QUARTERLY FINANCIAL MANAGEMENT REPORT

EXECUTIVE SUMMARY

New Format
Shepherd University and the Community and Technical College of Shepherd financial data have been separated. Statements of net assets, statements of revenues, expenses and changes in net assets, and cash flow statements are provided for each institution and also in a combined presentation. The University transferred net assets totaling $1.6 million to the Community and Technical College on September 30, 2004. The fiscal year 2004 revenues and expenditures for each institution have been estimated from the actual combined data. Benchmark ratio data from the U.S. Department of Education’s Integrated Postsecondary Educational Data System (IPEDS) is provided where applicable.

Debt Financing
On September 1, 2004, Shepherd University issued revenue notes to finance the renovations to Shaw and Thacher Halls. The total amount borrowed was $1,865,000 with a 2% coupon. These notes will be refinanced when the bonds for the new housing complex are issued. Shepherd also issued Infrastructure revenue bonds for $3,405,000 with an average coupon of 4.08%. Proceeds from this debt issue will be used to build a roadway and other infrastructure on the west campus.

Net Assets
Net Assets increased $4.3 million or 5.89% over the first quarter of fiscal year 2003. Cash increased from $11.4 million to $12 million or 5.95% because an increased portion of the budget is funded by student fees that are collected at the beginning of each semester. Total liabilities increased by 24.56% because additional debt was issued.

Revenues
As of September 30, 2004, total operating revenues were 46% of the total fiscal year 2005 budgeted revenues for both institutions. This is .3% more than the percentage of budgeted revenues collected for the prior fiscal year. For the University, the total operating revenues were 46.8% of the total fiscal year 2005 budget. The Community and Technical College’s revenues were 39.1% of the total fiscal year 2005 budget.

Expenditures
Operating expenses were 21.6% of the total fiscal year 2003 budget as of September 30, 2004. This is .4% more than the percentage of the budget expended for the prior fiscal year. The University’s total operating expenses were 21.3% of the total fiscal year 2005 budget. The Community and Technical College’s revenues were 25.6% of the total fiscal year 2005 budget.

EXPLANATORY NOTES
Net Assets

Assets
1. Accounts receivable increased $448,000. Accounts receivable increased as student tuition and fee revenues increased.
2. Grants and contracts receivable decreased $168,000. The amount receivable from financial aid programs increased over the first quarter of fiscal year 2004.
3. Restricted cash and cash equivalents: This amount increased $2.9 million. Cash held in capital funds in the amount of $2.1 million, previously recorded in restricted cash and cash equivalents, was changed to unrestricted at the end of fiscal year 2004. Shepherd University received $5.3 million in bond proceeds during the quarter. The rest of the difference is attributable to funds expended for construction.
4. Investments decreased $3.2 million from fiscal year 2004. The investments purchased with funds from the 2003 bond issue matured in February 2004. The remaining money from the bond issue was invested in short term commercial paper.
5. The $3.3 million increase in capital assets compared to the previous year was caused by equipment purchases and building construction.
6. Other non-current assets increased $148,000 because Shepherd recorded bond issuance costs associated with the new debt issues.

Liabilities
1. Accounts payable declined $1.1 million as construction activity decreased.
2. Accrued liabilities increased $70,000 as the number of full-time staff paid in arrears increased. All staff hired after July 1, 2001 are paid in arrears.
3. Deferred revenues declined $154,000 from the first quarter of fiscal year 2004. The amount of grant revenues received in advance of expenditures declined, compared to the first quarter of fiscal year 2004.
4. Long term liabilities: The current portion of non-current liabilities increased $2 million because new debt was issued. The short term portion of leases payable increased $60,000 because the Department of Information Technology Services purchased networking equipment.
5. Advances from Federal Sponsors decreased $149,000 because funds were returned to the Federal Government to comply with excess cash rules. Shepherd had excess cash in its loan funds because collections have increased over the past several years. In addition, the rates for the Department of Health Resources Services Administration Nursing Loan program are not competitive with the Direct Loan program.
6. Deposits increased $204,000 because students made more deposits on their Rambler cards.
7. Compensated absences decreased $147,000 because there are fewer employees who are eligible for the retirement sick leave benefits.
8. The long term portion of leases payable increased $257,000 because the Department of Information Technology Services purchased networking equipment.

Operating Revenues
1. Tuition and fee revenues increased .7% compared with the prior year. The University’s tuition and fee paying enrollment increased 3.28%, while the Community and Technical College’s enrollment declined 8.85%.

2. Revenues from private gifts and grants declined 7.7%. Revenues were collected earlier in fiscal year 2004 than in fiscal year 2005. There were fewer grants funded by private entities in the Community and Technical College.

3. Auxiliary enterprises: $40,000 was collected from Community and Technical College students in the first semester. These revenues were not allocated to the Community and Technical College in fiscal year 2004 but were in fiscal year 2005.

Operating Expenses
1. Scholarships and fellowships: Expenditures for scholarships increased 12.2% over the first quarter of 2004. Increased payments to students for Pell Grants, SEOG grants and state funded scholarships increased over fiscal year 2004.

2. Academic support: Expenditures declined 8.8% in the Community and Technical College. Expenditures formerly reported in academic support in the Community College were moved to instruction.

3. Expenditures for operations and maintenance decreased 7.6%. Operating expenses totaling $179,000 for the renovation of the Ruth Scarborough Library were paid in the first quarter of fiscal year 2004.

Non-Operating Revenues and Expenses
1. Depreciation increased 7.3% over the first quarter of fiscal year 2004. The library renovations, field house construction and music addition were added during fiscal year 2004.

2. Interest expenses declined 7% over the first quarter of fiscal year 2004. The interest expense on the Higher Education Policy Commission debt declined after the debt was refinanced.

3. Shepherd University received $1 million from capital gifts and grants in the first quarter of fiscal year 2004. No capital gifts or grants were received in the first quarter of fiscal year 2005.