Shepherd University Board of Governors
November 10, 2005
Agenda Item No. 7

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

New Format

This report includes data for only Shepherd University, and not for the Community and Technical College. This is a change from past reports. During fiscal year 2005, data for both institutions were provided. The University transferred net assets totaling $1.5 million to the Community and Technical College on September 30, 2005. Benchmark ratio data from the U.S. Department of Education's Integrated Postsecondary Educational Data System (IPEDS) is provided where applicable.

Net Assets

Net Assets increased $5.6 million or 10.07% over the first quarter of fiscal year 2004. Cash increased from $10.6 million to $15.6 million or 47.19%. 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 118.81% because additional debt was issued in fiscal year 2005 and construction related accounts payable increased.

Revenues

As of September 30, 2005, total operating revenues were 48.1% of the total fiscal year 2005 budgeted revenues. This is 4.7% more than the percent of budgeted revenues collected for the prior fiscal year. State and privately funded financial aid payments were received earlier than in previous years.

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 21.1% of the total fiscal year 2003 budget as of September 30. This is 1.4% more than the percent of the budget expended for the prior fiscal year.

EXPLANATORY NOTES

Net Assets

Assets

1. Grants and Contracts receivable decreased $60,000. The amount receivable from financial aid programs decreased compared to the first quarter of fiscal year 2005.
2. Restricted Cash and Cash Equivalents: This amount decreased $1.5 million and reflects the cash held in bond funds for construction and debt service. These funds declined as cash was spent for construction or invested.
3. Investments increased $17.2 million over the first 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 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 $6.9 million increase in Capital Assets compared to the previous year was caused by equipment purchases and building construction.
5. Other noncurrent assets increased $340,000 because the University recorded bond issuance costs associated with the new residence hall bond debt.

Liabilities

1. Accounts payable increased $1.8 million. The accounts payable for construction projects increased over fiscal year 2004.
2. Accrued liabilities increased $417,000. 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.
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 Thacher Hall renovations with proceeds from the 2005 bond issue.
4. Deposits decreased $153,000 because Rambler Card revenues for September were recorded before the end of the quarter. The fiscal year 2004 September Rambler Card sales were recorded on October 1 rather than September 30.
5. Compensated absences decreased $147,000 because there are fewer employees who are eligible for the retirement sick leave benefits.

Operating Revenues

1. State and Local Grants and Contracts: State and local grants and contracts increased $552,000 because the revenues were collected earlier in fiscal year 2005 than in the previous fiscal year.
2. Private Gifts and Grants: Revenues from private gifts and grants increased $114,000. Revenues were collected earlier in fiscal year 2005 than in fiscal year 2004.
3. Transfer from the Community and Technical College of Shepherd: The amount transferred decreased $264,000 because the contract with the Community and Technical College of Shepherd decreased.
4. Auxiliary Enterprise: The proportion of Auxiliary Enterprise revenues realized in the first quarter increased 3.9%. Bookstore sales increased 14% over the previous year. Revenues collected from conferences increased $69,000.

Operating Expenses

1. Scholarships and Fellowships: The amount expended for scholarships decreased $188,000 over the first quarter of 2004. 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 expenses increased $326,000 over the first quarter of fiscal year 2004. The interest expense on Shepherd University's portion of the Higher Education Policy Commission (HEPC) debt declined after the debt was refinanced. The University incurred additional interest expense from the new bond issues.

Shepherd University
Statement of Net Assets
As of September 30, 2005
(Dollars in Thousands)

	9/30/2005	9/30/2004	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	15,645	10,629	47.19%
Appropriations due from Primary Government	240	0	
Accounts receivable net	1,417	1,437	-1.39%
Grants and contracts receivable, net	948	1,008	-5.95%
Due from the Commission	48	41	17.07%
Inventories	473	412	14.81%
Loans Receivable	179	184	-2.72%
Other assets	17	18	-5.56%
Total Current assets	**18,967**	**13,729**	**38.15%**
Noncurrent assets:			
Restricted cash and cash equivalents	4,708	6,197	-24.03%
Investments	17,193	0	
Loans receivable, net	363	379	-4.22%
Capital assets net	61,548	54,550	12.83%
Other Noncurrent assets	648	308	110.39%
Total Noncurrent assets	**84,460**	**61,434**	**37.48%**
TOTAL ASSETS	**103,427**	**75,163**	**37.60%**
LIABILITIES			
Current liabilities:			
Accounts payable	2,241	486	361.11%
Accrued liabilities	935	518	80.50%
Due to the Commission	2	2	0.00%
Due to other State agencies	0	0	
Deferred revenue	168	179	-6.15%
Long-term liabilities - current portion	1,315	3,186	-58.73%
Total Current liabilities	**4,661**	**4,371**	**6.63%**
Noncurrent liabilities:			
Advances from federal sponsors	639	639	0.00%
Deposits	263	416	-36.78%
Compensated absences	1,321	1,291	2.32%
Debt obligation due Commission	1,969	2,922	-32.61%
Leases Payable	196	257	-23.74%
Bonds Payable	32,593	9,135	256.79%
Total Noncurrent liabilities	**36,981**	**14,660**	**152.26%**
TOTAL LIABILITIES	**41,642**	**19,031**	**118.81%**
NET ASSETS	**61,785**	**56,132**	**10.07%**
TOTAL LIABILITIES AND NET ASSETS	**103,427**	**75,163**	**37.60%**

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

	9/30/2005	9/30/2004	% Change
Cash Flows from Operating Activities			
Tuition and fees	5,829	4,389	32.81%
Grants and contracts	2,286	654	249.54%
Payments to suppliers	-3,060	-2,859	7.03%
Payments to utilities	-277	-231	19.91%
Payments to employees	-4,588	-4,164	10.18%
Payments for scholarships & fellowships	-826	-863	4.29%
Fees retained by Board	-77	-60	28.33%
Loans issued to students	-50	-50	0.00%
Collection of loans to students & employees	10	38	73.68%
Auxiliary enterprise charges	5,467	4,974	9.91%
Sales and service of educational activities	7	7	0.00%
Other receipts (payments)	493	645	23.57%
Net cash provided (used) by operating activities	**5,214**	**2,480**	**110.24%**
Cash Flows from Non-Capital Financing Activities			
State appropriations	1,506	1,808	16.70%
Transfer of funds to Shepherd Community and Technical College	0	-955	100.00%
Net cash provided (used) by non-capital financing activities	**1,506**	**853**	**76.55%**
Cash Flows from Capital Financing Activities			
Capital grants and gifts received			
Proceeds from Capital Debt	0	5,561	100.00%
Sale of Investments			
Bond Issuance Costs	7	-152	104.61%
Purchase of capital assets	-4,055	-2,506	61.81%
Principal paid on capital debt & leases	-254	-228	11.40%
Interest paid on capital debt & leases	-2	-1	100.00%
Increase in noncurrent cash and cash equivalents	-226	-4,912	95.40%
Interest and other expenses paid on system debt	-59	-120	50.83%
Net cash provided (used) by capital financing activities	**-4,589**	**-2,358**	**94.61%**
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments			
Interest on investments	23	2	1050.00%
Purchase of investments	2,670		
Investment in lease receipts			
Net cash provided (used) by investing activities	**2,693**	**2**	
cash - beginning of year	10,821	9,652	12.11%
net increase in cash	4,824	977	393.76%
cash - end of period	**15,645**	**10,629**	**47.19%**
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	6,840	5,892	16.09%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	768	797	3.64%
Changes in assets and liabilities			
Net receivables	-1,920	-1,936	0.83%
Prepaid expenses	2	9	77.78%
Inventories	-16	-30	46.67%
Due from the Commision	966	8	11975.00%
Due from other State agencies	11	13	15.38%
Accounts payable	-737	-560	31.61%
Due to the Commission	-13	-114	88.60%
Due to other State Agencies	-19	-56	66.07%
Accrued liabilities employees	-91	-86	5.81%
Deferred revenue	-555	-822	32.48%
Deposits	83	252	67.06%
compensated absences	-65	-167	61.08%
Loans receivable	-40	-12	233.33%
Advances from federal sponsors	0	-123	100.00%
Net cash provided (used) by operating activities	**5,214**	**3,065**	**70.11%**

Shepherd University

For the Period from July 1, 2005 - September 30, 2005

Statement of Revenues Expenses and Other Changes

(Dollars in Thousands)

	Budget Current	Actual YTD	Prior Budget YTD
OPERATING REVENUES			
Tuition and Fees	$13,901	$7,026	$6,040
Federal Grants and Contracts	3,194	1,177	1,208
State and Local Grants and Contracts	2,129	1,044	492
Private Grants and Contracts	565	282	168
Sales and Services of Educational Activities	42	7	7
Auxiliary Enterprises	10,704	5,479	4,817
Transfer from Shepherd Community and Technical College	960	240	504
Other Operating Revenues	756	242	250
TOTAL OPERATING REVENUES	**32,251**	**15,497**	**13,486**
OPERATING EXPENSES			
Education and General (E&G)			
Primary Mission Costs			
Instruction	11,335	1,776	1,666
Academic Support	2,281	579	600
Student Services	3,379	753	703
Scholarships & Fellowships	1,815	791	979
Subtotal Primary Mission Costs	**18,810**	**3,899**	**3,948**
Other Education and General Costs			
Operations and Maintenance	3,776	514	469
Institutional Support	4,352	888	758
Research	0	0	0
Public Service	240	56	34
Subtotal Other Education and General Costs	**8,368**	**1,458**	**1,261**
Total Education and General Expenses	**27,178**	**5,357**	**5,209**
Auxiliary Expenses	**10,336**	**2,468**	**2,132**
Depreciation Expense	**3,450**	**768**	**797**
Transfers and Other (Additions) Subtractions	**253**	**63**	**62**
TOTAL OPERATING EXPENSES	**41,217**	**8,656**	**8,200**
NONOPERATING REVENUES AND EXPENSES			
State Appropriations	**8,821**	**1,746**	**1,808**
Investment Income	**272**	**63**	**35**
Interest on capital asset related debt	**(1,515)**	**(387)**	**(85)**
Loss on disposal of equipment		**0**	**0**
Fees assessed by the Commission for interest and reserves	**(117)**	**(59)**	**(120)**
Income Before Other Revenues, Expenses, Gains or Losses	**(1,505)**	**8,204**	**6,924**
OTHER REVENUES, EXPENSES, GAINS OR LOSSES			
Capital Grants and Gifts	**2,000**	**0**	**0**
Transfer of Net Assets to the Shepherd Community and Technical College	**0**	**0**	**(1,650)**
Increase (Decrease) in Net Assets	**$495**	**$8,204**	**$5,274**

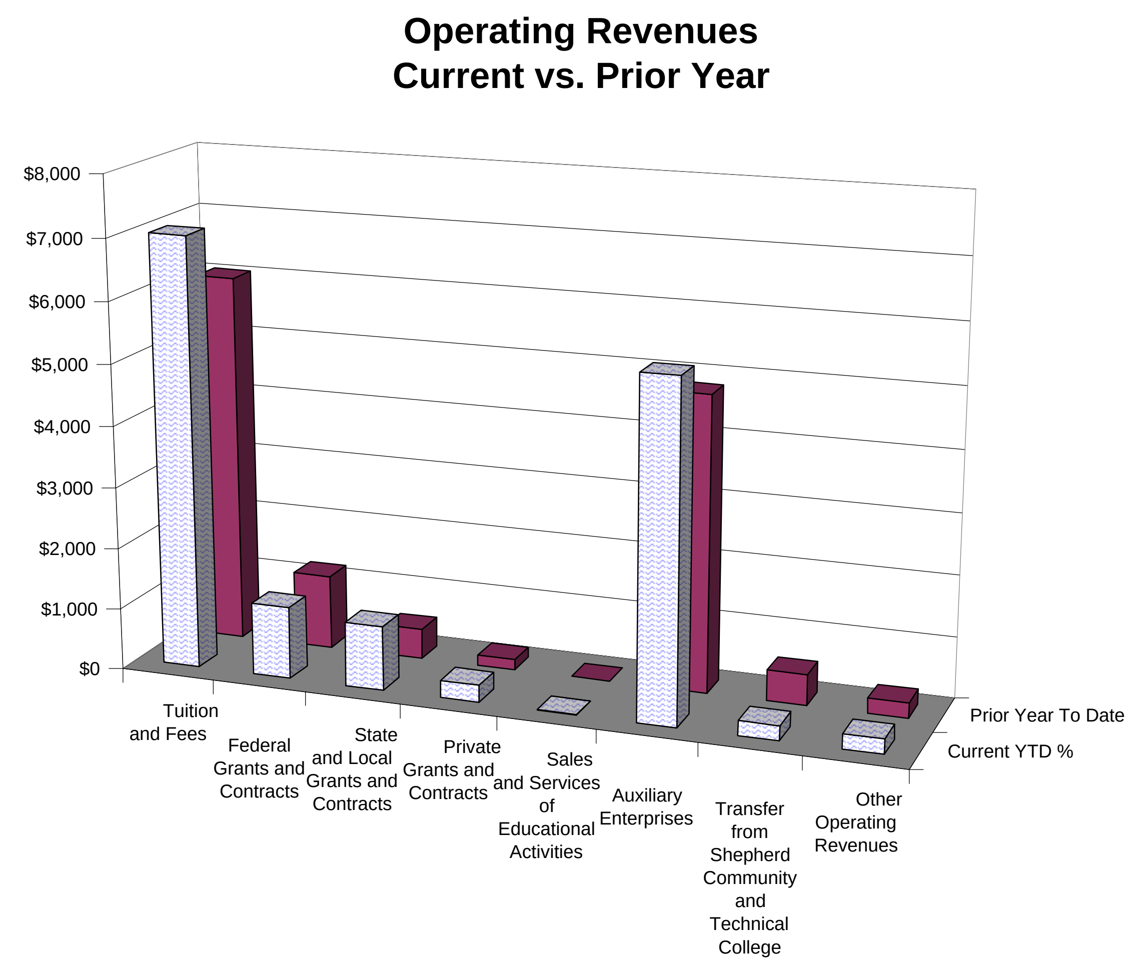
Shepherd University
For the Period from July 1, 2005 - September 30, 2005
(Dollars in Thousands)

Statement of Revenues Expenses and Other Changes

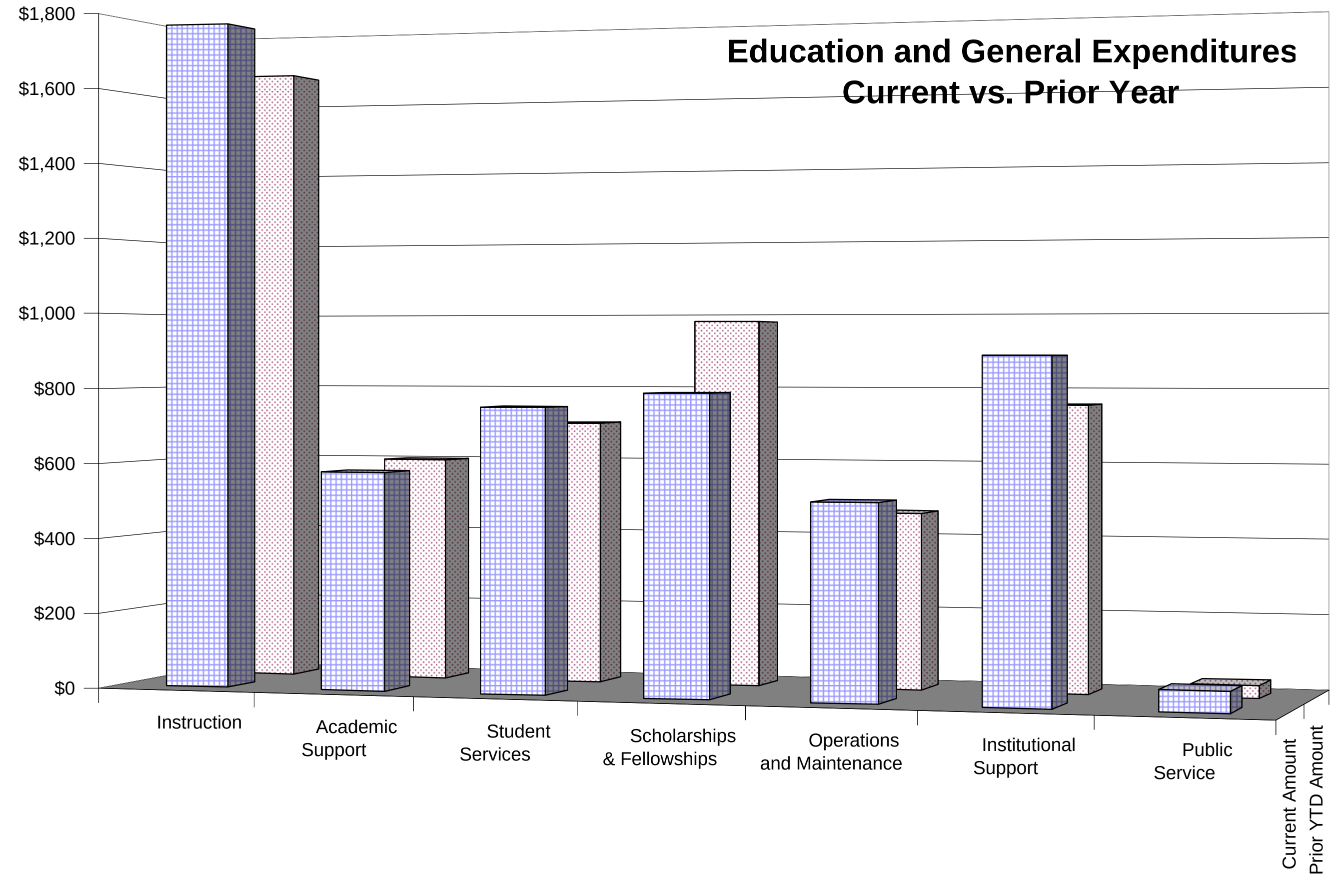
	CURRENT FY 04 BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		Variance
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	(Points)
OPERATING REVENUES										
Tuition and Fees	$13,901	43.1%	$7,037	50.6%	$7,026	50.5%	(0.1)	$6,040	50.6%	(0.1)
Federal Grants and Contracts	3,194	9.9%	1,208	37.8%	1,177	36.9%	(1.0)	1,208	37.8%	(1.0)
State and Local Grants and Contracts	2,129	6.6%	1,065	50.0%	1,044	49.0%	(1.0)	492	18.4%	30.6
Private Grants and Contracts	565	1.8%	283	50.0%	282	49.9%	(0.1)	168	21.2%	28.7
Sales and Services of Educational Activities	42	0.1%	0	0.5%	7	16.7%	16.2	7	0.5%	16.2
Transfer from Shepherd Community and Technical College	960	3.0%	240	25.0%	240	25.0%	0.0	504	33.4%	(8.4)
Auxiliary Enterprises	10,704	33.2%	5,065	47.3%	5,479	51.2%	3.9	4,817	47.3%	3.9
Other Operating Revenues	756	2.3%	250	33.1%	242	32.0%	(1.1)	250	33.1%	(1.1)
TOTAL REVENUES	**$32,251**	**100.0%**	**15,147**	47.0%	**$15,497**	**48.1%**	**1.1**	**$13,486**	**43.4%**	**4.7**
OPERATING EXPENSES										
Education and General (E&G)										
Primary Mission Costs										
Instruction	$11,335	41.7%	1,848	16.3%	$1,776	15.7%	(0.6)	$1,666	16.3%	(0.6)
Academic Support	2,281	8.4%	630	27.6%	579	25.4%	(2.2)	600	27.6%	(2.2)
Student Services	3,379	12.4%	745	22.1%	753	22.3%	0.2	703	22.1%	0.2
Scholarships & Fellowships	1,815	6.7%	1,141	62.9%	791	43.6%	(19.3)	979	62.9%	(19.3)
Subtotal Primary Mission Costs	**$18,810**	**69.2%**	**$4,365**	**23.2%**	**$3,899**	**20.7%**	**(2.5)**	**$3,948**	**23.0%**	**(2.3)**
Other Education and General Costs										
Operations and Maintenance	$3,776	13.9%	602	15.9%	$514	13.6%	(2.3)	$469	15.9%	(2.3)
Institutional Support	4,352	16.0%	882	20.3%	888	20.4%	0.1	758	20.3%	0.1
Research	0	0.0%	0	0.0%	0	0.0%	0.0	0	0.0%	0.0
Public Service	240	0.9%	33	13.9%	56	23.3%	9.4	34	13.9%	9.4
Subtotal Other Education and General Costs										
Total Education and General Expenses	**$8,368**	**30.8%**	**$1,518**	**18.1%**	**$1,458**	**17.4%**	**(0.7)**	**$1,261**	**18.2%**	**(0.8)**
Total Education and General Expenses	**$27,178**	**100.0%**	**$5,882**	**21.6%**	**$5,357**	**19.7%**	**(1.9)**	**$5,209**	**21.7%**	**(1.9)**
Auxiliary Expenses	**$10,336**		**$2,439**	23.6%	**$2,468**	**23.9%**	0.3	**$2,132**	**23.6%**	**0.3**
Depreciation Expense	**$3,317**		**$829**	25.0%	**$768**	**23.2%**	(1.9)	**$797**	**25.2%**	**(2.1)**
Transfers and Other (Additions) Subtractions	**$253**		**$63**	25.0%	**$63**	**24.9%**	(0.1)	**$62**	**25.0%**	**(0.1)**
TOTAL EXPENDITURES AND TRANSFERS	**$41,084**		**$9,214**	**22.4%**	**$8,656**	**21.1%**	**(1.4)**	**$8,200**	**22.5%**	**(1.4)**
NONOPERATING REVENUES AND EXPENSES										
State Appropriations	**$8,821**		1,746	19.8%	**$1,746**	**19.8%**	0.0	**$1,808**	20.4%	**(0.6)**
Investment Income	**272**		61	22.6%	**$63**	**23.2%**	0.6	**$35**	22.6%	**0.6**
Interest on capital asset related debt	**(1,632)**		-446	27.3%	**($446)**	**27.3%**	0.0	**($120)**	29.0%	**(1.7)**
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital Grants and Gifts	**$2,000**		**$2,000**		**$0**	**0.0%**	**0.0**	**$0**	**0.0%**	**0.0**
Transfer of Net Assets to the Shepherd Community and Technical College	**0**		**0**		**$0**	**0.0%**				

	Shepherd University				
	FY 2005		FY 2004		Indication
	Data	Ratio	Data	Ratio	
Market Demand					
Net Tuition per Student ($)					
Sum of:					
Gross tuition and fees revenue	7,026		6,040		
Less Scholarship discount and allowances	-2,157		-1,659		
Less Scholarship Expense	-791		-979		
Total FTEs	3,330	$ 1,225	3,187	$ 1,067	Positive
State Appropriation per student ($)					
State appropriations	1,746		1,808		
Total FTEs	3,330	$ 524	3,187	$ 567	Negative
Educational expense per student ($)					
Total operating expenses	8,656		8,200		
Total FTEs	3,330	$ 2,599	3,187	$ 2,573	Positive
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,157		1,659		
Plus Scholarship expense	791		979		
Gross tuition and fees revenue	7,026	41.96%	6,040	43.68%	Negative
Capital					
Direct debt per student ($)					
Direct Debt	35,455		12,826		
Divided by Total FTEs	3,330	$ 10,646	3,187	$ 4,024	Negative
Direct debt to cash flow (x)					
The sum of:					
Direct debt	35,455		12,826		
The sum of:					
Operating surplus (deficit)	8,141		6,889		
Plus Depreciation expense	768		797		
Plus Interest expense	446	3.79	205	1.63	Negative
Direct debt to capitalization (x)					
Direct debt	35,455		12,826		
The sum of:					
Total net assets	61,785		56,132		
Plus Direct debt	35,455	0.36	12,826	0.19	Negative
Actual debt service to operations (%)					
Actual annual debt service	256		229		
Total operating expenses	8,656	2.96%	8,200	2.79%	Negative
Capital expense to operations (%)					
The sum of:					
Depreciation expense	768		797		
Plus Interest expense	446		205		
Total operating expenses	8,656	14.02%	8,200	12.22%	Negative

Operating Ratios					
Operating margin (%)					
Operating surplus (deficit)	8,141		6,889		
Total operating revenue	17,243	47.21%	15,294	45.05%	Positive
Actual debt service coverage (x)					
The sum of:					
Operating surplus (deficit)	8,141		6,889		
Plus Depreciation expense	768		797		
Plus Interest expense	446		205		
Total principal and interest payments	256	36.54	229	34.46	Positive
Average peak debt service coverage (x)					
Three year average:					
Sum of:					
Operating surplus (deficit)	8,141		6,889		
Depreciation expense	768		797		
Plus interest expense	446		205		
Peak principal and interest payments	507	18.45	229	34.46	Negative
Return on net assets (%)					
(Increase) decrease in net assets	8,204		5,274		
Divided by average total net assets	57,683	14.22%	53,495	9.86%	Positive
(the sum of beginning and ending net assets divided by 2)					

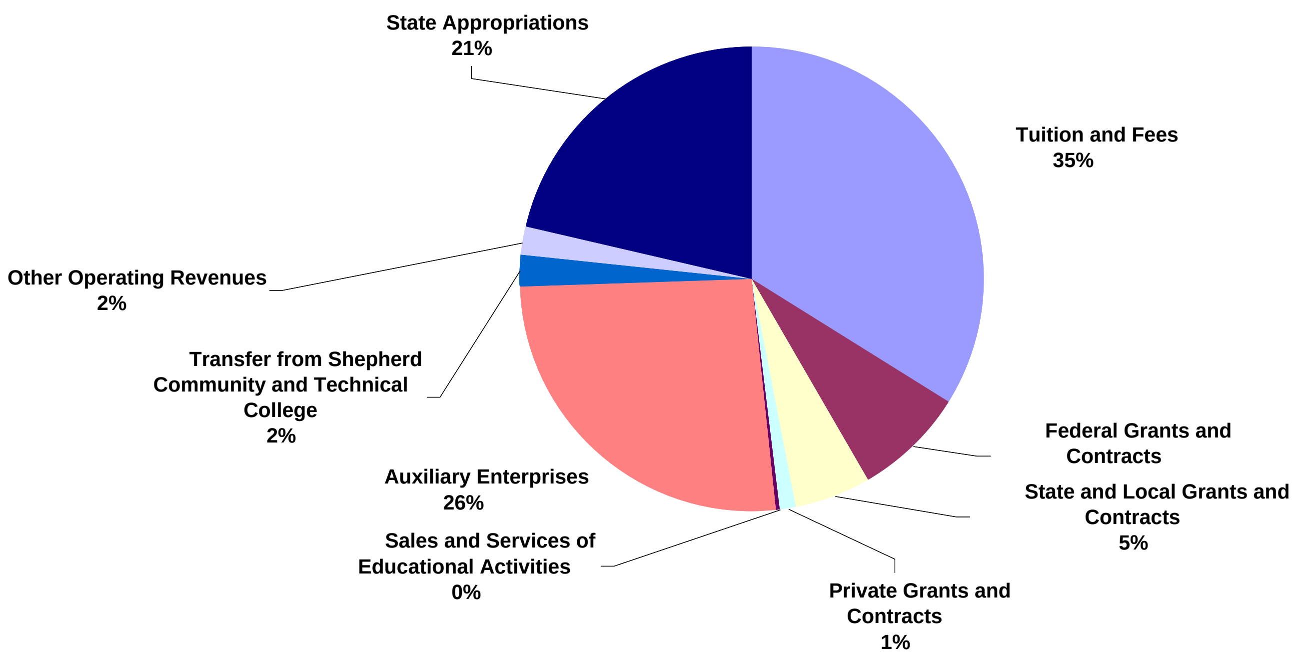


	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Shepherd Community and Technical College	Other Operating Revenues
Current YTD %	$7,026	1,177	1,044	282	7	5,479	240	242
Prior Year To Date	$6,040	1,208	492	168	7	4,817	504	250



	Instruction	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	$1,776	$579	$753	$791	$514	$888	$56
Prior YTD Amount	$1,666	$600	$703	$979	$469	$758	$34

Operating Revenues



Education and General Expenses