

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets

Net assets increased \$6.7 million or 11.76% over the second quarter of Fiscal Year 2006. Cash increased from \$12.1 million to \$17.2 million or 41.69%. Cash increased because an increased portion of the budget is funded by student fees that are collected at the beginning of each semester. In addition, cash was collected for rents from the new residence halls. Current liabilities increased 22.56 % because construction related accounts payable and deferred revenues increased.

Revenues

As of December 31, 2006, total operating revenues were 53.8% of the total Fiscal Year 2007 budgeted revenues. This is 1.5% more than the percent of budgeted revenues realized for the prior fiscal year. Federal grants and contracts increased \$211,000 or 8.5%. State and privately funded financial aid revenues increased \$235,000 or 9.9% over the previous years budgeted revenues.

The increase in full time equivalent (FTE) number of students was 137 for the fall semester. In-state student FTE decreased .06% and out-of-state student FTE increased 11.64%. The tuition and fee budgets were adjusted for these increases.

Expenditures

Operating expenses were 43.5% of the total Fiscal Year 2007 budget as of December 31. This is .5% less than the percent of the budget expended for the prior fiscal year.

EXPLANATORY NOTES

Net Assets

Assets

1. Restricted Cash and Cash Equivalents: This amount decreased \$1.9 million and reflects the cash held in bond funds for construction and debt service. These funds declined as cash was spent for construction.
2. Investments decreased \$12.7 million over the second quarter of Fiscal Year 2006. Invested proceeds from the fiscal year 2006 bond issue declined as expenditures were made to complete the new apartment complex. .
3. The \$18.9 million increase in capital assets compared to the previous year was caused by the construction of the new residence apartment complex, the east campus classroom building, the Center for Contemporary Arts, infrastructure and equipment purchases.

Liabilities

1. Accounts payable increased \$740,000 over the second quarter of Fiscal Year 2006. The accounts payable for construction projects increased over Fiscal Year 2006.
2. Deferred revenue increased \$2.2 million or 19.45% over the second quarter of Fiscal Year 2006 because student tuition and housing charges increased.
3. The noncurrent portion of compensated absences increased \$1 million over the second quarter of Fiscal Year 2006 because the insurance rates for retirees increased.

Operating Revenues

1. Federal Grants and Contracts: Federal grants and contracts increased \$231,000 or 8.5% because Title IV financial aid awards increased.
2. State and Local Grants and Contracts: State and local grants and contracts increased \$281,000 or 9.9% because the number of West Virginia Grant recipients increased and the dollar values of the West Virginia Grants and the Promise Scholarships increased.
3. Transfer from Blue Ridge Community and Technical College: The amount transferred decreased \$238,000 because the contract with Blue Ridge Community and Technical College decreased, reflecting the reduction in services provided by the University.

Operating Expenses

1. Auxiliary Enterprises: The amount expended for auxiliary enterprises increased \$474,000 over Fiscal Year 2006. Additional operating expenses were incurred for the new residence halls compared to the previous fiscal year.

Capital Grants and Gifts

1. Capital Grants and Gifts: Capital grants and gifts increased \$3.5 million over the previous year as progress continued on the east campus academic building and the Center for Creative Arts.

Shepherd University
Statement of Net Assets
As of December 31, 2006
(Dollars in Thousands)

	12/31/2006	12/31/2005	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	17,194	12,135	41.69%
Appropriations due from Primary Government	0	0	
Accounts receivable net	10,312	10,226	0.84%
Grants and contracts receivable, net	1,142	130	778.46%
Due from the Commission	82	210	-60.95%
Inventories	820	853	-3.87%
Loans Receivable	158	179	-11.73%
Other assets	29	25	16.00%
Total Current assets	29,737	23,758	25.17%
Noncurrent assets:			
Restricted cash and cash equivalents	290	2,184	-86.72%
Investments	1,057	13,798	-92.34%
Loans receivable, net	279	297	-6.06%
Capital assets net	85,445	66,568	28.36%
Other Noncurrent assets	611	641	-4.68%
Total Noncurrent assets	87,682	83,488	5.02%
TOTAL ASSETS	117,419	107,246	9.49%
LIABILITIES			
Current liabilities:			
Accounts payable	1,143	403	183.62%
Accrued liabilities	549	499	10.02%
Due to the Commission	0	0	0.00%
Due to other State agencies	0	0	
Deferred revenue	13,755	11,515	19.45%
Long-term liabilities - current portion	1,385	1,317	5.16%
Total Current liabilities	16,832	13,734	22.56%
Noncurrent liabilities:			
Advances from federal sponsors	635	639	-0.63%
Deposits	232	196	18.37%
Compensated absences	2,361	1,309	80.37%
Debt obligation due Commission	1,630	1,969	-17.22%
Leases Payable	116	180	-35.56%
Bonds Payable	32,235	32,511	-0.85%
Total Noncurrent liabilities	37,209	36,804	1.10%
TOTAL LIABILITIES	54,041	50,538	6.93%
NET ASSETS	63,378	56,708	11.76%
TOTAL LIABILITIES AND NET ASSETS	117,419	107,246	9.49%

Shepherd University
Statement of Cash Flows
For the Period from July 1, 2006 - December 31, 2006
(Dollars in Thousands)

	12/31/2006	12/31/2005	% Change
Cash Flows from Operating Activities			
Tuition and fees	7,362	4,864	51.36%
Grants and contracts	2,488	3,222	22.78%
Payments to suppliers	-6,208	-5,708	8.76%
Payments to utilities	-780	-728	7.14%
Payments to employees	-11,640	-10,753	8.25%
Payments for scholarships & fellowships	-692	-654	5.81%
Fees retained by Board	-139	-140	0.71%
Loans issued to students	-46	-50	8.00%
Collection of loans to students & employees	61	75	18.67%
Auxiliary enterprise charges	10,833	9,527	13.71%
Sales and service of educational activities	17	20	15.00%
Other receipts (payments)	895	1,042	14.11%
Net cash provided (used) by operating activities	2,151	717	200.00%
Cash Flows from Non-Capital Financing Activities			
State appropriations	4,458	3,740	19.20%
Net cash provided (used) by non-capital financing activities	4,458	3,740	19.20%
Cash Flows from Capital Financing Activities			
Capital grants and gifts received	3,626	144	100.00%
Proceeds from Capital Debt	0	0	0.00%
Bond Issuance Costs	15	15	0.00%
Purchase of capital assets	-10,808	-11,516	6.15%
Principal paid on capital debt & leases	-344	-381	9.71%
Interest paid on capital debt & leases	-726	-107	578.50%
Increase in noncurrent cash and cash equivalents	1,210	2,298	47.35%
Interest and other expenses paid on system debt	-94	-59	59.32%
Net cash provided (used) by capital financing activities	-7,121	-9,606	25.87%
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	3,796	6,066	
Interest on investments	387	397	2.52%
Purchase of investments			
Investment in lease receipts			
Net cash provided (used) by investing activities	4,183	6,463	
cash - beginning of year	13,522	10,821	24.96%
net increase in cash	3,672	1,314	179.45%
cash - end of period	17,194	12,135	41.69%
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	-62	-1,007	93.84%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	1,563	1,422	9.92%
Loss on Disposal of Assets	0		
Changes in assets and liabilities			
Net receivables	-10,886	-9,912	9.83%
Prepaid expenses	-29	-6	383.33%
Inventories	-376	-396	5.05%
Due from the Commission	118	804	85.32%
Due from other State agencies	26	11	136.36%
Accounts payable	-825	-788	4.70%
Due to the Commission	-7	-13	46.15%
Due to other State Agencies	-41	-19	115.79%
Accrued liabilities employees	-385	-165	133.33%
Deferred revenue	12,946	10,792	19.96%
Deposits	36	15	140.00%
compensated absences	58	-46	226.09%
Loans receivable	15	25	40.00%
Advances from federal sponsors	0	0	0.00%
Net cash provided (used) by operating activities	2,151	717	200.00%

Shepherd University
For the Period from July 1, 2006 - December 31, 2006
Statement of Revenues Expenses and Other Changes
(Dollars in Thousands)

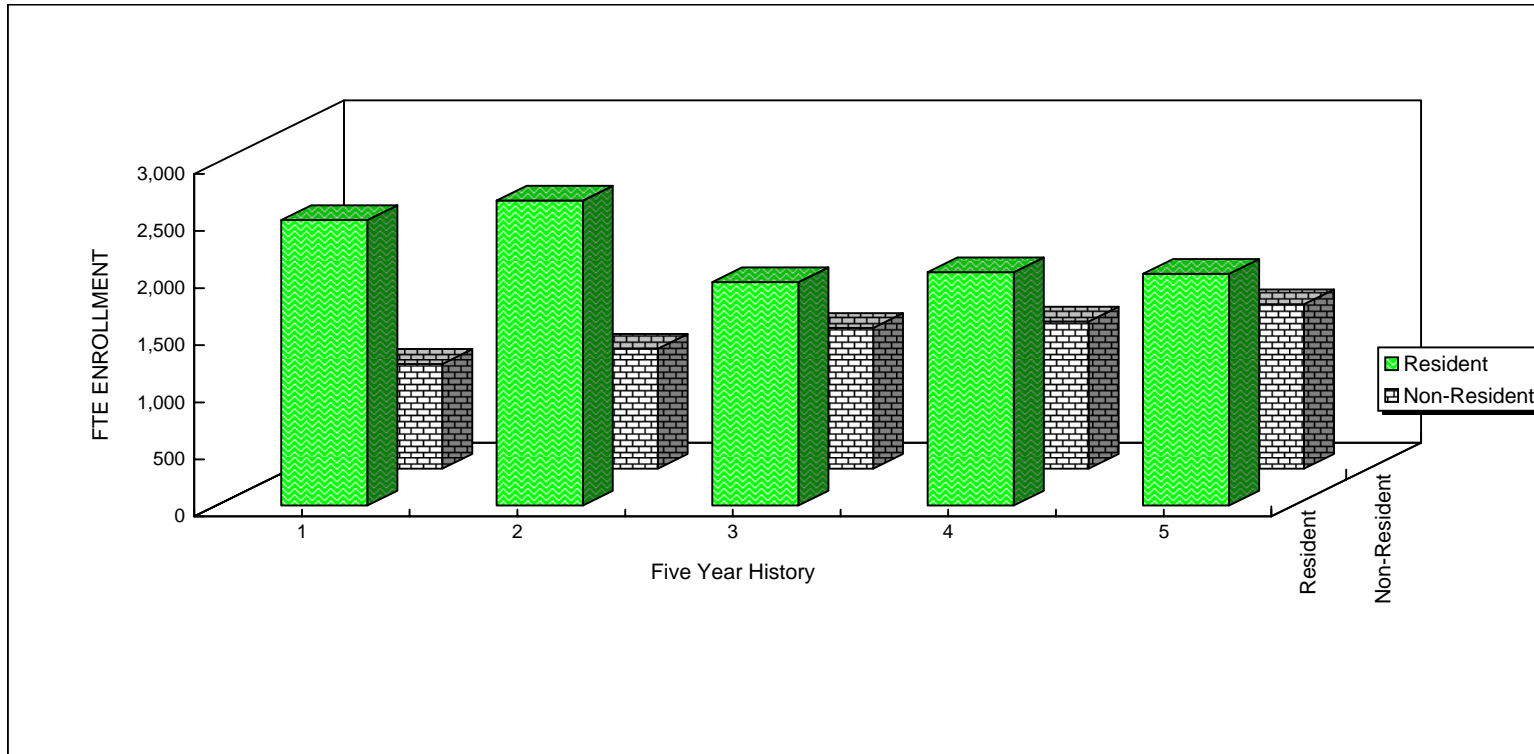
	Budget Current	Actual YTD	Prior Budget YTD	Prior Budget Total
OPERATING REVENUES				
Tuition and Fees	\$16,816	\$8,662	\$7,165	\$14,279
Federal Grants and Contracts	2,479	1,434	1,203	2,438
State and Local Grants and Contracts	2,374	1,392	1,111	2,280
Private Grants and Contracts	775	357	335	742
Sales and Services of Educational Activities	42	17	20	42
Auxiliary Enterprises	12,204	6,625	6,102	11,010
Transfer from Blue Ridge Community and Technical College	483	333	571	1,141
Other Operating Revenues	779	536	459	681
TOTAL OPERATING REVENUES	35,952	19,356	16,966	32,613
OPERATING EXPENSES				
Education and General (E&G)				
Primary Mission Costs				
Instruction	12,447	5,400	5,139	11,641
Academic Support	2,567	1,229	1,114	2,344
Student Services	3,618	1,806	1,612	3,444
Scholarships & Fellowships	1,441	623	608	1,700
Subtotal Primary Mission Costs	20,073	9,058	8,473	19,129
Other Education and General Costs				
Operations and Maintenance	4,374	1,822	1,520	3,908
Institutional Support	4,081	1,861	1,907	3,757
Research	18	15	0	28
Public Service	236	112	103	232
Subtotal Other Education and General Costs	8,709	3,810	3,530	7,925
Total Education and General Expenses	28,782	12,868	12,003	27,054
Auxiliary Expenses	11,626	4,855	4,381	10,058
Depreciation Expense	3,963	1,563	1,422	3,427
Transfers and Other (Additions) Subtractions	264	133	127	254
TOTAL OPERATING EXPENSES	44,635	19,419	17,933	40,793
NONOPERATING REVENUES AND EXPENSES				
State Appropriations	10,335	4,374	3,740	8,821
Investment Income	309	461	437	1,106
Interest on capital asset related debt	(1,491)	(747)	(129)	(845)
Loss on disposal of equipment	(50)	0	(39)	(49)
Fees assessed by the Commission for interest and reserves	(140)	(95)	(59)	(206)
Income Before Other Revenues, Expenses, Gains or Losses	330	3,930	2,983	647
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital Grants and Gifts	17,435	3,626	144	1,595
Increase (Decrease) in Net Assets	\$17,765	\$7,556	\$3,127	\$2,242

Shepherd University
For the Period from July 1, 2006 - December 31, 2006
(Dollars in Thousands)
Statement of Revenues Expenses and Other Changes

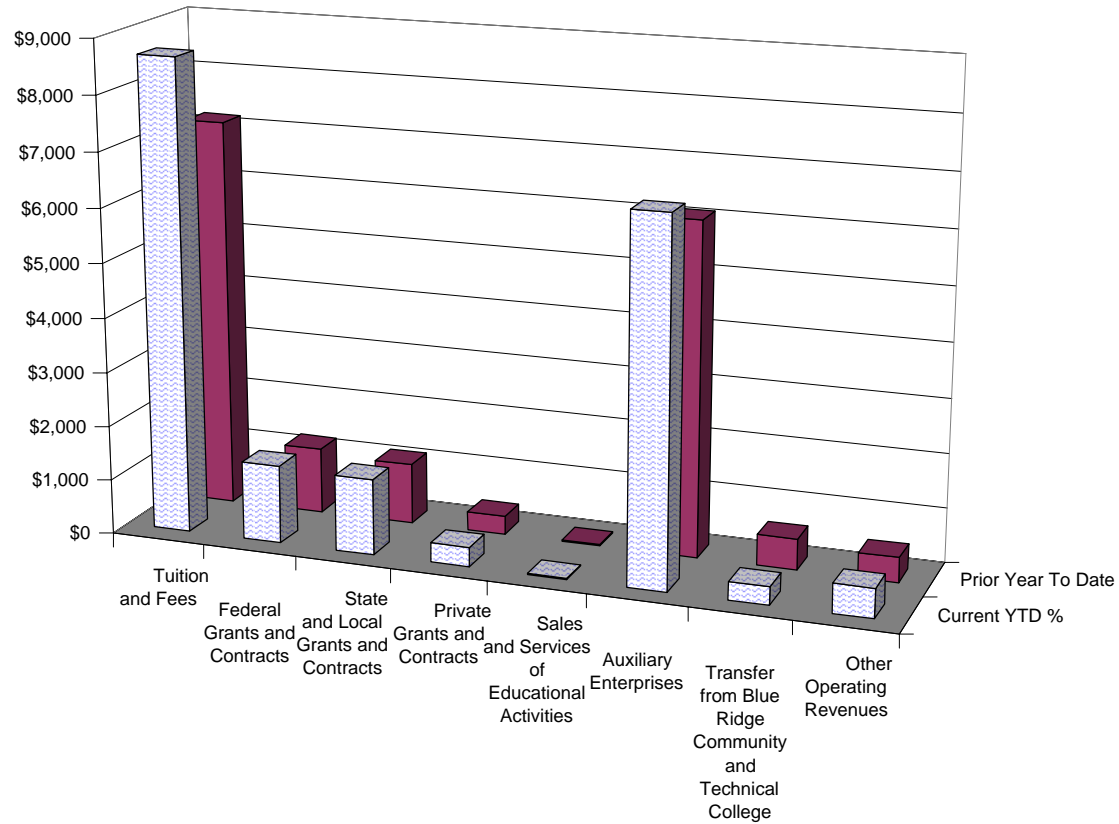
	CURRENT BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	Variance (Points)
OPERATING REVENUES										
Tuition and Fees	\$16,816	46.8%	\$8,438	50.2%	\$8,662	51.5%	1.3	\$7,165	50.2%	1.3
Federal Grants and Contracts	2,479	6.9%	\$1,223	49.3%	\$1,434	57.8%	8.5	1,203	49.3%	8.5
State and Local Grants and Contracts	2,374	6.6%	\$1,157	48.7%	\$1,392	58.6%	9.9	1,111	48.7%	9.9
Private Grants and Contracts	775	2.2%	\$350	45.1%	\$357	46.1%	0.9	335	45.1%	0.9
Sales and Services of Educational Activities	42	0.1%	\$20	47.6%	\$17	40.5%	(7.1)	20	47.6%	(7.1)
Transfer from Blue Ridge Community and Technical College	483	1.3%	\$333	68.9%	\$333	68.9%	0.0	571	50.0%	18.9
Auxiliary Enterprises	12,204	33.9%	\$6,764	55.4%	\$6,625	54.3%	(1.1)	6,102	55.4%	(1.1)
Other Operating Revenues	779	2.2%	\$525	67.4%	\$536	68.8%	1.4	459	67.4%	1.4
TOTAL REVENUES	\$35,952	100.0%	18,810	52.3%	\$19,356	53.8%	1.5	\$16,966	52.0%	1.8
OPERATING EXPENSES										
Education and General (E&G)										
Primary Mission Costs										
Instruction	\$12,447	43.2%	\$5,495	44.1%	\$5,400	43.4%	(0.8)	\$5,139	44.1%	(0.8)
Academic Support	2,567	8.9%	\$1,220	47.5%	1,229	47.9%	0.4	1,114	47.5%	0.4
Student Services	3,618	12.6%	\$1,693	46.8%	1,806	49.9%	3.1	1,612	46.8%	3.1
Scholarships & Fellowships	1,441	5.0%	\$515	35.8%	623	43.2%	7.5	608	35.8%	7.5
Subtotal Primary Mission Costs	\$20,073	69.7%	\$8,924	44.5%	\$9,058	45.1%	0.7	\$8,473	44.3%	0.8
Other Education and General Costs										
Operations and Maintenance	\$4,374	15.2%	\$1,701	38.9%	\$1,822	41.7%	2.8	\$1,520	38.9%	2.8
Institutional Support	4,081	14.2%	\$2,071	50.8%	1,861	45.6%	(5.2)	1,907	50.8%	(5.2)
Research	18	0.1%	\$9	50.0%	15	83.3%	33.3	0	0.0%	83.3
Public Service	236	0.8%	\$105	44.4%	112	47.5%	3.1	103	44.4%	3.1
Subtotal Other Education and General Costs	\$8,709	30.3%	\$3,887	44.6%	\$3,810	43.7%	(0.9)	\$3,530	44.5%	(0.8)
Total Education and General Expenses	\$28,782	100.0%	\$12,810	44.5%	\$12,868	44.7%	0.2	\$12,003	44.4%	0.3
Auxiliary Expenses	\$11,626		\$5,064	43.6%	\$4,855	41.8%	(1.8)	\$4,381	43.6%	(1.8)
Depreciation Expense	\$3,963		\$1,644	41.5%	\$1,563	39.4%	(2.1)	\$1,422	41.5%	(2.1)
Transfers and Other (Additions) Subtractions	\$264		\$132	50.0%	\$133	50.4%	0.4	\$127	50.0%	0.4
TOTAL OPERATING EXPENSES	\$44,635		\$19,651	44.0%	\$19,419	43.5%	(0.5)	\$17,933	44.0%	(0.5)
NONOPERATING REVENUES AND EXPENSES										
State Appropriations	\$10,335		\$4,382	42.4%	\$4,374	42.3%	(0.1)	\$3,740	42.4%	(0.1)
Investment Income	603		\$422	70.0%	\$461	76.5%	6.5	\$437	39.5%	36.9
Loss on disposal of equipment	0		\$0	0.0%	\$0	0.0%	0.0	(\$39)	79.6%	(79.6)
Interest on capital asset related debt	(1,631)		-\$816	50.0%	(\$842)	51.6%	1.6	(\$188)	17.9%	33.7
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital Grants and Gifts	\$17,435		\$17,435	50.0%	\$3,626	20.8%	(29.2)	\$144	9.0%	11.8
Transfer of Net Assets to Blue Ridge Community and Technical College	0		0		\$0	0.0%		\$0		

	Shepherd University				Indication
	FY 2007		FY 2006		
	Data	Ratio	Data	Ratio	
Market Demand					
Net Tuition per Student (\$)					
Sum of:					
Gross tuition and fees revenue	8,662		7,165		
Less Scholarship discount and allowances	-2,514		-2,157		
<u>Less Scholarship Expense</u>	-623		-608		
Total FTEs	3,467	\$ 1,594	3,330	\$ 1,321	Positive
State Appropriation per student (\$)					
<u>State appropriations</u>	4,382		3,740		
Total FTEs	3,467	\$ 1,264	3,330	\$ 1,123	Positive
Educational expense per student (\$)					
<u>Total operating expenses</u>	19,419		17,933		
Total FTEs	3,467	\$ 5,601	3,330	\$ 5,385	Positive
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,514		2,157		
<u>Plus Scholarship expense</u>	623		608		
Gross tuition and fees revenue	8,662	36.22%	7,165	38.59%	Negative
Capital					
Direct debt per student (\$)					
<u>Direct Debt</u>	34,678		35,172		
Divided by Total FTEs	3,467	\$ 10,002	3,330	\$ 10,561	Positive
Direct debt to cash flow (x)					
The sum of:					
<u>Direct debt</u>	34,678		35,172		
The sum of:					
Operating surplus (deficit)	3,469		2,585		
Plus Depreciation expense	1,563		1,422		
Plus Interest expense	842	5.90	188	8.38	Positive
Direct debt to capitalization (x)					
<u>Direct debt</u>	34,678		35,172		
The sum of:					
Total net assets	63,378		56,708		
Plus Direct debt	34,678	0.35	35,172	0.38	Positive
Actual debt service to operations (%)					
<u>Actual annual debt service</u>	1,070		488		
Total operating expenses	19,419	5.51%	17,933	2.72%	Negative
Capital expense to operations (%)					
The sum of:					
Depreciation expense	1,563		1,422		
<u>Plus Interest expense</u>	842		188		
Total operating expenses	19,419	12.38%	17,933	8.98%	Negative

FTE ENROLLMENT
Five Year History
Level and Residency

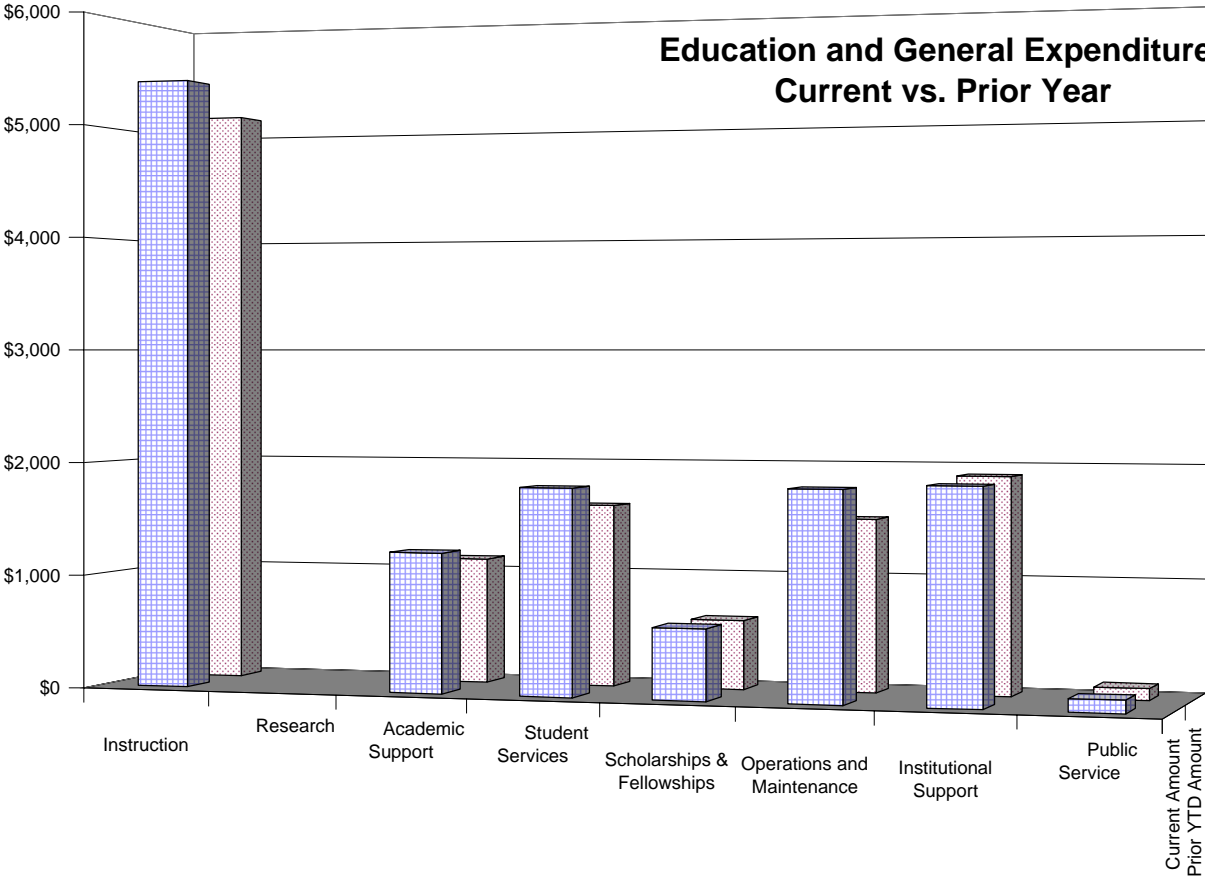


Operating Revenues Current vs. Prior Year



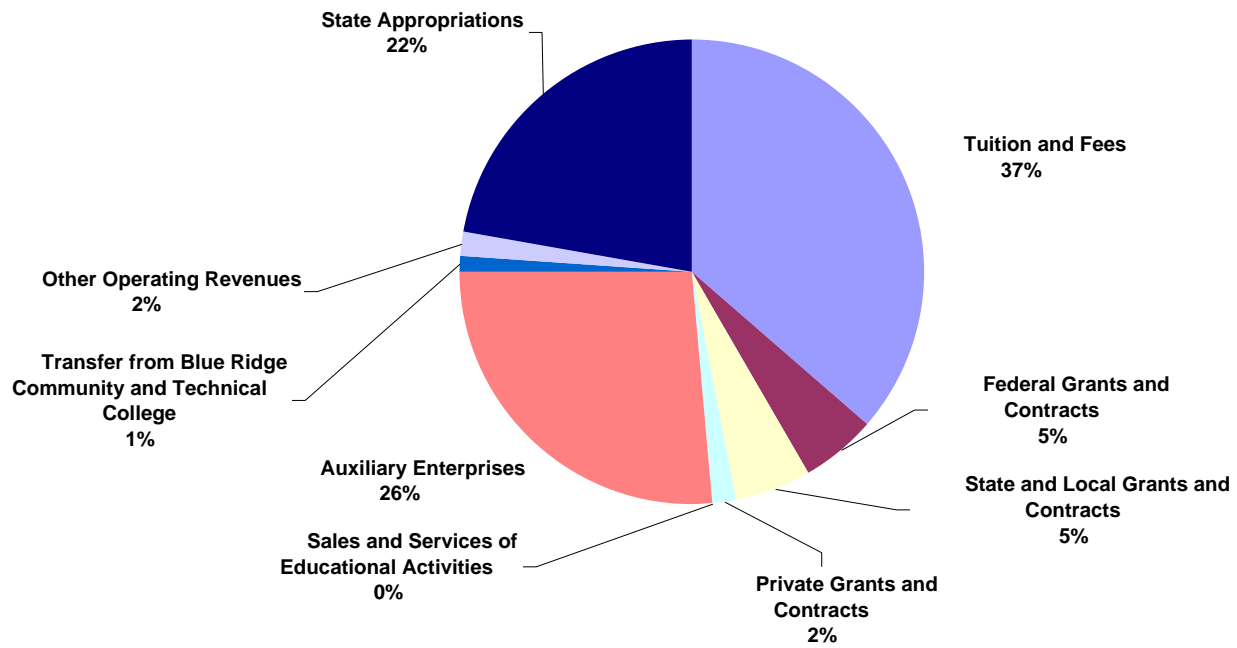
	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Blue Ridge Community and	Other Operating Revenues
□ Current YTD %	\$8,662	1,434	1,392	357	17	6,625	333	536
■ Prior Year To Date	\$7,165	1,203	1,111	335	20	6,102	571	459

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	\$5,400		\$1,229	\$1,806	\$623	\$1,822	\$1,861	\$112
Prior YTD Amount	\$5,139		\$1,114	\$1,612	\$608	\$1,520	\$1,907	\$103

Operating Revenues



Education and General Expenses

