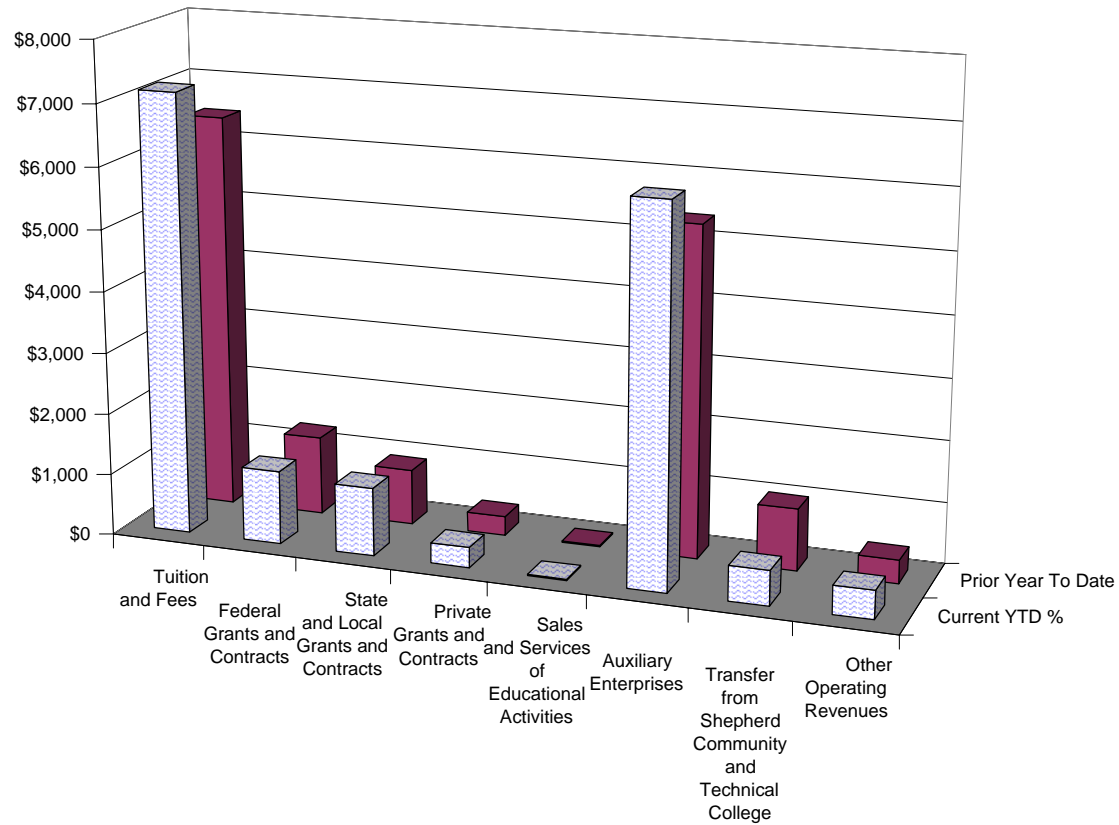
	CURRENT FY 06 BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		Variance (Points)
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	
OPERATING REVENUES										
Tuition and Fees	\$13,901	42.2%	\$7,529	54.2%	\$7,165	51.5%	(2.6)	\$6,463	54.2%	(2.6)
Federal Grants and Contracts	3,194	9.7%	1,280	40.1%	\$1,203	37.7%	(2.4)	1,280	40.1%	(2.4)
State and Local Grants and Contracts	2,129	6.5%	1,065	50.0%	\$1,111	52.2%	2.2	906	33.9%	18.3
Private Grants and Contracts	665	2.0%	333	50.0%	\$335	50.4%	0.4	308	38.9%	11.4
Sales and Services of Educational Activities	42	0.1%	24	57.5%	\$20	47.6%	(9.9)	23	57.5%	(9.9)
Transfer from Shepherd Community and Technical College	1,139	3.5%	571	50.1%	\$571	50.1%	0.0	1,008	66.7%	(16.6)
Auxiliary Enterprises	11,104	33.7%	5,861	52.8%	\$6,102	55.0%	2.2	5,373	52.8%	2.2
Other Operating Revenues	756	2.3%	383	50.7%	\$459	60.7%	10.1	383	50.7%	10.1
TOTAL REVENUES	\$32,930	100.0%	17,046	51.8%	\$16,966	51.5%	(0.2)	\$15,744	50.7%	0.9
OPERATING EXPENSES										
Education and General (E&G)										
Primary Mission Costs										
Instruction	\$11,335	41.7%	5,397	47.6%	\$5,139	45.3%	(2.3)	\$4,865	47.6%	(2.3)
Academic Support	2,281	8.4%	1,217	53.3%	1,114	48.8%	(4.5)	1,159	53.3%	(4.5)
Student Services	3,379	12.4%	1,592	47.1%	1,612	47.7%	0.6	1,502	47.1%	0.6
Scholarships & Fellowships	1,815	6.7%	1,011	55.7%	608	33.5%	(22.2)	867	55.7%	(22.2)
Subtotal Primary Mission Costs	\$18,810	69.2%	\$9,217	49.0%	\$8,473	45.0%	(4.0)	\$8,393	49.0%	(3.9)
Other Education and General Costs										
Operations and Maintenance	\$3,776	13.9%	1,667	44.1%	\$1,520	40.3%	(3.9)	\$1,298	44.1%	(3.9)
Institutional Support	4,352	16.0%	1,888	43.4%	1,907	43.8%	0.4	1,622	43.4%	0.4
Research	0	0.0%	0	0.0%	0	0.0%	0.0	0	0.0%	0.0
Public Service	240	0.9%	79	32.8%	103	42.9%	10.1	80	32.8%	10.1
Subtotal Other Education and General Costs										
Total Education and General Expenses	\$8,368	30.8%	\$3,633	43.4%	\$3,530	42.2%	(1.2)	\$3,000	43.3%	(1.1)
Total Education and General Expenses	\$27,178	100.0%	\$12,850	47.3%	\$12,003	44.2%	(3.1)	\$11,393	47.4%	(3.2)
Auxiliary Expenses	\$10,336		\$4,607	44.6%	\$4,381	42.4%	(2.2)	\$4,027	44.6%	(2.2)
Depreciation Expense	\$3,317		\$1,659	50.0%	\$1,422	42.9%	(7.1)	\$1,381	43.7%	(0.9)
Transfers and Other (Additions) Subtractions	\$253		\$127	50.0%	\$127	50.2%	0.2	\$123	49.8%	0.4
TOTAL EXPENDITURES AND TRANSFERS	\$41,084		\$19,242	46.8%	\$17,933	43.7%	(3.2)	\$16,924	46.4%	(2.7)
NONOPERATING REVENUES AND EXPENSES										
State Appropriations	\$8,821		3,740	42.4%	\$3,740	42.4%	0.0	\$3,749	42.2%	0.2
Investment Income	272		181	66.5%	\$173	63.6%	(2.9)	\$103	66.5%	(2.9)
Interest on capital asset related debt	(377)		-188	49.9%	(\$188)	49.9%	0.0	(\$286)	69.1%	(19.2)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital Grants and Gifts	\$2,000		\$2,000	10.0%	\$144	7.2%	(2.8)	\$0	0.0%	7.2
Transfer of Net Assets to the Shepherd Community and Technical College	0		0		\$0	0.0%		(\$1,944)		

	Shepherd University				Indication
	FY 2006		FY 2005		
	Data	Ratio	Data	Ratio	
Market Demand					
Net Tuition per Student (\$)					
Sum of:					
Gross tuition and fees revenue	7,165		6,463		
Less Scholarship discount and allowances	-2,157		-1,659		
<u>Less Scholarship Expense</u>	-608		-867		
Total FTEs	3,330	\$ 1,321	3,187	\$ 1,235	Positive
State Appropriation per student (\$)					
State appropriations	3,740		3,749		
Total FTEs	3,330	\$ 1,123	3,187	\$ 1,176	Negative
Educational expense per student (\$)					
Total operating expenses	17,933		16,924		
Total FTEs	3,330	\$ 5,385	3,187	\$ 5,310	Positive
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,157		1,659		
Plus Scholarship expense	608		867		
Gross tuition and fees revenue	7,165	38.59%	6,463	39.08%	Negative
Capital					
Direct debt per student (\$)					
Direct Debt	35,357		12,811		
Divided by Total FTEs	3,330	\$ 10,617	3,187	\$ 4,019	Negative
Direct debt to cash flow (x)					
The sum of:					
Direct debt	35,357		12,811		
The sum of:					
Operating surplus (deficit)	2,585		2,283		
Plus Depreciation expense	1,422		1,381		
Plus Interest expense	188	8.43	286	3.24	Negative
Direct debt to capitalization (x)					
Direct debt	35,357		12,811		
The sum of:					
Total net assets	56,444		51,268		
Plus Direct debt	35,357	0.39	12,811	0.20	Negative
Actual debt service to operations (%)					
Actual annual debt service	488		312		
Total operating expenses	17,933	2.72%	16,924	1.84%	Negative
Capital expense to operations (%)					
The sum of:					
Depreciation expense	1,422		1,381		
Plus Interest expense	188		286		
Total operating expenses	17,933	8.98%	16,924	9.85%	Positive

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

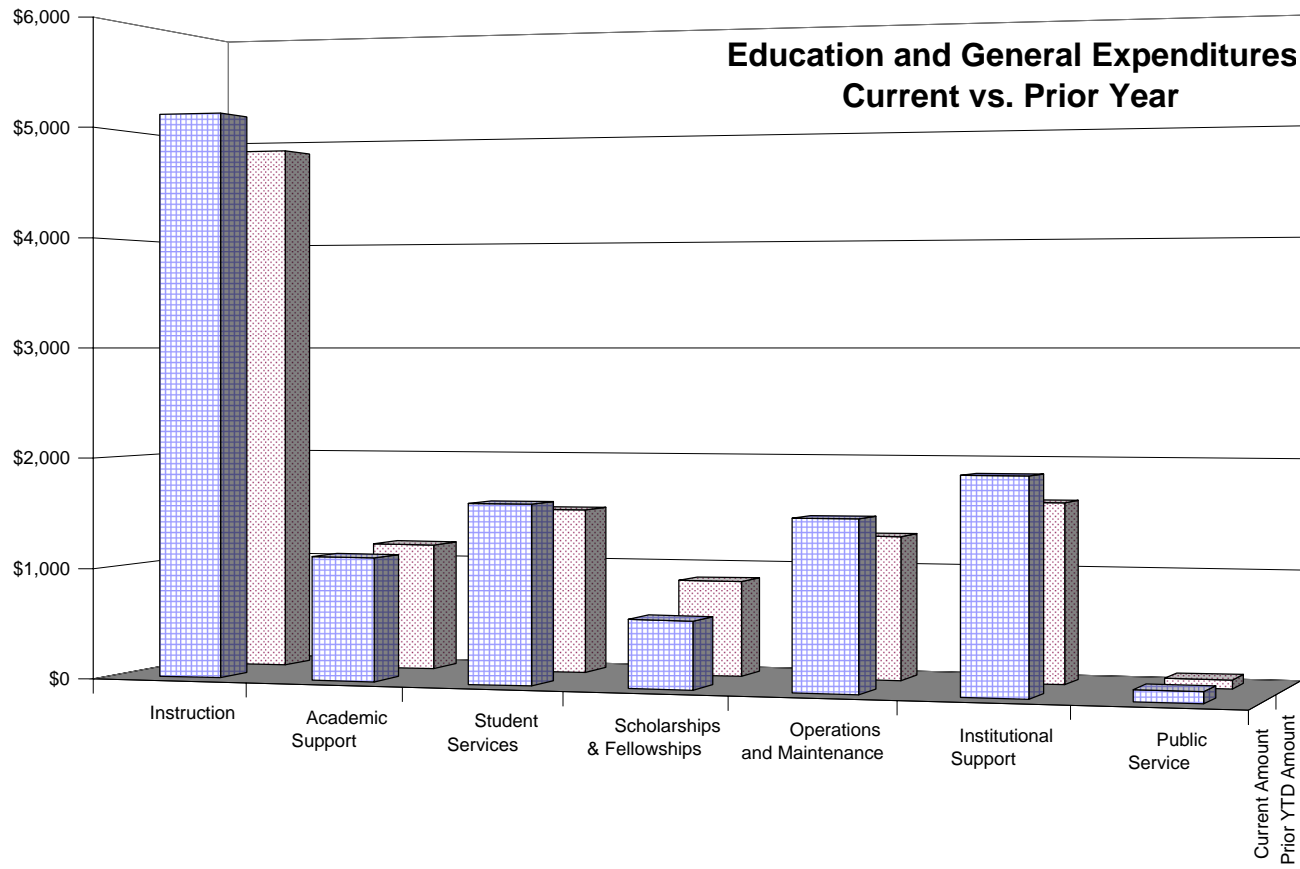


Operating Revenues Current vs. Prior Year



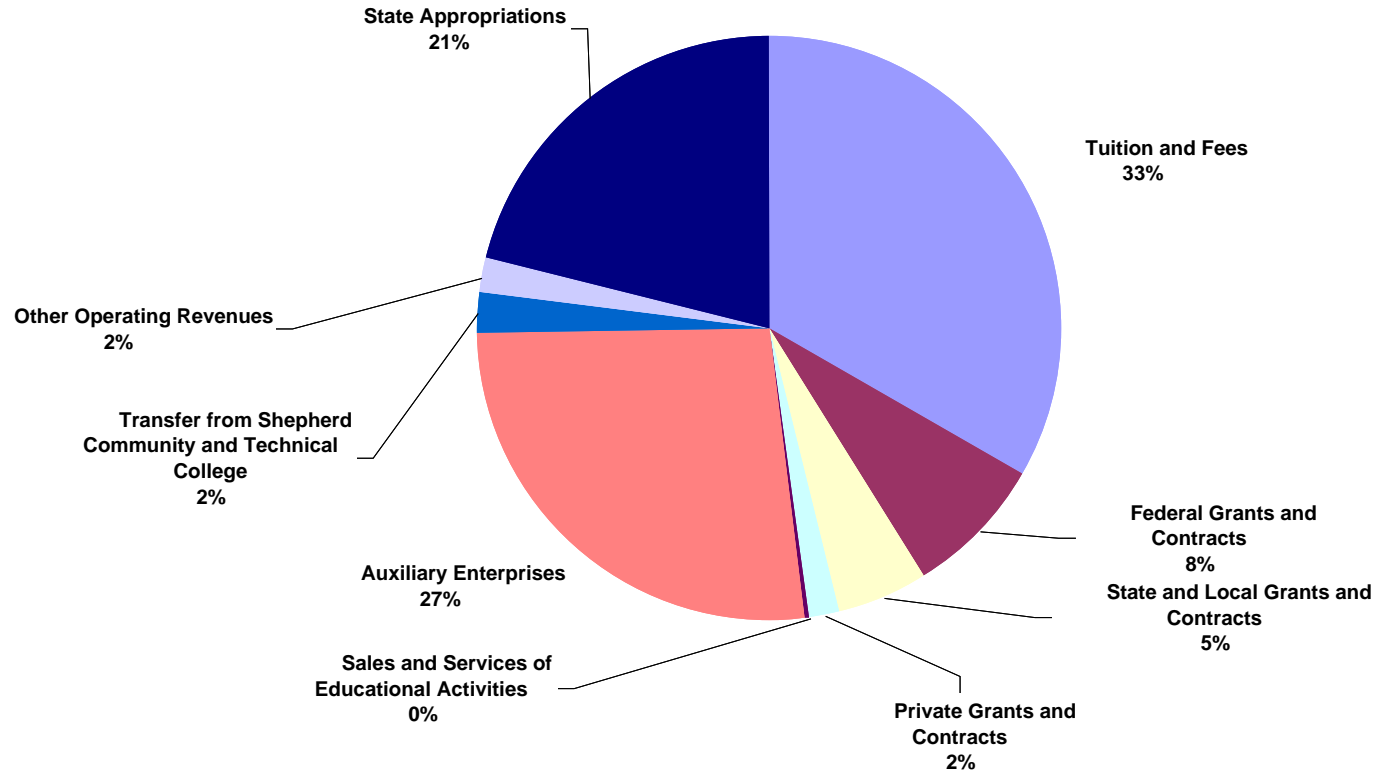
	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Shepherd Community and Technical College	Other Operating Revenues
□ Current YTD %	\$7,165	1,203	1,111	335	20	6,102	571	459
■ Prior Year To Date	\$6,463	1,280	906	308	23	5,373	1,008	383

Education and General Expenditures Current vs. Prior Year



	Instruction	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	\$5,139	\$1,114	\$1,612	\$608	\$1,520	\$1,907	\$103
Prior YTD Amount	\$4,865	\$1,159	\$1,502	\$867	\$1,298	\$1,622	\$80

Operating Revenues



Education and General Expenses

