

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets

Net Assets increased \$5.9 million or 10.5% over the third quarter of fiscal year 2005. Cash increased from \$12.7 million to \$16.9 million or 32.4%. 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 an increased portion of the budget is funded by student fees that are collected at the beginning of each semester. Total liabilities increased 117.85% because additional debt was issued in fiscal year 2005.

Revenues

As of March 31, 2006, total operating revenues were 94.6% of the total fiscal year 2006 budgeted revenues. This is 4.4% more than the percent of budgeted revenues collected for the prior fiscal year.

The increase in the number of full time equivalent (FTE) students was 143 for the fall semester and 106 for the spring semester. The tuition and fee budgets were adjusted for these increases.

Expenditures

Operating expenses were 71.6% of the total fiscal year 2006 budget as of March 31, 2006. This is .9% less than the percent of the budget expended for the prior fiscal year.

EXPLANATORY NOTES

Net Assets

Assets

1. Accounts Receivable decreased \$84,000. Collection efforts were increased this fiscal year.
2. Grants and Contracts receivable decreased \$380,000. The amount receivable from financial aid programs decreased compared to the third quarter of fiscal year 2005.
3. Due from the Higher Education Policy Commission (HEPC) increased \$161,000. The HEPC owed the University \$151,000 for the Center for Creative Arts expenditures. These costs were reimbursed by the HEPC from its system bond proceeds in April.
4. 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.
5. Investments increased \$9.2 million over the third 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 by 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, 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.
6. The \$16.2 million increase in Capital Assets compared to the previous year was caused by building construction and equipment purchases.
7. Other noncurrent assets increased \$356,000 because the University recorded bond issuance costs associated with the new residence hall bond debt.

Liabilities

1. Accounts Payable increased \$475,000. The number and amounts of invoices related to construction activity increased over the previous year.
2. Accrued liabilities increased \$354,000. 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, 2002 are paid in arrears.
3. Long Term Liabilities: The current portion of noncurrent liabilities decreased \$1.9 million because the University paid the note payable for the Shaw and Thatcher Hall renovations with proceeds from the 2005 bond issue.
4. Deferred revenues increased \$70,000. Grant revenues received in advance increased over the previous year.

5. Compensated absences increased \$94,000 because fringe benefits are now included in the calculation of the annual leave liability.
6. Bonds payable increased \$23.5 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 \$296,000 because the revenues were collected earlier in fiscal year 2006 than in the previous fiscal year.
2. Private Grants and Contracts increased \$151,000 over the previous year because the Shepherd University Foundation increased its support for scholarships and provided funding for the campaign feasibility study and a position in the Office of Advancement.
3. Transfer from the Community and Technical College of Shepherd: The amount transferred decreased \$656,000 because the service contract with the Community and Technical College of Shepherd decreased.
4. Other Operating Revenues: Other operating revenues increased \$109,000 because the amounts collected for parking registrations and fines, facilities rental, wellness center, vending and orientation fee revenues increased.

Operating Expenses

1. Operations and Maintenance: The percent of the Operations and Maintenance budget expended by the third quarter declined 8.8%. Work on the McMurrin Hall exterior renovation was postponed until spring.

Non-Operating Revenues and Expenses

1. Interest revenues increased \$147,000 over the third quarter of fiscal year 2005. Cash balances and the interest rates increased over the previous year.
2. Capital Grants and Gifts increased \$705,000 over the previous year. These revenues reflect funds received from the Higher Education Policy Commission bond issue for the Center for Contemporary Arts and the Federal grant received for the nursing building.

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

	3/31/2006	3/31/2005	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	16,854	12,729	32.41%
Appropriations due from Primary Government	0	0	
Accounts receivable net	464	548	-15.33%
Grants and contracts receivable, net	310	690	-55.07%
Due from the Commission	183	22	731.82%
Inventories	381	356	7.02%
Loans Receivable	179	184	-2.72%
Other assets	13	23	-43.48%
Total Current assets	18,384	14,552	26.33%
Noncurrent assets:			
Restricted cash and cash equivalents	2,005	4,128	-51.43%
Investments	9,228	0	
Loans receivable, net	327	345	-5.22%
Capital assets net	71,566	55,316	29.38%
Other Noncurrent assets	633	277	128.52%
Total Noncurrent assets	83,759	60,066	39.44%
TOTAL ASSETS	102,143	74,618	36.89%
LIABILITIES			
Current liabilities:			
Accounts payable	676	201	236.32%
Accrued liabilities	912	558	63.44%
Due to the Commission	0	0	0.00%
Due to other State agencies	0	0	
Deferred revenue	345	275	25.45%
Long-term liabilities - current portion	1,322	3,196	-58.64%
Total Current liabilities	3,255	4,230	-23.05%
Noncurrent liabilities:			
Advances from federal sponsors	639	639	0.00%
Deposits	216	219	-1.37%
Compensated absences	1,374	1,280	7.34%
Debt obligation due Commission	1,757	2,696	-34.83%
Leases Payable	164	226	-27.43%
Bonds Payable	32,505	9,030	259.97%
Total Noncurrent liabilities	36,655	14,090	160.15%
TOTAL LIABILITIES	39,910	18,320	117.85%
NET ASSETS	62,233	56,298	10.54%
TOTAL LIABILITIES AND NET ASSETS	102,143	74,618	36.89%

Shepherd University
Statement of Cash Flows
For the Period from July 1, 2005 - March 31, 2006
(Dollars in Thousands)

	3/31/2006	3/31/2005	% Change
Cash Flows from Operating Activities			
Tuition and fees	13,456	10,407	29.30%
Grants and contracts	5,730	4,454	28.65%
Payments to suppliers	-8,192	-7,500	9.23%
Payments to utilities	-1,086	-1,056	2.84%
Payments to employees	-16,295	-15,569	4.66%
Payments for scholarships & fellowships	-1,658	-1,090	52.11%
Fees retained by Board	-204	-302	32.45%
Loans issued to students	-50	-101	50.50%
Collection of loans to students & employees	45	124	63.71%
Auxiliary enterprise charges	10,652	9,667	10.19%
Sales and service of educational activities	36	28	28.57%
Other receipts (payments)	1,529	1,956	21.83%
Net cash provided (used) by operating activities	3,963	1,018	289.29%
Cash Flows from Non-Capital Financing Activities			
State appropriations	5,930	5,879	0.87%
Transfer of funds to Shepherd Community and Technical College	0	-1,148	100.00%
Net cash provided (used) by non-capital financing activities	5,930	4,731	25.34%
Cash Flows from Capital Financing Activities			
Capital grants and gifts received	901	195	
Proceeds from Capital Debt	0	5,560	100.00%
Bond Issuance Costs	22	-121	118.18%
Purchase of capital assets	-17,290	-4,620	274.24%
Principal paid on capital debt & leases	-618	-589	4.92%
Interest paid on capital debt & leases	-127	-194	34.54%
Increase in noncurrent cash and cash equivalents	2,477	-2,843	187.13%
Interest and other expenses paid on system debt	-138	-215	35.81%
Net cash provided (used) by capital financing activities	-14,773	-2,827	422.57%
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	10,636		
Interest on investments	277	156	77.56%
Purchase of investments			
Investment in lease receipts			
Net cash provided (used) by investing activities	10,913	156	
cash - beginning of year	10,821	9,652	12.11%
net increase in cash	6,033	3,077	96.07%
cash - end of period	16,854	12,729	32.41%
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	1,831	1,542	18.74%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	2,274	1,959	16.08%
Loss on Disposal of Assets	-41		
Changes in assets and liabilities			
Net receivables	-329	-728	54.81%
Prepaid expenses	7	3	133.33%
Inventories	76	25	204.00%
Due from the Commission	830	8	10275.00%
Due from other State agencies	11	13	15.38%
Accounts payable	-591	-562	5.16%
Due to the Commission	-13	-117	88.89%
Due to other State Agencies	-19	-56	66.07%
Accrued liabilities employees	248	-130	290.77%
Deferred revenue	-378	-725	47.86%
Deposits	36	54	33.33%
compensated absences	26	-168	115.48%
Loans receivable	-5	23	121.74%
Advances from federal sponsors	0	-123	100.00%
Net cash provided (used) by operating activities	3,963	1,018	289.29%

Shepherd University
For the Period from July 1, 2005 - March 31, 2006
Statement of Revenues Expenses and Other Changes

(Dollars in Thousands)

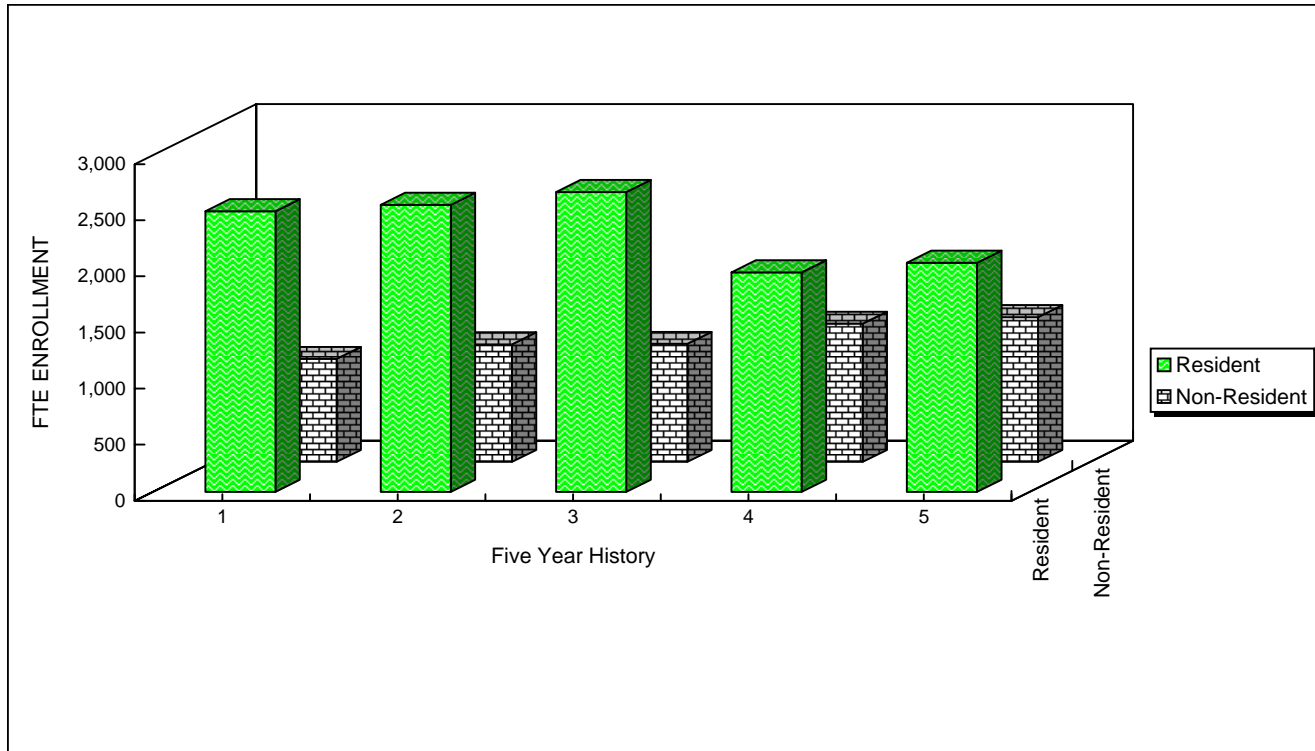
	Budget Current	Actual YTD	Prior Budget YTD	Prior Budget Total
OPERATING REVENUES				
Tuition and Fees	\$14,476	\$13,700	\$11,056	\$11,932
Federal Grants and Contracts	2,402	2,334	2,668	3,193
State and Local Grants and Contracts	2,339	2,270	1,974	2,675
Private Grants and Contracts	775	664	513	791
Sales and Services of Educational Activities	42	36	28	40
Auxiliary Enterprises	11,104	10,711	9,708	10,180
Transfer from Shepherd Community and Technical College	1,139	856	1,512	1,511
Other Operating Revenues	756	662	553	756
TOTAL OPERATING REVENUES	33,033	31,233	28,012	31,078
OPERATING EXPENSES				
Education and General (E&G)				
Primary Mission Costs				
Instruction	11,335	8,207	7,772	10,218
Academic Support	2,281	1,672	1,733	2,173
Student Services	3,379	2,445	2,312	3,187
Scholarships & Fellowships	1,696	1,584	955	1,557
Subtotal Primary Mission Costs	18,691	13,908	12,772	17,135
Other Education and General Costs				
Operations and Maintenance	3,776	2,207	1,977	2,941
Institutional Support	4,462	3,158	2,546	3,739
Research	0	0	0	0
Public Service	240	141	120	244
Subtotal Other Education and General Costs	8,478	5,506	4,643	6,924
Total Education and General Expenses	27,169	19,414	17,415	24,059
Auxiliary Expenses	10,336	7,524	6,911	9,034
Depreciation Expense	3,317	2,274	1,959	3,158
Transfers and Other (Additions) Subtractions	253	190	185	247
TOTAL OPERATING EXPENSES	41,075	29,402	26,470	36,498
NONOPERATING REVENUES AND EXPENSES				
State Appropriations	8,821	5,930	5,880	8,876
Investment Income	272	317	170	155
Interest on capital asset related debt	(260)	(148)	(362)	(262)
Loss on disposal of equipment		(41)	0	(46)
Fees assessed by the Commission for interest and reserves	(117)	(138)	(215)	(207)
Income Before Other Revenues, Expenses, Gains or Losses	674	7,751	7,015	3,096
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital Grants and Gifts	2,000	901	196	1,489
Transfer of Net Assets to the Shepherd Community and Technical College	0	0	(1,739)	
Increase (Decrease) in Net Assets	\$2,674	\$8,652	\$5,472	\$4,585

Shepherd University
For the Period from July 1, 2005 - March 31, 2006
(Dollars in Thousands)
Statement of Revenues Expenses and Other Changes

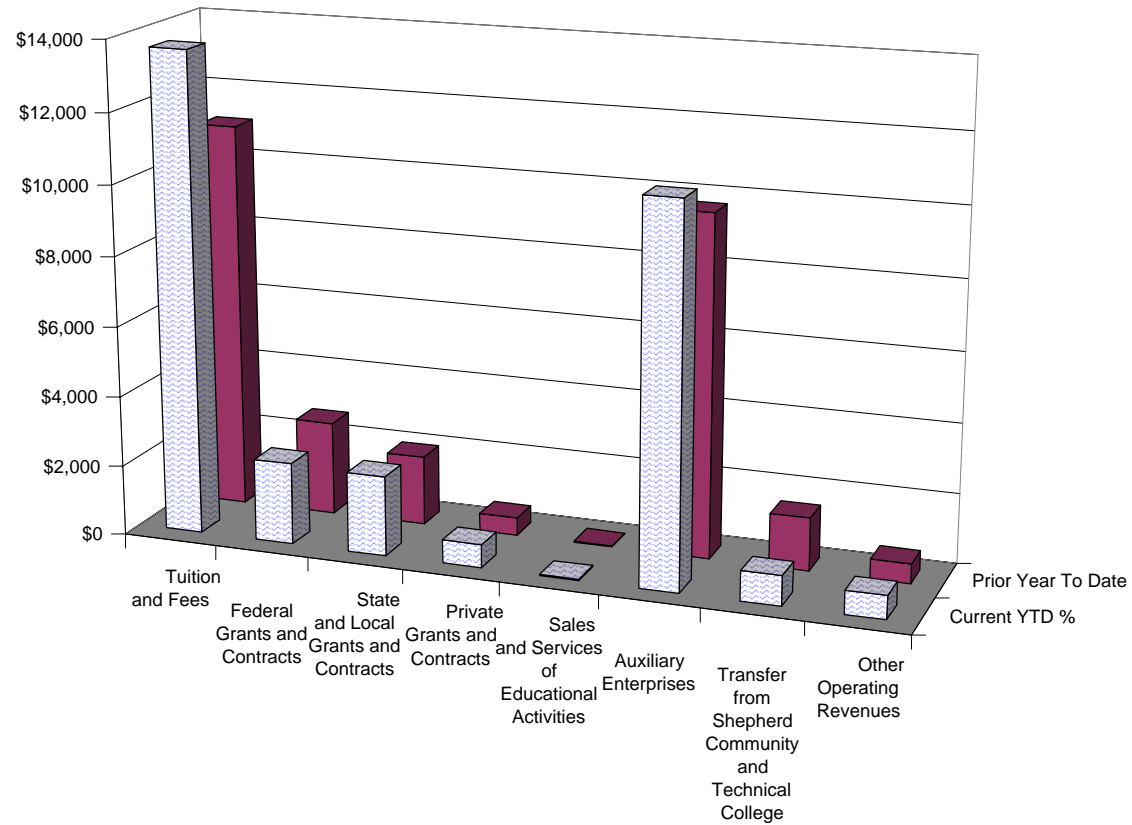
	CURRENT BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	Variance (Points)
OPERATING REVENUES										
Tuition and Fees	\$14,476	43.8%	\$13,413	92.7%	\$13,700	94.6%	2.0	\$11,056	92.7%	2.0
Federal Grants and Contracts	2,402	7.3%	2,330	97.0%	\$2,334	97.2%	0.2	2,668	83.6%	13.6
State and Local Grants and Contracts	2,339	7.1%	2,269	97.0%	\$2,270	97.1%	0.1	1,974	73.8%	23.3
Private Grants and Contracts	775	2.3%	698	90.0%	\$664	85.7%	(4.3)	513	64.9%	20.8
Sales and Services of Educational Activities	42	0.1%	29	70.0%	\$36	85.7%	15.7	28	70.0%	15.7
Transfer from Shepherd Community and Technical College	1,139	3.4%	854	75.0%	\$856	75.2%	0.2	1,512	100.1%	(24.9)
Auxiliary Enterprises	11,104	33.6%	10,589	95.4%	\$10,711	96.5%	1.1	9,708	95.4%	1.1
Other Operating Revenues	756	2.3%	553	73.1%	\$662	87.6%	14.4	553	73.1%	14.4
TOTAL REVENUES	\$33,033	100.0%	\$30,735	93.0%	\$31,233	94.6%	1.5	\$28,012	90.1%	4.4
OPERATING EXPENSES										
Education and General (E&G)										
Primary Mission Costs										
Instruction	\$11,335	41.7%	8,622	76.1%	\$8,207	72.4%	(3.7)	\$7,772	76.1%	(3.7)
Academic Support	2,281	8.4%	1,711	75.0%	1,672	73.3%	(1.7)	1,733	79.8%	(6.5)
Student Services	3,379	12.4%	2,451	72.5%	2,445	72.4%	(0.2)	2,312	72.5%	(0.2)
Scholarships & Fellowships	1,696	6.2%	1,526	90.0%	1,584	93.4%	3.4	955	61.3%	32.1
Subtotal Primary Mission Costs	\$18,691	68.8%	\$14,310	76.6%	\$13,908	74.4%	(2.2)	\$12,772	74.5%	(0.1)
Other Education and General Costs										
Operations and Maintenance	\$3,776	13.9%	2,538	67.2%	\$2,207	58.4%	(8.8)	\$1,977	67.2%	(8.8)
Institutional Support	4,462	16.4%	3,038	68.1%	3,158	70.8%	2.7	2,546	68.1%	2.7
Research	0	0.0%	0	0.0%	0	0.0%	0.0	0	0.0%	0.0
Public Service	240	0.9%	118	49.2%	141	58.8%	9.6	120	49.2%	9.6
Subtotal Other Education and General Costs	\$8,478	31.2%	\$5,695	67.2%	\$5,506	64.9%	(2.2)	\$4,643	67.1%	(2.1)
Total Education and General Expenses	\$27,169	100.0%	\$20,005	73.6%	\$19,414	71.5%	(2.2)	\$17,415	72.4%	(0.9)
Auxiliary Expenses										
Auxiliary Expenses	\$10,336		\$7,907	76.5%	\$7,524	72.8%	(3.7)	\$6,911	76.5%	(3.7)
Depreciation Expense	\$3,317		\$2,488	75.0%	\$2,274	68.6%	(6.4)	\$1,959	62.0%	6.5
Transfers and Other (Additions) Subtractions	\$253		\$190	75.0%	\$190	75.1%	0.1	\$185	74.9%	0.2
TOTAL OPERATING EXPENSES	\$41,075		\$30,589	74.5%	\$29,402	71.6%	(2.9)	\$26,470	72.5%	(0.9)
NONOPERATING REVENUES AND EXPENSES										
State Appropriations	\$8,821		5,930	67.2%	\$5,930	67.2%	0.0	\$5,880	66.2%	1.0
Investment Income	272		298	109.7%	\$317	116.5%	6.9	\$170	109.7%	6.9
Loss on disposal of equipment	0		-41	0.0%	(\$41)	100.0%	100.0	\$0	0.0%	100.0
Interest on capital asset related debt	(377)		-286	75.9%	(\$286)	75.9%	0.0	(\$577)	139.4%	(63.5)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital Grants and Gifts	\$2,000		\$2,000	10.0%	\$901	45.1%	35.1	\$196	13.2%	31.9
Transfer of Net Assets to the Shepherd Community and Technical College	0		0		\$0	0.0%		(\$1,739)		

	Shepherd University				Indication
	FY 2006		FY 2005		
	Data	Ratio	Data	Ratio	
Market Demand					
Net Tuition per Student (\$)					
Sum of:					
Gross tuition and fees revenue	13,700		11,056		
Less Scholarship discount and allowances	-2,157		-1,659		
<u>Less Scholarship Expense</u>	<u>-1,584</u>		<u>-955</u>		
Total FTEs	3,330	\$ 2,990	3,187	\$ 2,649	Positive
State Appropriation per student (\$)					
<u>State appropriations</u>	<u>5,930</u>		<u>5,880</u>		
Total FTEs	3,330	\$ 1,781	3,187	\$ 1,845	Negative
Educational expense per student (\$)					
<u>Total operating expenses</u>	<u>29,402</u>		<u>26,470</u>		
Total FTEs	3,330	\$ 8,829	3,187	\$ 8,305	Positive
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,157		1,659		
<u>Plus Scholarship expense</u>	<u>1,584</u>		<u>955</u>		
Gross tuition and fees revenue	13,700	27.31%	11,056	23.64%	Positive
Capital					
Direct debt per student (\$)					
<u>Direct Debt</u>	<u>35,123</u>		<u>12,464</u>		
Divided by Total FTEs	3,330	\$ 10,547	3,187	\$ 3,911	Negative
Direct debt to cash flow (x)					
The sum of:					
<u>Direct debt</u>	<u>35,123</u>		<u>12,464</u>		
The sum of:					
Operating surplus (deficit)	7,475		6,845		
Plus Depreciation expense	2,274		1,959		
Plus Interest expense	286	3.50	577	1.33	Negative
Direct debt to capitalization (x)					
<u>Direct debt</u>	<u>35,123</u>		<u>12,464</u>		
The sum of:					
Total net assets	62,233		56,298		
Plus Direct debt	35,123	0.36	12,464	0.18	Negative
Actual debt service to operations (%)					
<u>Actual annual debt service</u>	<u>745</u>		<u>783</u>		
Total operating expenses	29,402	2.53%	26,470	2.96%	Positive
Capital expense to operations (%)					
The sum of:					
Depreciation expense	2,274		1,959		
<u>Plus Interest expense</u>	<u>286</u>		<u>577</u>		
Total operating expenses	29,402	8.71%	26,470	9.58%	Positive

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

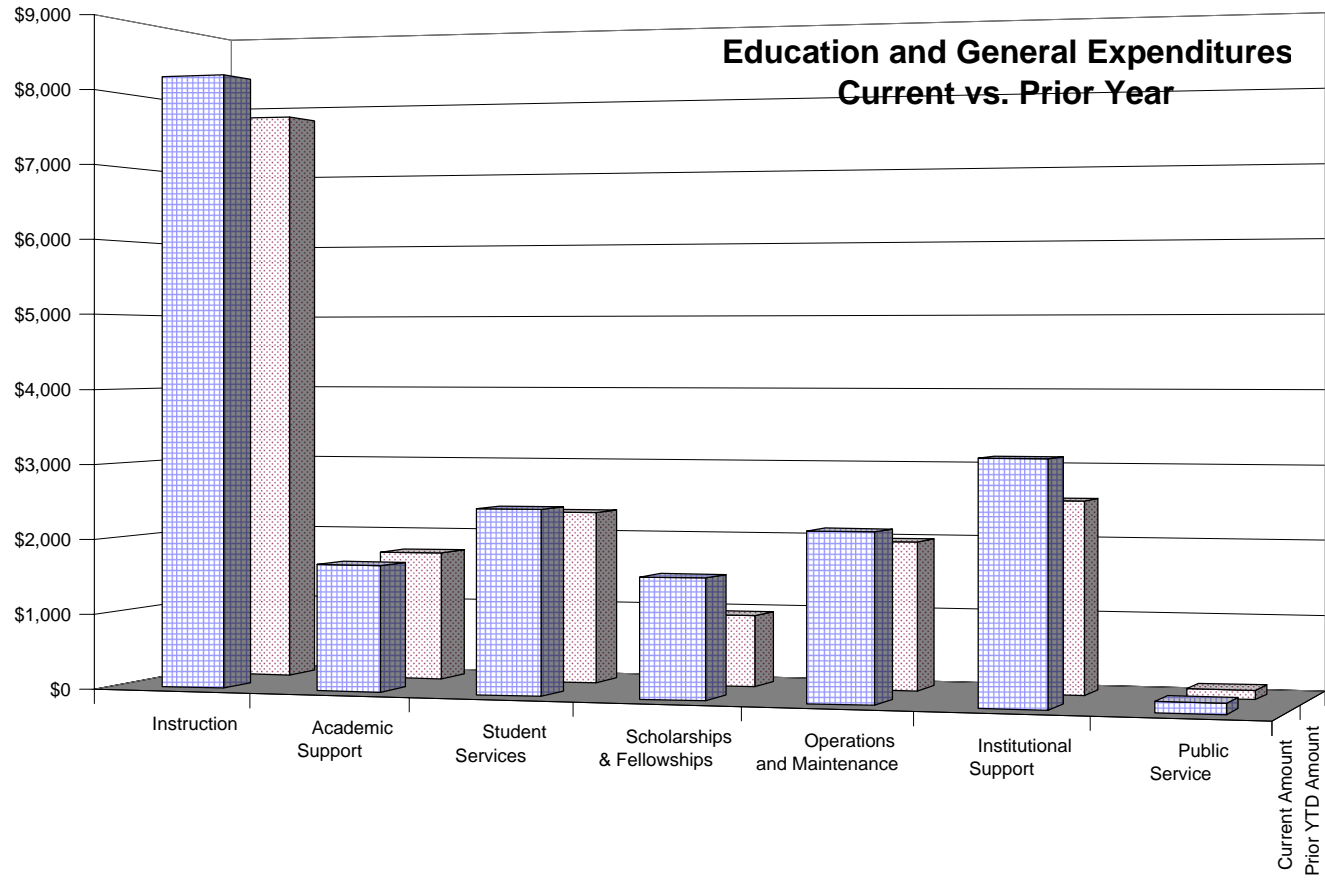


Operating Revenues Current vs. Prior Year



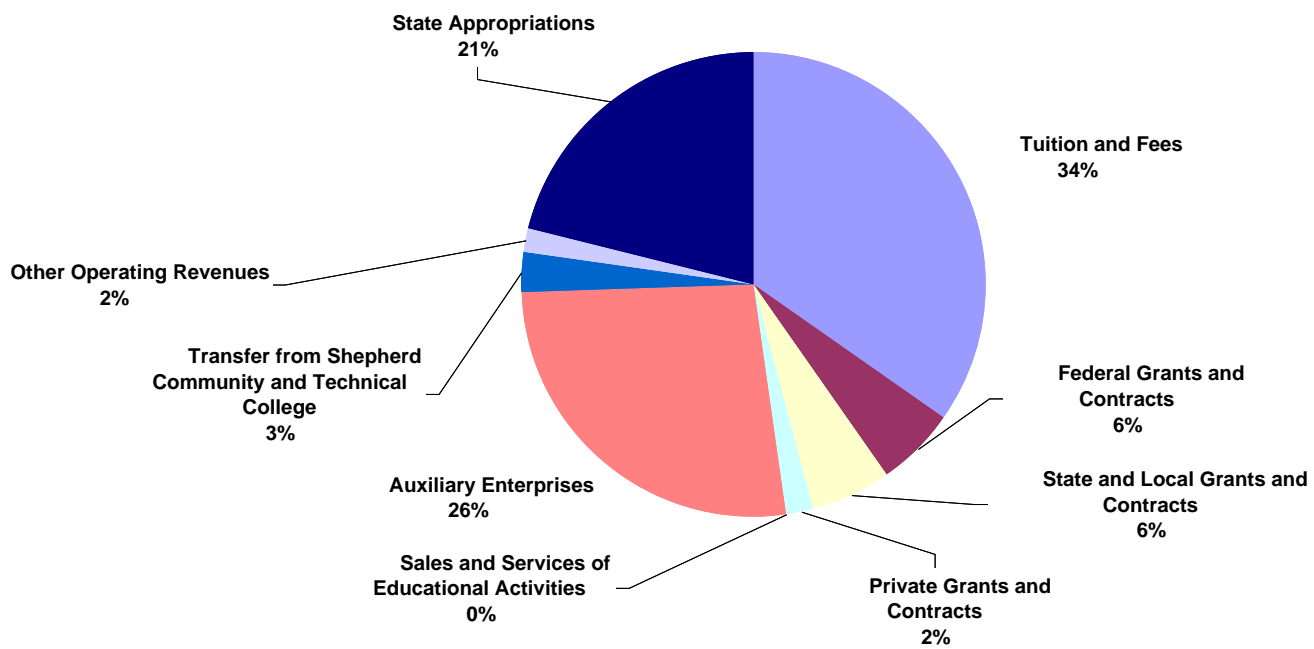
	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Shepherd Community and Technical College	Other Operating Revenues
□ Current YTD %	\$13,700	2,334	2,270	664	36	10,711	856	662
■ Prior Year To Date	\$11,056	2,668	1,974	513	28	9,708	1,512	553

Education and General Expenditures Current vs. Prior Year



	Instruction	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	\$8,207	\$1,672	\$2,445	\$1,584	\$2,207	\$3,158	\$141
Prior YTD Amount	\$7,772	\$1,733	\$2,312	\$955	\$1,977	\$2,546	\$120

Operating Revenues



Education and General Expenses

