

QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

Net Assets

Net assets increased \$5.2 million or 5.02% over the first quarter of Fiscal Year 2006. Cash increased from \$15.6 million to \$20.6 million or 31.82%. 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 decreased 20.04% because construction related accounts payable decreased.

Revenues

As of September 30, 2006, total operating revenues were 48.5% of the total Fiscal Year 2007 budgeted revenues. This is .3% more than the percent of budgeted revenues realized for the prior fiscal year. State and privately funded financial aid revenues increased \$418,000 or 15.8% over the previous years.

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 19.6% of the total Fiscal Year 2007 budget as of September 30. This is 1.4% 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 \$4.3 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 \$14.5 million over the first 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 \$19.3 million increase in capital assets compared to the previous year was caused by the construction of the new residence halls and infrastructure as well as equipment purchases.

Liabilities

1. Accounts payable decreased \$959,000. The accounts payable for construction projects decreased over Fiscal Year 2006.
2. Compensated absences increased \$946,000 because the insurance rates for retirees increased.

Operating Revenues

1. Federal Grants and Contracts: Federal grants and contracts decreased \$175,000 because the number of Pell-eligible students declined over Fiscal Year 2006 and the Pell reconciliation was performed earlier in Fiscal Year 2007.
2. State and Local Grants and Contracts: State and local grants and contracts increased \$418,000 because the number of West Virginia Grant recipient 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 \$119,000 because the contract with Blue Ridge Community and Technical College decreased.

Operating Expenses

1. Scholarships and Fellowships: The amount expended for scholarships decreased \$293,000 over the first quarter of 2006. The scholarship discount increased over the previous year. The scholarship expenditures are reduced by the amount of the scholarship discount.
2. Operations and Maintenance: The amount expended for operations and maintenance increased \$385,000 over the first quarter of Fiscal Year 2006. Funds related to the McMurrin Hall exterior renovations were expended during the first quarter of Fiscal Year 2007.
3. Auxiliary Enterprises: The amount expended for auxiliary enterprises decreased \$269,000 over Fiscal Year 2006. Expenditures for repairs and alterations declined over the previous year.

Shepherd University
Statement of Net Assets
As of September 30, 2006
(Dollars in Thousands)

	9/30/2006	9/30/2005	% Change
ASSETS			
Current assets:			
Cash and cash equivalents	20,624	15,645	31.82%
Appropriations due from Primary Government	0	240	
Accounts receivable net	1,446	1,417	2.05%
Grants and contracts receivable, net	980	948	3.38%
Due from the Commission	47	48	-2.08%
Inventories	386	473	-18.39%
Loans Receivable	170	179	-5.03%
Other assets	27	17	58.82%
Total Current assets	23,680	18,967	24.85%
Noncurrent assets:			
Restricted cash and cash equivalents	451	4,708	-90.42%
Investments	2,714	17,193	-84.21%
Loans receivable, net	295	363	-18.73%
Capital assets net	80,864	61,548	31.38%
Other Noncurrent assets	619	648	-4.48%
Total Noncurrent assets	84,943	84,460	0.57%
TOTAL ASSETS	108,623	103,427	5.02%
LIABILITIES			
Current liabilities:			
Accounts payable	1,282	2,241	-42.79%
Accrued liabilities	963	935	2.99%
Due to the Commission	0	2	0.00%
Due to other State agencies	0	0	
Deferred revenue	124	168	-26.19%
Long-term liabilities - current portion	1,358	1,315	3.27%
Total Current liabilities	3,727	4,661	-20.04%
Noncurrent liabilities:			
Advances from federal sponsors	635	639	-0.63%
Deposits	339	263	28.90%
Compensated absences	2,267	1,321	71.61%
Debt obligation due Commission	1,630	1,969	-17.22%
Leases Payable	133	196	-32.14%
Bonds Payable	32,356	32,593	-0.73%
Total Noncurrent liabilities	37,360	36,981	1.02%
TOTAL LIABILITIES	41,087	41,642	-1.33%
NET ASSETS	67,536	61,785	9.31%
TOTAL LIABILITIES AND NET ASSETS	108,623	103,427	5.02%

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

	9/30/2006	9/30/2005	% Change
Cash Flows from Operating Activities			
Tuition and fees	6,611	5,829	13.42%
Grants and contracts	1,917	2,286	16.14%
Payments to suppliers	-3,180	-3,060	3.92%
Payments to utilities	-254	-277	8.30%
Payments to employees	-4,590	-4,588	0.04%
Payments for scholarships & fellowships	-527	-826	36.20%
Fees retained by Board	-73	-77	5.19%
Loans issued to students	-51	-50	2.00%
Collection of loans to students & employees	37	10	270.00%
Auxiliary enterprise charges	6,152	5,467	12.53%
Sales and service of educational activities	7	7	0.00%
Other receipts (payments)	361	493	26.77%
Net cash provided (used) by operating activities	6,410	5,214	22.94%
Cash Flows from Non-Capital Financing Activities			
State appropriations	2,086	1,506	38.51%
Net cash provided (used) by non-capital financing activities	2,086	1,506	38.51%
Cash Flows from Capital Financing Activities			
Capital grants and gifts received	1,296	0	100.00%
Proceeds from Capital Debt	0	0	0.00%
Bond Issuance Costs	7	7	0.00%
Purchase of capital assets	-5,369	-4,055	32.40%
Principal paid on capital debt & leases	-212	-254	16.54%
Interest paid on capital debt & leases	-352	-2	17500.00%
Increase in noncurrent cash and cash equivalents	1,049	-226	564.16%
Interest and other expenses paid on system debt	-70	-59	18.64%
Net cash provided (used) by capital financing activities	-3,651	-4,589	20.44%
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	2,139	2,670	
Interest on investments	118	23	413.04%
Purchase of investments			
Investment in lease receipts			
Net cash provided (used) by investing activities	2,257	2,693	
cash - beginning of year	13,522	10,821	24.96%
net increase in cash	7,102	4,824	47.22%
cash - end of period	20,624	15,645	31.82%
Reconciliation of net operating revenues (expenses) to net cash			
net cash provided (used) by operating activities:			
operating income (loss)	8,638	6,840	26.29%
Adjustments to reconcile net income (loss) to net cash			
provided (used) by operating activities:			
depreciation expense	918	768	19.53%
Loss on Disposal of Assets	0		
Changes in assets and liabilities			
Net receivables	-1,706	-1,920	11.15%
Prepaid expenses	-27	2	1450.00%
Inventories	58	-16	462.50%
Due from the Commission	118	966	87.78%
Due from other State agencies	-61	11	654.55%
Accounts payable	-897	-737	21.71%
Due to the Commission	-7	-13	46.15%
Due to other State Agencies	-41	-19	115.79%
Accrued liabilities employees	29	-91	131.87%
Deferred revenue	-685	-555	23.42%
Deposits	144	83	73.49%
compensated absences	-58	-65	10.77%
Loans receivable	-13	-40	67.50%
Advances from federal sponsors	0	0	0.00%
Net cash provided (used) by operating activities	6,410	5,214	22.94%

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

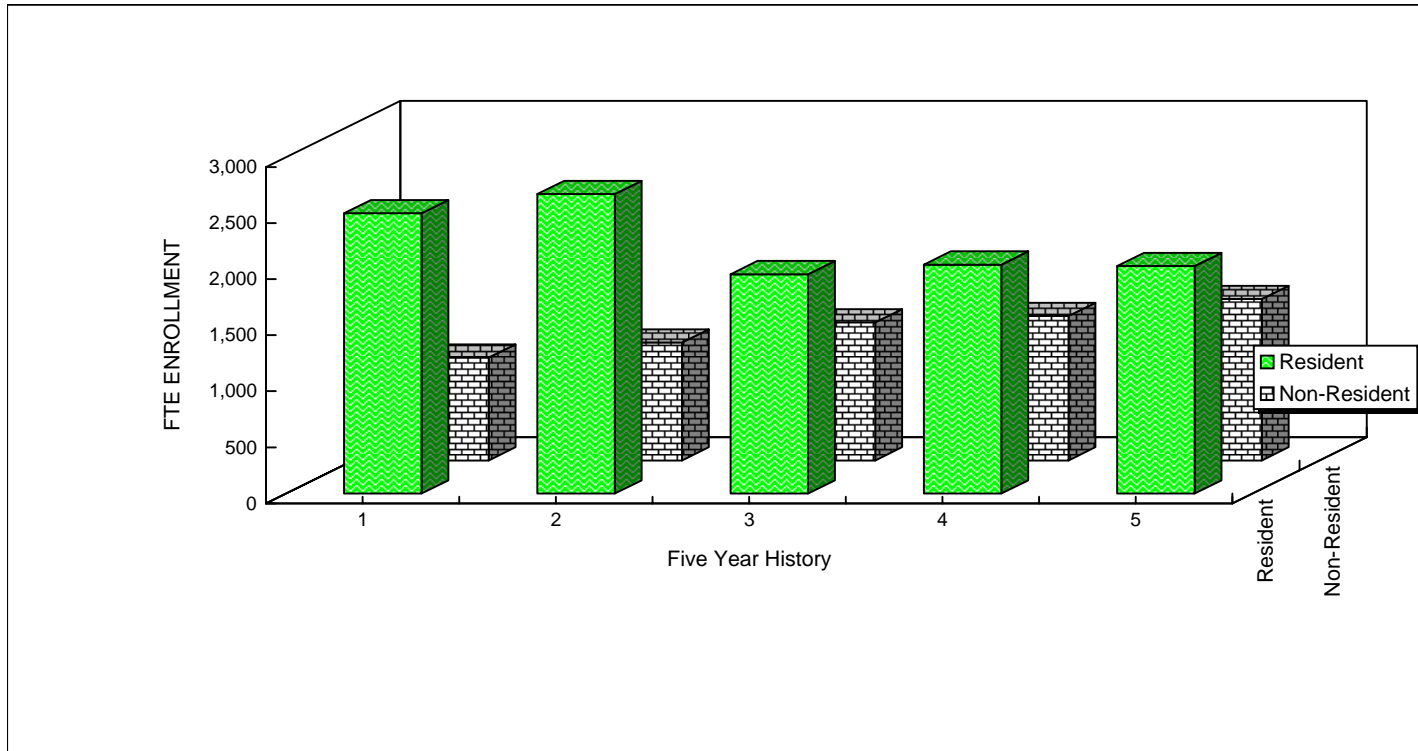
	Budget Current	Actual YTD	Prior Budget YTD	Prior Budget Total
OPERATING REVENUES				
Tuition and Fees	\$16,486	\$7,958	\$7,026	\$14,279
Federal Grants and Contracts	2,479	1,002	1,177	2,438
State and Local Grants and Contracts	2,374	1,462	1,044	2,280
Private Grants and Contracts	775	320	282	742
Sales and Services of Educational Activities	42	7	7	42
Auxiliary Enterprises	12,204	6,103	5,479	11,010
Transfer from Blue Ridge Community and Technical College	483	121	240	1,141
Other Operating Revenues	779	300	242	681
TOTAL OPERATING REVENUES	35,622	17,273	15,497	32,613
OPERATING EXPENSES				
Education and General (E&G)				
Primary Mission Costs				
Instruction	12,447	1,782	1,776	11,641
Academic Support	2,567	587	579	2,344
Student Services	3,618	837	753	3,444
Scholarships & Fellowships	1,441	498	791	1,700
Subtotal Primary Mission Costs	20,073	3,704	3,899	19,129
Other Education and General Costs				
Operations and Maintenance	4,374	899	514	3,908
Institutional Support	4,081	773	888	3,757
Research	18	14	0	28
Public Service	236	63	56	232
Subtotal Other Education and General Costs	8,709	1,749	1,458	7,925
Total Education and General Expenses	28,782	5,453	5,357	27,054
Auxiliary Expenses	11,626	2,199	2,468	10,058
Depreciation Expense	3,963	917	768	3,427
Transfers and Other (Additions) Subtractions	264	66	63	254
TOTAL OPERATING EXPENSES	44,635	8,635	8,656	40,793
NONOPERATING REVENUES AND EXPENSES				
State Appropriations	10,335	2,067	1,746	8,821
Investment Income	309	157	63	1,106
Interest on capital asset related debt	(1,491)	(374)	(387)	(845)
Loss on disposal of equipment	(50)	0	0	(49)
Fees assessed by the Commission for interest and reserves	(140)	(70)	(59)	(206)
Income Before Other Revenues, Expenses, Gains or Losses	0	10,418	8,204	647
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital Grants and Gifts	17,435	1,296	0	1,595
Increase (Decrease) in Net Assets	\$17,435	\$11,714	\$8,204	\$2,242

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

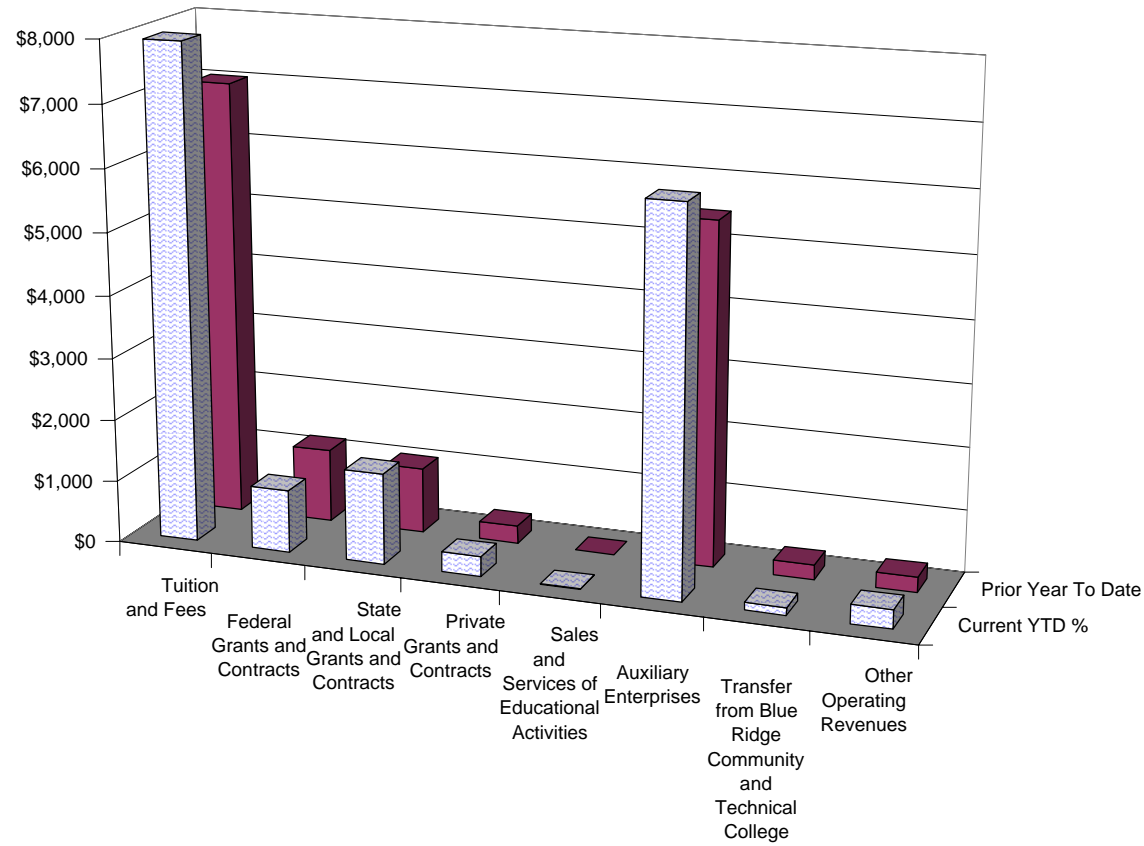
	CURRENT BUDGET		QUARTER BUDGET		CURRENT YEAR TO DATE			PRIOR YEAR TO DATE		
	Current Amount	% of Total Current Budget	Current Amount	% of Total Current Budget	Current Amount	% of Current Budget	Qtr Variance (Points)	Prior Amount	% of Prior Year Budget	Variance (Points)
OPERATING REVENUES										
Tuition and Fees	\$16,486	46.3%	\$8,112	49.2%	\$7,958	48.3%	(0.9)	\$7,026	49.2%	(0.9)
Federal Grants and Contracts	2,479	7.0%	\$1,197	48.3%	\$1,002	40.4%	(7.9)	1,177	48.3%	(7.9)
State and Local Grants and Contracts	2,374	6.7%	\$1,087	45.8%	\$1,462	61.6%	15.8	1,044	45.8%	15.8
Private Grants and Contracts	775	2.2%	\$295	38.0%	\$320	41.3%	3.3	282	38.0%	3.3
Sales and Services of Educational Activities	42	0.1%	\$7	16.7%	\$7	16.7%	0.0	7	16.7%	0.0
Transfer from Blue Ridge Community and Technical College	483	1.4%	\$121	25.0%	\$121	25.1%	0.1	240	21.0%	4.0
Auxiliary Enterprises	12,204	34.3%	\$6,073	49.8%	\$6,103	50.0%	0.2	5,479	49.8%	0.2
Other Operating Revenues	779	2.2%	\$277	35.5%	\$300	38.5%	3.0	242	35.5%	3.0
TOTAL REVENUES	\$35,622	100.0%	17,168	48.2%	\$17,273	48.5%	0.3	\$15,497	47.5%	1.0
OPERATING EXPENSES										
Education and General (E&G)										
Primary Mission Costs										
Instruction	\$12,447	43.2%	\$1,899	15.3%	\$1,782	14.3%	(0.9)	\$1,776	15.3%	(0.9)
Academic Support	2,567	8.9%	\$634	24.7%	587	22.9%	(1.8)	579	24.7%	(1.8)
Student Services	3,618	12.6%	\$791	21.9%	837	23.1%	1.3	753	21.9%	1.3
Scholarships & Fellowships	1,441	5.0%	\$670	46.5%	498	34.6%	(12.0)	791	46.5%	(12.0)
Subtotal Primary Mission Costs	\$20,073	69.7%	\$3,995	19.9%	\$3,704	18.5%	(1.5)	\$3,899	20.4%	(1.9)
Other Education and General Costs										
Operations and Maintenance	\$4,374	15.2%	\$575	13.2%	\$899	20.6%	7.4	\$514	13.2%	7.4
Institutional Support	4,081	14.2%	\$965	23.6%	773	18.9%	(4.7)	888	23.6%	(4.7)
Research	18	0.1%	\$5	25.0%	14	77.8%	52.8	0	0.0%	77.8
Public Service	236	0.8%	\$57	24.1%	63	26.7%	2.6	56	24.1%	2.6
Subtotal Other Education and General Costs	\$8,709	30.3%	\$1,601	18.4%	\$1,749	20.1%	1.7	\$1,458	18.4%	1.7
Total Education and General Expenses	\$28,782	100.0%	\$5,596	19.4%	\$5,453	18.9%	(0.5)	\$5,357	19.8%	(0.9)
Auxiliary Expenses	\$11,626		\$2,853	24.5%	\$2,199	18.9%	(5.6)	\$2,468	24.5%	(5.6)
Depreciation Expense	\$3,317		\$743	22.4%	\$917	27.6%	5.2	\$768	22.4%	5.2
Transfers and Other (Additions) Subtractions	\$264		\$65	24.8%	\$66	25.0%	0.2	\$63	24.8%	0.2
TOTAL OPERATING EXPENSES	\$43,989		\$9,257	21.0%	\$8,635	19.6%	(1.4)	\$8,656	21.2%	(1.6)
NONOPERATING REVENUES AND EXPENSES										
State Appropriations	\$10,335		\$2,046	19.8%	\$2,067	20.0%	0.2	\$1,746	19.8%	0.2
Investment Income	309		\$77	25.0%	\$157	50.8%	25.8	\$63	5.7%	45.1
Loss on disposal of equipment	0		\$0	0.0%	\$0	0.0%	0.0	\$0	0.0%	0.0
Interest on capital asset related debt	(1,631)		-\$408	25.0%	(\$444)	27.2%	2.2	(\$446)	42.4%	(15.2)
OTHER REVENUES, EXPENSES, GAINS OR LOSSES										
Capital Grants and Gifts	\$17,435		\$17,435	25.0%	\$1,296	7.4%	(17.6)	\$0	0.0%	7.4
Transfer of Net Assets to the 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	7,958		7,026		
Less Scholarship discount and allowances	-2,514		-2,157		
<u>Less Scholarship Expense</u>	-498		-791		
Total FTEs	3,467	\$ 1,427	3,330	\$ 1,225	Positive
State Appropriation per student (\$)					
<u>State appropriations</u>	2,046		1,746		
Total FTEs	3,467	\$ 590	3,330	\$ 524	Positive
Educational expense per student (\$)					
<u>Total operating expenses</u>	8,635		8,656		
Total FTEs	3,467	\$ 2,491	3,330	\$ 2,599	Negative
Total Tuition Discount (%)					
The sum of:					
Scholarship discount and allowance	2,514		2,157		
<u>Plus Scholarship expense</u>	498		791		
Gross tuition and fees revenue	7,958	37.85%	7,026	41.96%	Negative
Capital					
Direct debt per student (\$)					
<u>Direct Debt</u>	34,816		35,270		
Divided by Total FTEs	3,467	\$ 10,042	3,330	\$ 10,591	Positive
Direct debt to cash flow (x)					
The sum of:					
<u>Direct debt</u>	34,816		35,270		
The sum of:					
Operating surplus (deficit)	10,261		8,141		
Plus Depreciation expense	917		768		
Plus Interest expense	444	3.00	446	3.77	Positive
Direct debt to capitalization (x)					
<u>Direct debt</u>	34,816		35,270		
The sum of:					
Total net assets	67,536		61,785		
Plus Direct debt	34,816	0.34	35,270	0.36	Positive
Actual debt service to operations (%)					
<u>Actual annual debt service</u>	564		256		
Total operating expenses	8,635	6.53%	8,656	2.96%	Negative
Capital expense to operations (%)					
The sum of:					
Depreciation expense	917		768		
<u>Plus Interest expense</u>	444		446		
Total operating expenses	8,635	15.76%	8,656	14.02%	Negative

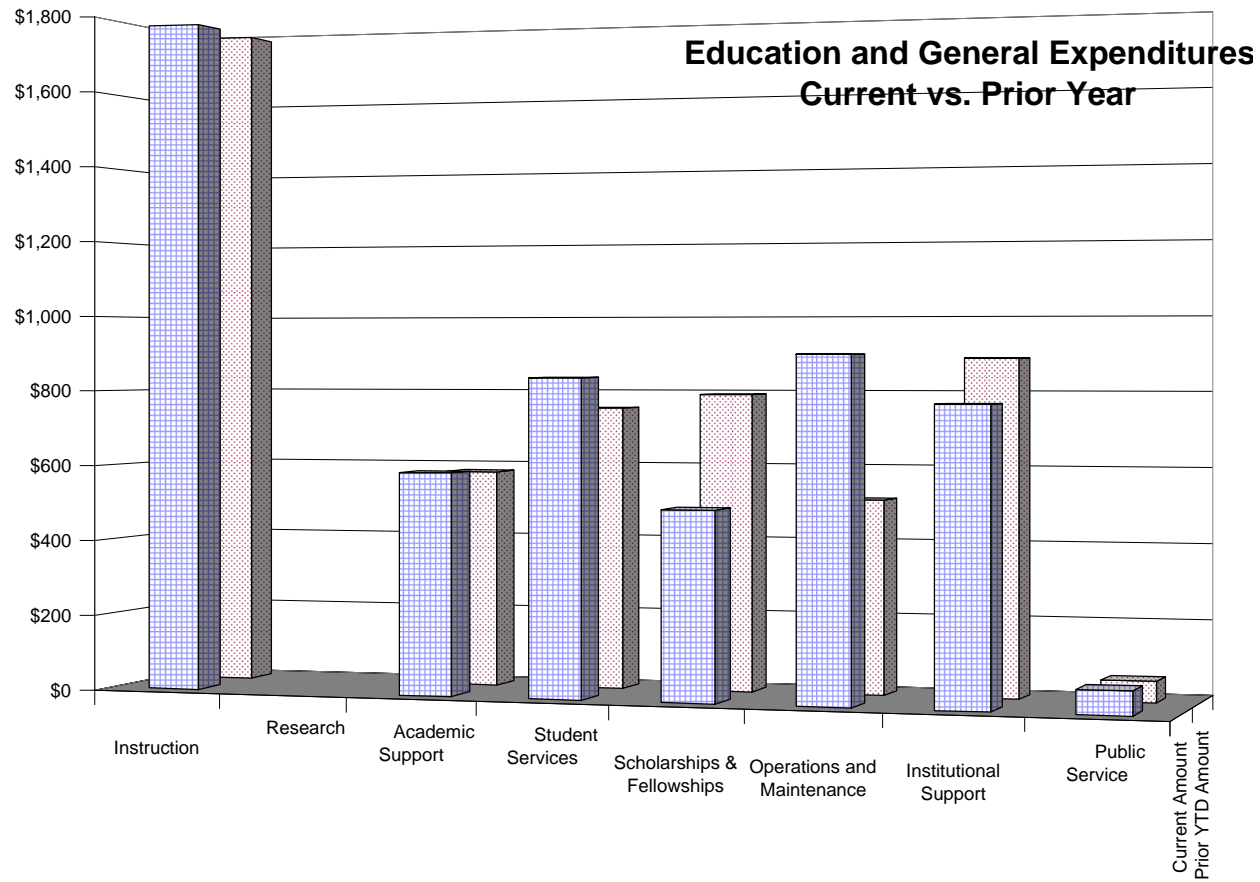
FTE ENROLLMENT
Five Year History
Level and Residency



Operating Revenues Current vs. Prior Year

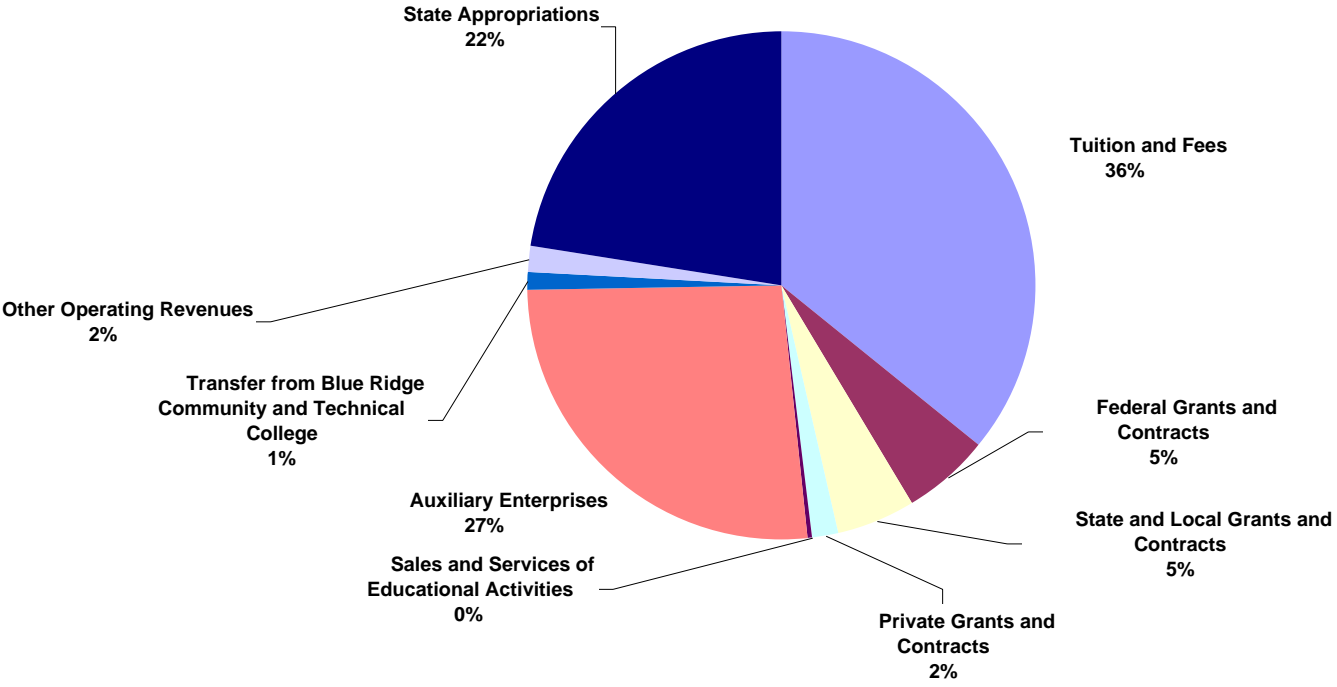


	Tuition and Fees	Federal Grants and Contracts	State and Local Grants and Contracts	Private Grants and Contracts	Sales and Services of Educational Activities	Auxiliary Enterprises	Transfer from Blue Ridge Community and	Other Operating Revenues
Current YTD %	\$7,958	1,002	1,462	320	7	6,103	121	300
Prior Year To Date	\$7,026	1,177	1,044	282	7	5,479	240	242



	Instruction	Research	Academic Support	Student Services	Scholarships & Fellowships	Operations and Maintenance	Institutional Support	Public Service
Current Amount	\$1,782		\$587	\$837	\$498	\$899	\$773	\$63
Prior YTD Amount	\$1,776		\$579	\$753	\$791	\$514	\$888	\$56

Operating Revenues



Education and General Expenses

