



HIGHER LEARNING COMMISSION

230 South LaSalle Street, Suite 7-500
Chicago, IL 60604-1411
312.263.0456 | 800.621.7440
Fax: 312.263.7462 | hlcommission.org

February 13, 2018

President Mary Hendrix
Shepherd University
301 North King Street
PO Box 5000
Shepherdstown, WV 25443-5000

Dear President Hendrix:

The interim report you submitted to our office has now been reviewed. A staff analysis of the report is enclosed.

On behalf of the Higher Learning Commission staff received the report on enrollment and finances.

The institution is required to submit an additional interim report on enrollment and finances. The report, to be submitted to the Commission no later than November 1, 2019, should include, at minimum, the following: 1) The institution's annual audited financial statements for FY2018 and FY2019; 2) Fall 2019 enrollment data and updated enrollment projections through Fall 2022; 3) The FY2020 operating budget with comparative data from FY2019 and budget projections through FY2022; 4) An updated strategic enrollment plan **or** institutional strategic plan showing strategies for enrollment and finances.

The institution's next reaffirmation of accreditation is scheduled for 2021 – 2022.

For more information on the interim report process contact Lil Nakutis, Accreditation Processes Manager, at lnakutis@hlcommission.org. Your HLC staff liaison is Steph Brzuzy (sbrzuzy@hlcommission.org); (800) 621-7440 x 106.

Thank you.

HIGHER LEARNING COMMISSION



STAFF ANALYSIS OF INSTITUTIONAL REPORT

DATE: February 13, 2018

STAFF LIAISON: Steph Brzuzy

REVIEWED BY: Steven Kapelke

INSTITUTION: Shepherd University, Shepherdstown, WV

EXECUTIVE OFFICER: Dr. Mary Hendrix, President

PREVIOUS COMMISSION ACTION AND SOURCES: An interim report is required by 10/30/2017 on enrollment and finances.

This interim report derives from the Team Report of the institution's 2016 Comprehensive Evaluation which states:

"...in light of the CFI ratios and the need for a financial panel review, coupled with SU's long-range plans and strategies to address enrollment declines, the team recommends a monitoring report to be submitted to the commission by October of 2017. A review of the report by staff should show that progress toward improvement has been made with enrollment and finances."

REPORT PRESENTATION AND QUALITY: The Shepherd University interim report is clearly written, and the report narrative is augmented with extensive supporting materials in the appendices. Indications are that the report is thorough and candid.

REPORT SUMMARY: The report is presented in two major sections, each addressing one concern cited by HLC Visiting Team in its 2016 Team Report. In addition to the issues of enrollment and finances, the report includes a brief section on effectiveness of communication.

With regard to the subject of communication, the report notes three items that demonstrate the institution's efforts to maintain effective communication within the institution. These include a wide range of communication forms on a variety of topics ranging from the results of the HLC accreditation visit to budget challenges and new initiatives, among others. The Board of Governors (BoG) is kept apprised of key institutional issues and BoG meeting agendas are made available through the BoG web site.

Enrollment: This section of the report begins with a brief overview of the institution's enrollment challenges, noting the "*increasingly competitive market coupled with increasing graduation rates and decreases in state appropriations.*" Here the report also notes changes in leadership in Enrollment Management, culminating in the appointment of the current Vice President for Enrollment Management. The remaining body of this section of the report is presented in several subsections, including information on regional and national trends in enrollment and Shepherd University's enrollment trends from 2011 to 2016

With regard to the University's enrollment trends, the report provides a bulleted list of key points that include the decrease in Undergraduate Enrollment during this period from 3836 degree-seeking students in Fall 2011 to 3095 in Fall 2016. At the same time, Graduate Enrollment has remained reasonably consistent, with Fall 2017 graduate student enrollment standing at 182.

The following subsection is titled *New Initiatives*, which includes brief descriptions of actions taken in the Registrar's Office, Financial Aid, and the Office of Admissions. These actions include, in Financial Aid, the timely processing of aid packages coupled with a new initiative, "*Be Legit and Financially Fit*," that targets financial aid education and responsibility. The Office of Admissions has created "*a number of initiatives...related to stabilizing enrollment and to work collaboratively across units like Student Affairs and Academic Community Outreach.*" Among these cited in the report is the hiring of a regional recruiter who would focus recruiting efforts in specific areas; the report names Loudoun County and Fairfax County as these two regions. Other actions include the Multicultural Student Recruiting Initiative and an increased emphasis on recruitment of international students.

The final subsections within the category of Enrollment are titled *Results and Benchmarks for Success (Estimates for Fall 2018)*. Here the report provides a bulleted list of current enrollment data that include, but are not limited to, the following:

- *80% of UG students persisted from Spring 2017 to Fall 2017 (+10% improvement when compared to last two years)*
- *Freshman enrollment is up 4.9% when compared to Fall 2016*
- *Transfer student enrollment is even with Fall 2016*
- *The Fall-to-Fall retention has increased from 50.9% to 64.9%*

The Benchmarks identified in the report are listed in three areas: the Digital Marketing Campaign; [to] Leverage Scholarships and Aid (Metro Scholarship); and Student Success. Each contains several items; these include increased student enrollments in both undergraduate majors and graduate degree-seeking students, and an undergraduate persistence rate of 80% from Spring 2018 to Fall 2018.

Finances: In the category on Finances, the report cites numerous challenges facing the institution with regard to its financial situation, noting in particular declining student enrollment and reduced state appropriations. At the same time, the University was

acknowledged as the institution in the West Virginia System having the lowest-funded per student allocation, while also having the “*third highest economic impact among West Virginia’s four-and-two-year colleges according to a study commissioned by the West Virginia Higher Education Policy Commission.*”

The rest of the section on *Finances* is presented in three subsections, the first of which is *Operating Revenues*. Among the points listed here, several are particularly noteworthy:

- Total operating revenues for FY2017 decreased by \$1.6 million—or 4% compared to the \$2.4 million (5%) decline from FY 2015 to FY2016.
- During FY2017 tuition and fee revenue decreased by \$276,000 from FY2016—a 1.5% decline “*due to a combination of a 5.0 percent tuition increase and a continuing enrollment shortfall.*”
- The enrollment shortfalls also affected the institution’s Auxiliary Enterprise Revenue—a decline of more than \$1.6 million in FY2017.

Here the report notes that these factors have caused a decline in the institution’s Composite Financial Index (CFI), as well, influenced further by liabilities for Other Post Retirement Benefits.

The next subsection, *Operating Expenses*, begins by providing some detail regarding the “*decreases of the number of days cash on hand,*” citing a five-year cash flow projection in the appendices based on “*conservative five-year enrollment projections.*” These projections are also situated in the appendices. Here the report also lists a significant number of actions taken by the University to cut expenses. These include, but are not limited to, the following:

- Elimination of all administrative travel deemed nonessential
- Review of all new Executive Leadership Team position postings
- Significant reduction of capital projects to preserve cash
- The development of the FY2018 budget based on FY2017 budget “actuals”
- Energy savings projected at nearly \$400,000 annually
- Vacancy savings budgeted at approximately \$750,000 for FY2018

The final subsection of *Finances* is titled *New Initiatives to Enhance the Student Experience, Advance Shepherd’s Reputation and Create New Sources of Revenue*. As is the case throughout the report, these are presented in bullet point form and include the following among a range of initiatives:

- Enhanced Student Lodging with the Opening of Potomac Place Residence Hall

- Offering of market driven degree programs like the undergraduate and graduate degrees in data analytics and a new degree program in contemporary theater studies
- Increased opportunities in LifeLong Learning and the President's Lecture Series

Citing the most recent challenges pertaining to enrollment and finances, the report narrative closes by stating that the institution has refocused its efforts "*on creatively frugal ways to manage existing financial resources, while simultaneously working to develop new campus-based and external revenues.*" To that end, "*The institution is examining the productivity of programs in new and deeper ways to better understand instructional costs, as well as the flow and sources of revenue and expenses.*"

STAFF FINDING:

Note the relevant Criterion, Core Component(s) or Assumed Practice(s): **Core Component 5.A**

Statements of Analysis (check one below)

- Evidence demonstrates adequate progress in the area of focus.
- Evidence demonstrates that further organizational attention is required in the area of focus.
- Evidence demonstrates that further organizational attention and HLC follow-up are required.
- Evidence is insufficient and a HLC focused visit is warranted.

REPORT ANALYSIS: The Shepherd University interim report presents a thorough recounting of the institution's efforts pertaining to communication, student enrollment, and institutional finances.

With regard to communication, it is apparent that the institution has taken steps to enhance the means by which it communicates with its vast range of constituent groups. In addition to the information provided in the report narrative, additional documentation in the report appendices confirms this. The HLC will not require additional reporting on this topic.

Based on the materials presented in the report, the decline in student enrollment has continued through the Fall 2017 Semester, resulting in a dramatic fall off in enrollment since student numbers peaked in Fall 2011. The Five-year headcount projections, shown in the table below, indicate that estimated degree-seeking enrollment for Fall 2017 is 3116, or approximately 125 students less than Fall 2016; and overall University enrollment is estimated at 3516, compared to the Fall 2016 actual numbers of 3836.

Five-year headcount projections

| Headcount by Segment | Fall Census 2016 Actual | Fall Census 2017 Estimate | Fall Census 2018 Target | Fall Census 2019 Target | Fall Census 2020 Target |
|----------------------------------|----------------------------|------------------------------|----------------------------|----------------------------|----------------------------|
| Continuing UG | 2,117 | 1,966 | 1,980 | 1,990 | 2,000 |
| New FTIC | 564 | 580 | 580 | 590 | 600 |
| New Transfer | 362 | 350 | 350 | 360 | 360 |
| Re-admit | 51 | 50 | 50 | 50 | 50 |
| New and Continuing G | 157 | 170 | 180 | 185 | 190 |
| Degree Seeking Enrollment | 3,241 | 3,116 | 3,140 | 3,175 | 3,200 |
| Non-degree UG and G | 595 | 400 | 400 | 400 | 450 |
| University Enrollment | 3,836 | 3,516 | 3,540 | 3,575 | 3,650 |

Targets based on multiple sources: • Shepherd University Institutional Research • WICHE, Knocking at the College Door 2016 • Maryland, Virginia, and Pennsylvania, Department of Education, high school enrollment reports • WVHEPC 2016 Report Card

Long-range projections, as reflected in the table, show steadily increasing degree-seeking and overall enrollment through Fall Census 2020 cutoff date; nonetheless, these numbers are still below the 2016 actuals shown in the table.

However, based on information provided in the report, it is apparent that the institution has been pro-active in addressing enrollment issues. While citing challenges such as regional demographics, the University has, at the same time, taken steps to reduce the impact of these challenges. Indications are that the change in Enrollment Management leadership has been salutary and should continue to provide strength in student recruitment, retention and persistence. Procedural changes have been made in the offices of the Registrar, Admissions and Financial Aid; and first-year enrollment in Fall 2017 increased by almost 5% over the previous year. Further, the available data shows that 80% of undergraduate students persisted from Spring 2017 to Fall 2017, an increase of 10% over the previous year. If freshman enrollments grow steadily and the institution is able to show continuing improvements in retention and persistence, overall enrollment should stabilize over time, as the projections indicate.

The institution's finances remain uncertain despite clear and seemingly well-defined efforts on the part of the institution to reduce expenses, create new programming and develop other initiatives expected to provide new revenue streams. The report is candid in noting the challenges facing the institution with regard to finances, in particular declining student enrollment and the concurrent decrease in state appropriations.

Again, indications are that the University, to its credit, has been pro-active in responding to financial concerns, having identified ways to cut operating expenses that affect areas such as administrative travel and staffing--and eliminating or postponing certain capital projects to help maintain the institution's relatively small cash reserve. It appears, also, based on material contained in the appendices, that the University will, if necessary, consider implementing staff furloughs, though this is not mentioned in the report narrative. The documentation below shows the "FY2018 Operating Scenario," which projects operating revenues and expenses through FY2022. Noteworthy in the figures presented in the Scenario is that operating expenses continue to exceed operating revenue through the duration of the projections.

FY2018 Operating Scenario

| | AUDITED FY16 | Projection FY17 | Budget FY18 | FY19 | FY20 | FY21 | FY22 |
|-----------------------------------|-----------------|--------------------|----------------|----------------|----------------|----------------|----------------|
| TOTAL OPERATING REVENUES | 56,650 | 54,898 | 54,695 | 54,550 | 56,105 | 57,740 | 59,450 |
| TOTAL OPERATING EXPENSES | 60,924 | 62,078 | 60,790 | 57,830 | 58,390 | 60,245 | 60,625 |
| Increase (Decrease) in Net Assets | <u>(4,274)</u> | <u>(7,180)</u> | <u>(6,095)</u> | <u>(3,280)</u> | <u>(2,285)</u> | <u>(2,505)</u> | <u>(1,175)</u> |
| Increase (Decrease) in Cash | (1,619) | (3,893) | (2,670) | 90 | 1,029 | 871 | 846 |
| Ending Cash | <u>16,260</u> | <u>12,367</u> | <u>9,697</u> | <u>9,787</u> | <u>10,816</u> | <u>11,687</u> | <u>12,533</u> |
| Days Cash | 116 | 87 | 70 | 75 | 80 | 85 | 90 |

One aspect of the institution's finances addressed only indirectly in the narrative is the existence of Shepherd University Foundation, which has assets of \$52.6 million as of the close of FY2017, of which only about \$17 million is unrestricted or temporarily restricted. However, based on the information supplied in the appendices, it appears that the Foundation contributes approximately \$1.5 million annually to the institution's operating expenses—for academic programs, athletics, and student organizations.

Analysis Concluding Statement: Despite genuine efforts on the part of the institution to address its issues in the related areas of enrollment and finances, the University's challenges in these areas remain. While there are positive signs with regard to enrollment, particularly in first-year student enrollment and student persistence, it would be premature to conclude that the downward enrollment trends have been completely reversed.

As pertains to institutional finances, Shepherd University has identified as a strategic priority the stabilization of its financial situation, as stated in the documentation below, taken from the appendices.

Primary Goal: Attain financial stability to provide a world-class liberal arts education for the next generation of leaders and model citizens, and to serve as an educational resource for the community.

- Priority 1: To invest strategically in a regional recruiter to focus on recruitment efforts in Loudoun County and Fairfax County - - to impact enrollment.
- Priority 2: To expand the Office of Sponsored Programs (OSP) to support proposal writing and pre- and post-award services to PIs. (Director of OSP, Jessica Kump; Director of Strategic Research Initiatives, Dr. Jason Best)
- Priority 3: To increase extramural funding by at least 10% each year over the next five years to achieve a minimum of \$3 million annually.
- Priority 4: To advance public/private partnerships through Shepherd's Entrepreneurship and Research Corporation (SERC) - - to support ongoing and new initiatives.

Shepherd University



These are clearly well conceived priorities but, again, the actions involved are in early stages and there are not data that provide long-term results or trends with respect to these initiatives. The institution's Composite Financial Index remains low.

Consequently, the Higher Learning Commission will require additional monitoring on enrollment and finances, in the form of an additional report, to be submitted by November 1, 2019. The specifics of the report are outlined in the Staff Action section below.

STAFF ACTION: Receive the report on enrollment and finances.

The institution is required to submit an additional interim report on enrollment and finances. The report, to be submitted to the Commission no later than November 1, 2019, should include, at minimum, the following: 1) The institution's annual audited financial statements for FY2018 and FY2019; 2) Fall 2019 enrollment data and updated enrollment projections through Fall 2022; 3) The FY2020 operating budget with comparative data from FY2019 and budget projections through FY2022; 4) An updated strategic enrollment plan **or** institutional strategic plan showing strategies for enrollment and finances.

The institution's next reaffirmation of accreditation is scheduled for 2021 – 2022.

SHEPHERD UNIVERSITY

Interim Report



**Submitted to the
Higher Learning Commission
230 South La Salle Street •
Suite 7-500
Chicago, Illinois 60665
October 31, 2017**

Shepherd University, March 2017 HLC Interim Report

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Introduction

Shepherd University underwent a mid-term site visit for continuing accreditation from the Higher Learning Commission March 7-8, 2016. At the June 18, 2012 meeting of the HLC Institutional Actions Council (IAC), the IAC voted to continue the accreditation of Shepherd University for the maximum time period of ten years, with the next comprehensive evaluation set for the 2021-22 academic year. The latest IAC action letter is dated July 1, 2016 and outlines the interim reports required by the institution in 2017. In conjunction with the action of the IAC, Shepherd University is submitting this interim report by October 31, 2017 deadline as it relates to the issues of enrollment and finances.

In submitting this report, Shepherd University demonstrates its continued diligence in meeting financial challenges, monitoring data for best practices in decision making, and the careful allocation of resources through transparent communication. Through this process Shepherd University ensures the fulfillment of the institution's mission and core values. Utilizing a combination of efforts to stabilize enrollment and institute operational efficiencies, coupled with the development of new revenue generating opportunities, this three-pronged approach should enable the institution to better align revenue and expenses for long-term viability.

Below is the information from the final HLC site team report:

Rationale and Expectations

Report Focus (excerpted from Site Team Report, posted here on the Shepherd University HLC web pages: 1) HLC Actions page: <http://www.shepherd.edu/accreditation/hlc-actions>
2) 2016 Site Report and Actions Letter: <http://www.shepherd.edu/wordpress-1/wp-content/uploads/2016/04/Shepherd-University-Site-Team-Report-2016.pdf>

Process

Shepherd University received the final site team report in May 2016, addressed the report for corrections, and immediately began to take steps to inform the university community and to address the information required for the interim reports. The institutional HLC-ALO and Associate Provost (Dr. Scott Beard) met with President Mary J.C. Hendrix, Provost Chris Ames and members of the Executive Leadership Team (ELT) to address items that required the attention of the institution. Additionally, a plan of action for completing the interim reports for March 2017 and October 2017 was developed.

Communication

- **Appendix A (page 15) and Appendix F (page 99)** clearly demonstrates the many ways Shepherd University communicates with a variety of stakeholders (faculty, students and staff). These communications range from an email to the campus community from the President on March 3, 2016, informing of the positive results of the visit to more recent communications surrounding budget challenges, staff departures, institutional efficiencies and new initiatives. The institutional Board of Governors (BoG) is informed of accreditation status, enrollment and financial reports through an annual summary, as well as updates through its committee structure at each meeting.
- Additionally, budget and enrollment considerations are a regular part of nearly every Executive Leadership Team meeting (weekly) and updates provided to the Deans' Council (headed by the Provost) and the monthly meeting of Deans & Department Chairs, also chaired by the Provost (**See Appendix B, page 41**). The President and Chief Financial Officer also meet periodically with staff through the Classified Employees Council (<http://www.shepherd.edu/cec/cec-minutes>)
- Lastly, the agendas of the institutional board of governors, which contain minutes, as well as cyclical, committee and other special reports are available through its web pages located here: <http://www.shepherd.edu/bog/meeting-schedule>

Through layered communication, Shepherd ensures that the communities it serves are aware of challenges and opportunities facing the institution.

Enrollment

As with many institutions, Shepherd faces a challenging and increasingly competitive market, coupled with increasing graduation rates and decreases in state appropriations. In the period leading up to the 2016 HLC visit, the Vice President for Enrollment Management (VPEM), Dr. Shari Payne, left the institution for personal reasons, and was replaced on an interim basis by Dr. Tom Segar, the Vice President of Student Affairs. Dr. Payne herself was also the replacement for what had been a previously outside-hired interim VPEM. Mr. Bill Sommers, was hired as Shepherd's VPEM in July 2016, and has brought to the position a level of expertise, experience and stability that had been lacking due to the turnover in that crucial office.

As presented to the SU-BoG in its August 2017 retreat (**see Appendix F, page 143**), the situational analysis for Shepherd's enrollment picture and its future is characterized by the following:

Regional and National Trends

- Dwindling state appropriation/support nationally, regionally and in West Virginia.
- The perceived value of earning a college degree is being questioned, particularly in light of increased costs of attendance and debt following graduation.
- The high school-aged student population will continue to decline and/or become increasingly diverse.
- Competition among public, private non-profit, and proprietary colleges and universities for students will continue to intensify, hence a "buyers' market."

First Time in College Demographic Trends

- West Virginia high school graduates are not projected to increase, and with a slight decrease in Caucasian high-school graduates. West Virginia is one of the least ethnically diverse states in the country.
- West Virginia's college going rate is 54% .
- Maryland will experience a 2.8% increase by 2024-2025 with Caucasian high-school graduates continuing to decline and non-white continuing to increase.
- Maryland's college going rate is 64%.
- Virginia will experience a 6.3% increase by 2024-2025, with Caucasian high-school graduates continuing to decline and non-white continuing to increase.
- Virginia's college going rate is 63%
- The District of Columbia is projected to increase 3.2% by 2024-2025. High school students are eligible to apply for the \$10K, DC TAG (Tuition Assistant Grant) program.
- As the eastern most part of West Virginia, Shepherd's unique location allows it to draw students from a quad-state area.

Shepherd University Enrollment Trends, 2011-2016

- Undergraduate (UG) Enrollment
Enrollment peak, Fall 2011, 3,836 (FT/PT) degree students.
Enrollment, Fall 2016, 3,095 (FT/PT) degree students.
Enrollment Driver: Decrease in out-of-state students.
Enrollment Driver: Increase in UG student attrition.
- Graduate (G) Enrollment
Graduate degree enrollment has not experienced the same decreases as the UG population. Enrollment has remained consistent from 170-184 per semester.
Fall 2017 - Master's 157 + 25 DNP students = 182 total graduate enrollment
- Non-degree enrollment has grown steadily during the last five years; however, a large portion of this enrollment represents a significantly lower price point vs. degree-bearing tuition. While this revenue does help the bottom line, it does not have a major budget impact.

New Initiatives

The Enrollment Management unit encompasses admissions, the registrar and financial aid. Below are some highlights to enhance student enrollment, retention and success from the past year as reported out to the institutional BoG:

Registrar's Office:

- Forms have been streamlined in terms of signatures, with a number of forms moving to a digital format. Students have access to the Academic Advisement Center for professional advisors to now sign needed forms.
- Shepherd has partnered with the Scrip-Safe and will utilize their Diplomas on-Demand system to print diplomas in-house. This move will create greater efficiency and accuracy for student diplomas.
- The process for students who have stopped-out and who readmit to the RBA degree program, and petitioning to graduate has been streamlined.
- In conjunction with Financial Aid and Business Office, the summer term has been restructured within Banner for greater efficiency for awarding students with financial aid and registering for classes.

Financial Aid:

- There has been increased emphasis on processing aid packages in a timely manner and to get the information out to students as quickly as possible. This is coupled with the

“Be Legit and Financially Fit” campaign aimed at financial aid education and responsibility.

- The focus at the start of the fall semester beyond disbursing aid to students is to also identify additional financial resources for students who are struggling to clear their fall bill.
- The Last Dollar Grant program is intended to help deserving students who have exhausted all state and federal aid options and still need financial assistance to clear their bill. Identifying student’s eligible for last dollar funds is a collaboration between the Office of Financial Aid and the Business Office.

Office of Admissions: Current and Future Opportunities

As outlined in various communications in **Appendix F (page 99)**, there have been a number of initiatives in the Office of Admissions related to stabilizing enrollment and to work collaboratively across units like Students Affairs and Academic Community Outreach.

- Invest strategically in a regional recruiter to focus on recruitment efforts in Loudoun County and Fairfax County - - to impact enrollment (recruiter hired summer 2017)
- Marketing and Recruiting
 - Ramping up the Digital Marketing Campaign.
- Leverage Scholarships and Aid (Metro Scholarship and Academic Department Tuition Waivers). These initiatives were expanded for fall 2017.
- Multicultural Student Recruiting Initiative (also through regional recruiter)
- Increase the number of Community College Partnerships, 2+2 Articulation Agreements. This has been accomplished through the Office of Academic Community Outreach (<http://www.shepherd.edu/academic-outreach>), in collaboration with Enrollment Management. The number and scope of articulation agreements has increased over the last year, particularly those in our immediate area: Blue Ridge CTC, Hagerstown CC, Frederick CC and Montgomery CC. The specific programs at those schools now numbers nearly 25 (<http://www.shepherd.edu/admissions/transfer-students>)
- High School Dual Enrollment to FT Degree Seeking Pipeline - Fall 2018 Student Success (Retention). <http://www.shepherd.edu/academic-outreach/aco-dual-enrollment>
- Shepherd Success Academy-35 students currently participating in the Academy. <http://www.shepherd.edu/shepherd-success-academy/>
- Probation Recovery Program
- Summer Enrollment and Housing (Summer 2018)
- Increased emphasis on International Recruitment (<http://www.shepherd.edu/admissions/international-students>) and the development of the Intensive English Language Program (<http://www.shepherd.edu/esl/>).
- Development of new student housing options at Potomac Place

<http://www.shepherd.edu/potomac-place>

Results (See Appendix D, page 72)

Realizing that budgeting realistically to enrollment projections, the 2017 fall census targets and budgets were adjusted accordingly, using data from multiple target sources. These results point to a positive trend, allowing Shepherd to meet enrollment targets in the following ways:

- 80% of UG students persisted from spring 2017 to Fall 2017 (+10% improvement when compared to last two years)
- Freshmen student enrollment is up 4.9% when compared to Fall 2016
- Transfer student enrollment is even with Fall 2016
- Graduate student enrollment is up 5% compared to Fall 2016
- Overall degree-seeking student enrollment is improving when compared to Fall 2015 and 2016.
- The Fall-to-Fall retention has increased from 59.9% to 64.9%.
- The Fall 2017 census headcount is 3789 vs. a projection to budget of 3516 (107.76% of goal).
- Challenges: Continuing undergraduate (UG) students is lagging by 7% compared to Fall 2016.

Benchmarks for Success (Estimates for Fall 2018)

Digital Marketing Campaign

Re-targeting and Geo-fencing Targeting Montgomery, Loudoun and Fairfax counties = 600,000+ people reached. Utilize new alumni features and videos on the Shepherd home page (www.shepherd.edu).

Regional UG Recruiter - Loudoun and Fairfax Counties: Work to Double High School Visits - Applications +25%

Leverage Scholarships and Aid (Metro Scholarship)

- Expand Metro Scholarship to all counties in VA and MD = +40 students based on Fall 2017 numbers and conversion percentages. A
- New UG Majors and G Degree • New UG majors = 15-20 applicants • New G degree = 8-10 applicants
- High School Dual Enrollment to FT Degree Seeking Pipeline. HS Seniors conversion Fall 2018 of 20-25 students

Student Success (Retention)

1. UG degree seeking persistence rate of 80% from spring 2018 to fall 2018

2. Shepherd Success Academy: 90% persistence rate fall to spring
3. Probation Recovery Program: Work to move 50% of these student off of probation so that they remain enrolled.
4. The University continues to utilize the Retention Intervention Team and the Beacon alert system to maximize opportunities for increasing retention strategy.

Summary

The positive results for Fall 2017 point to a stabilization of Shepherd's enrollment, with strategic investments in a regional recruiter and in the Office of Academic Community Outreach to facilitate dual enrollment and 2+2 agreements. Realistic enrollment projections continually tied to the budget projections will ensure a more predictable forecast of tuition and fee revenue.

Finances

The current economic climate, coupled with enrollment declines continue to place financial pressure on the institutions. The FY'17 audit found in **Appendix H (page 205)**, shows that the state appropriation continues to be reduced. Predicted reductions in state funding were calculated into the FY'18 operating budget. For FY'17, there were two reductions in funding from the state; however, due to increased connectivity with our state legislators, Shepherd was the *only* institution in the state that did not receive additional cuts in the second half of FY'17. This is perhaps in recognition of Shepherd being the lowest funded per student of the public, four-year institutions in the West Virginia System. This occurs in spite of the fact that Shepherd University has the third highest economic impact among West Virginia's four- and two-year colleges according to a study commissioned by the West Virginia Higher Education Policy Commission. The study, titled "The Economic Impact of Public Institutions of Higher Education in West Virginia," shows that Shepherd's economic impact on Berkeley and Jefferson counties is \$91.1 million. Part of this study, which was conducted by the West Virginia University Bureau of Business and Economic Research, examined the economic impact of direct university expenditures like supplies and utilities, university payroll, and out-of-state student expenditures. (Reference Link: <http://wvutoday.wvu.edu/n/2016/08/04/west-virginia-s-public-higher-education-institutions-have-2-7-billion-impact-on-state>)

While Shepherd is encouraged by the new efforts on behalf of our local legislators, the continued cuts to higher education in a state with the lowest attainment rate in the country has caused us to examine our resources carefully, invest strategically in those initiatives that will bring in new populations of students or revenue generating opportunities, and where needed to make necessary cuts.

The President in her presentation to the Fall 2017 University Assembly meeting set as an overarching goal to "attain financial stability" to provide a world-class liberal arts education for the next generation of professional leaders and model citizens, and to serve as an education resource for the community." In addition to the efficiencies outlined in the succeeding pages she has also focused on goals pointing Shepherd externally to obtain sources of funding (see **Appendix F, page 100**).

AUDIT OVERVIEW

Operating Revenues

Total operating revenues for 2017 decreased by \$1.6 million or 4 percent compared to the 5.5%, \$2.4 million decline from 2015 to 2016.

During fiscal year 2017, student tuition and fees revenue decreased from 2016 by \$276,000 or

1.5 percent due to a combination of a 5.0 percent tuition increase and a continuing enrollment shortfall.

Grants and contracts comprise approximately 14.4 percent of the operating revenues and total \$5.7 million in 2017. This is a \$129,000 increase from 2016, which is a result of an increase in federal grants to \$541,000.

The Enrollment shortfalls also affect Auxiliary Enterprise Revenue, which includes resources generated by the operation of the bookstore, wellness center, dining services and residence halls. There was a decrease of \$1,609,021 or 9.6 percent in 2017. This continues the declining trend from 2015 to 2016 of 8.57%, \$1.7 million.

These scenarios have caused a worsening of the institution's Composite Financial Index (CFI), which is further exacerbated by increasing liabilities for Other Post Retirement Benefits or OPEB **See Appendix G, page 201)**

Operating Expenses

One of the main results of revenue expectations not meeting expenditures has been the decrease of the number of days cash on hand. **Appendix G (page 198)**, details a five-year cash flow projection it is based on the conservative five-year enrollment projections in **Appendix D (page 73)**. In this scenario, while we are projected to dip below 90 days of cash on hand for FY'18, please note that this was the case for FY'17, and the actual results put us at 102 days of cash on hand. All units across campus have worked together to address cutting expenses in a variety of ways:

- Elimination of ALL Nonessential Administrative Travel
- Review of ALL New Position Postings at the Executive Leadership Team Level (see position request template, **Appendix C (page 71)**)
- "Sweeping" of ALL Departmental Capital Expenditures, with approval at more than one level.
- Significant Reduction of Capital Projects to Preserve Cash.
- RFP to Outsource Dining Services and the Bookstore. This would help realize additional savings of \$100k for the bookstore in FY'18 and a potential net revenue increase in FY'19 for dining services of \$300k
- FY2018 Budget Based on Actual FY2017 (**See Appendix G, page 198**)
- Energy Savings (current at over \$30k monthly for a nearly \$400k projected annual savings).
- Contractor Savings (\$124k)
- Vacancy Savings (Budgeted at approximately \$750K for FY'18).

- Martinsburg Reduction (elimination of one floor of space to lease, along with staff reduction for a \$150K annual savings).
- Closure of Early Learning Center (This Center operated at a nearly \$90k annual deficit for the institution and was closed in July 2017)
- The Board of Governors has also mandated that the University examine its academic organizational structure of adjustments and alignments that will lead to administrative and operational efficiencies (**See Appendix C, page 57**). This could realize annual savings of \$100-200k or more, with the additional benefit of allowing the institution to take full advantage of our academic strengths and provide collaborative opportunities for new and innovative academic possibilities and collaborations for our students, faculty and staff.
- The Academic Program Review process will also take a deeper dive into the financial production of programs, coupled with instructional expense and other benefits to the institution (**see Appendix F, page 131**).
- The institution has been able to reduce its reliance on adjunct faculty, reducing the annual budget from \$1.9M to \$1.6M over last two years to the budgeted \$1.2M for FY'18. The result has been an increase in the percentage of instruction by full-time faculty to over 66% (information provided by SU Institutional Research, **see Appendix G, page 204**).
- Elimination of several executive positions: Vice President for Advancement and Vice President for Administration.

New Initiatives to Enhance the Student Experience, Advance Shepherd's Reputation and Create New Sources of Revenue (See Appendix F, pages 99-143)

- Enhanced Student Lodging with the Opening of Potomac Place Residence Hall (<http://www.shepherd.edu/potomac-place>).
- Offering of market driven degree programs like the undergraduate and graduate degrees in data analytics (<http://www.shepherd.edu/data-analytics-home/>, <http://www.shepherd.edu/dais/master-of-science-in-data-analytics-and-information-systems>) and a new undergraduate program in contemporary theater studies (<http://www.shepherd.edu/art>)
- A new commuter lounge utilizing furniture from the reduction in space at the Martinsburg Center, along with a new commuter parking lot.
- Hosting of Conferences such as the WV Research and Innovation Event in partnership with Research!America (<http://www.shepherd.edu/research-america>) and the Humanities Symposium (<http://www.shepherd.edu/humanities>).
- Increased Opportunities in LifeLong Learning

(<http://www.shepherd.edu/lifelonglearning>) and the President's Lecture Series (<http://www.shepherd.edu/president/presidents-lecture-series>)

- The Center for Regional Innovation and the Potomac Applied Business Council (<http://www.shepherd.edu/applied-business-council-meets-to-discuss-student-internships/>)
- Tabler Farm Project moving Veterans to job training programs in entrepreneurship and sustainability.
- Directors of new programs: Strategic Research Initiatives, Vets-to-Ag Program (<http://www.shepherd.edu/academic-affairs/academic-initiatives>), and Academic Community Outreach (<http://www.shepherd.edu/academic-outreach>).
- Planning stages for an outdoor performance venue.
- Focus on targeted campaigns through the SU Foundation (Student Athletic Performance Center, All-Steinway Campaign, and a new comprehensive campaign to celebrate Shepherd's 150th anniversary (**See Appendix, F, page 176**).

SUMMARY

As noted in its 2016 Assurance Argument, Shepherd University strives to effectively and efficiently utilize its resources, facilities, and processes to fulfill the institutional mission, and to continuously improve the quality of the academic experience of its diverse student population and the community it serves.

Recent challenges in enrollment and finances have refocused the institution on creatively frugal ways to manage its existing financial resources, while simultaneously working to develop new campus-based and external revenues. This will enable the institution to address current and future challenges and opportunities. The institution is examining the productivity of programs in new and deeper ways to better understand instructional costs, as well as the flow and sources of revenue and expenses.

Transparent communication to university stakeholders allows all members of the campus community to be invested in the Shepherd's current and future financial stability and strategic vision of becoming a premier liberal arts institution.

Appendix A: Campus Communications

Email from President Hendrix

From: employees-owner@mail.shepherd.edu [mailto:employees-owner@mail.shepherd.edu]

On Behalf Of President **Sent:** Wednesday, March 09, 2016 9:20 AM **Subject:** [Employees]

Sharing Good News and Appreciation

Dear Campus Community:

We did it! Shepherd University just successfully finished two weeks of back-to-back site visits: a dual accreditation visit from the Commission on Collegiate Nursing Education (CCNE) and the West Virginia Board of Examiners for Registered Professional Nurses (WVBOERN) and the overall institution's site visit as part of the Higher Learning Commissions' Pathways accreditation process.

CCNE and WVBOERN concluded their visit last week with a public session that outlined their continuing approval of our program in Nursing Education. They praised the leadership of the program, the dedication of the faculty, the thorough curriculum, and the high-level of student engagement. They reported being envious of our first-rate facilities and were particularly impressed by the high regard in which Shepherd University is held by our regional partners in the health care community. A special thanks to our entire nursing department—faculty and staff—who prepared and hosted a very successful visit while also contributing to the Higher Learning Commission (HLC) site visit this week.

Over the last few days, the HLC team of five peer reviewers met with students, faculty, staff, community members and administration, and, at each opportunity, the dialogue was reflective and meaningful. The team was unanimous in its opinion that the people at Shepherd are passionate about what they do and are committed to the institution.

The site team responded very positively to the campus climate, noting that it was “one of the friendliest campuses they had visited.” Questions from the team were answered patiently and candidly from an informed point of view. The team was also very complimentary of Shepherd's “well-written and organized” assurance argument that made their job much easier in evaluating how Shepherd demonstrated its compliance with the criteria for accreditation. Many thanks to everyone on the steering committee for your oversight and to all those who contributed information for this document. I want to express particular appreciation to Dr. Scott Beard who coordinated the preparation of the assurance argument, the construction of the website, and all the details of the visit.

The team chair, Dr. Dolly, noted “it is rare that we find institutions that truly live their mission, and that is the case with Shepherd. Your core values show up in everything you do.” In spite of a challenging financial environment, one complicated by state budget cuts and some enrollment declines, Shepherd has continued to lay the groundwork for new initiatives, indicating a bright future lies before us.

Thank you for all you do here at Shepherd, and congratulations on the excellent work in these

important peer review processes.

Mary J.C. Hendrix
President

Shepherd University
president@shepherd.edu
www.shepherd.edu

Excellence Innovation Opportunity: Training the Next Generation

SHEPHERD UNIVERSITY
BOARD OF GOVERNORS MEETING
4:15 p.m.
September 27, 2017
Shepherdstown, WV

AGENDA

Regular Session

Lower Level Multipurpose Room
Robert C. Byrd Center for Congressional History and Education

- | | |
|---|---|
| 1. Call to Order | Chair Marcia Brand |
| 2. Public Comments | |
| 3. Oath of Office – New Members | Chair Brand |
| 4. Presentation – The New Shepherd Website | Mr. Tim Haines, Director of Marketing and Digital Strategy |
| 5. Adoption of the Minutes from June 22, 2017 Board Meeting | Chair Brand |
| 6. Adoption of the Minutes from August 31, 2017 Executive Committee Meeting | Chair Brand |
| 7. President’s Report | President Hendrix |
| 8. Discussion of Monthly Reports and Revenue Generating Initiatives | President Hendrix and All Board Members |
| 9. Report of the Academic Programs and Development Committee | Ms. Tia McMillan |
| a. Accreditation Update and Summary 2016-2017 | |
| b. Concentration in Information Technology (IT) | |
| c. Concentration in Management Information Systems (MIS) | |
| 10. Report of the Enrollment, Student and Community Affairs Committee | Mr. Chad Robinson |
| a. Enrollment Update | |
| b. Tuition and Fee Waiver Report: FY2017 | |
| 11. Report of the Finance and Facilities Committee | Mr. Eric Lewis |
| a. Quarterly Financial Report: 4 th Quarter FY2017 | |
| b. FY2018 Budget Revision | |
| 12. Amendment of Policy 9: Classified Employees | Mr. Alan Perdue, General Counsel |
| 13. Amendment of Policy 36: Classified Staff Reduction in Force | Mr. Perdue |
| 14. Metro Scholarship Rate Presentation | Mr. Bill Sommers |
| 15. Provost Search Update | President Hendrix |
| 16. Audit Committee Election | Chair Brand |
| 17. New Business | Chair Brand |

Executive Session

1. Executive Session – Discussion of Possible Honorary Award / Legacy Naming

Adjournment

Provided to the Shepherd University Board of Governors at its meeting on September 27, 2017.
The BoG agenda packet for that day is posted online here: <http://www.shepherd.edu/wordpress-1/wp-content/uploads/2017/09/0-Sept17-BoG-pkt-Electronic.pdf>

Accreditation Update and Summary, 2016-2017

HIGHER LEARNING COMMISSION (HLC)

Shepherd had several ongoing actions approved by the HLC during the 2016-2017 academic year:

- **March 2017:** An interim report on the assignment of credit hours and common student learning outcomes across instructional delivery models and sections was submitted in relation to federal compliance standards. From the HLC, “The evidence presented by Shepherd University in its interim report demonstrates that the institution has responded positively to concerns expressed in the HLC 2016 Team Report...no further actions required.”
- **April 2017:** A substantive change application and supporting documentation was submitted in relation to a new graduate program: Master of Science, Data Analytics and Information Systems. From the HLC Panel Reviewers, “It is evident from the application responses and the evidence provided that SU has thoughtfully, and sufficiently addressed the key areas (planning, capacity, service & support assessment) in a manner that reflects good practice in higher education for similar institutions offering similar programs. More importantly, it appears that the institution embraces a continuous improvement orientation. “ Implementation of the new program will begin in January 2018.
- **UPCOMING--Due 10/31/17:** Shepherd will submit an interim report updating enrollment data and institutional finances. This report will be completed by Dr. Beard, VPEM Bill Somers and VPAF Tony Major.

As a note regarding the HLC, Shepherds regional accrediting body, Shepherd University (SU) hosted a team of peer reviewers March 7-8, 2016. All criteria for accreditation were met, and the institution will undergo a site visit during the 2021-2022 academic year for its comprehensive (10-year) accreditation

Commission on Collegiate Nursing Education (CCNE)

The Department of Nursing Education underwent a site visit for initial accreditation of the Doctor of Nursing Practice (DNP) program on September 7-9, 2016. All four standards were met, with no areas for follow up. The doctoral program, along with the undergraduate nursing program is fully accredited. The DNP will be evaluated again in 2021, and both programs will cycle through together in 2026. Additionally, an annual report is also submitted by the nursing program to the West Virginia Board of Examiners for Registered Professional Nurses.

Council on Accreditation of Parks, Recreation, Tourism and Related Professions (COAPRT)

This program received initial accreditation in October 2016, covering degree offerings in Recreation Studies. The next site visit for continuing accreditation will take place in 2021.

Council for the Accreditation of Educator Preparation (CAEP)

This fall will present the first cycle of accreditation with CAEP. The state has signed an agreement for all teacher preparation programs in the state to be covered by this new body. A self-study report and evidence files were submitted in March 2017, and a Formative Feedback Report (FFR) was received in July 2017. A response to the FFR, in preparation for the site visit, will be submitted by mid-September. The site visit will take place November 5-7, 2017. The self-study and evidence files are also posted online here: www.shepherd.edu/caep

International Assembly for Collegiate Business Education (IACBE)

Both the undergraduate and graduate business programs are accredited through IACBE, with annual reports submitted in October. The next site visit will occur in 2020.

National Association of Schools of Music (NASM)

Full continuing accreditation following several additional reports was achieved in December 2016, covering both the Bachelor of Music Education and the newer Bachelor of Music Performance degrees. An annual report is also submitted for this accrediting body. The next site visit for continuing accreditation will take place in the 2024-2025 academic year.

National Association of Schools of Art and Design (NASAD)

This program received initial accreditation in October 2015, covering the Bachelor of Fine Arts (B.F.A.) and the Bachelor of Arts (B.A.) in Art Education. An annual report is also submitted for this accrediting body. The next site visit will take place in the 2020-2021 academic year.

Council on Social Work Education (CSWE)

A site visit for continuing accreditation will take place in fall 2019, with re-affirmation expected in spring 2020. Preparations have begun for addressing the required elements of the self-study document and evidence files to be submitted electronically.

Biology and Chemistry

An application for initial accreditation was sent to the American Society for Biochemistry and Molecular Biology (ASBMB) in fall 2014, and they have continued to request follow-up information. We are awaiting a decision from their actions board. Additionally, there have

been initial meetings regarding pursuing accreditation through the American Chemistry Society (ACS).

SHEPHERD UNIVERSITY

**BOARD OF GOVERNORS MEETING 4:15 p.m.
September 27, 2016 Shepherdstown, WV**

AGENDA

Regular Session
Lower Level Multipurpose Room
Robert C. Byrd Center for Congressional History and Education

1. Call to Order
2. Public Comments
3. Oath of Office – New Members
4. Adoption of the Minutes from June 2, 2016 Board Meeting
5. Adoption of the Minutes from August 25, 2016 Special Board Meeting
6. President's Report
7. Quarterly Financial Report: FY2016
8. Tuition and Fee Waiver Report: FY2016
9. Approval of Medical Facility Project
10. Additional Authorization for Refinancing of Bonds
- 11. Institutional Accreditations Update 2015-2016**
12. Intent to Plan for Bachelor of Science, Engineering Science
13. Adjustment of Administrative Organization – University Communications
14. Naming of the New West Campus Residence Hall Facility
15. Metro Scholarship Rate Presentation

Provided to the Shepherd University Board of Governors at its meeting on September 27, 2016.
The BoG agenda packet for that day is posted online here: <http://www.shepherd.edu/wordpress-1/wp-content/uploads/2016/09/0-Sept16-BoG-pkt-Electronic-v9-23-16.pdf>

Institutional Accreditation Update-2015-2016

HIGHER LEARNING COMMISSION (HLC)

Shepherd University (SU) hosted a team of peer reviewers March 7-8, 2016. The summary of the team report (as shared in the April 2016 Board of Governors (BoG) agenda book) contained many positive points of pride in relation to our students, faculty, staff, the community we serve and the institutional BoG.

The team was especially impressed with the ability of faculty, staff and students to “live” the institutions mission and core values—learning, engaging, integrity, accessibility and community. “Every artifact of evidence indicates that the mission and core values permeate all facets of SU’s operations and richly inform the sensibilities of SU’s students, staff, faculty, and administration.”

Despite significant cuts in state funding, the institution has continued to sustain its place in the region and deliver high-quality programs while controlling costs and identifying innovative strategies to enhance recruitment and retention. The dedication and spirit of the faculty, staff and students and the recent hire of the 16th President, Dr. Mary J.C. Hendrix, makes Shepherd well positioned to improve its philanthropy and external partnerships.

The institution will submit two interim reports before its continuing accreditation visit in spring of 2022:

- Due 3/31/17: Interim report on assignment of credit hours and common student learning outcomes across instructional delivery models and sections (federal compliance).
- Due 10/31/17: Update on enrollment and institutional finances, specifically noting the four financial ratios reported to HLC: Primary Reserve, Net Operating Revenue, Viability, and Return on Net Assets.

Commission on Collegiate Nursing Education (CCNE)

The Department of Nursing Education recently underwent a site visit for the initial accreditation of the Doctor of Nursing Practice (DNP) program on September 7-9, 2016. While the outcome will be voted upon by the CCNE actions council, the team report noted that all standards and key elements were met with no concerns or follow-up required.

The undergraduate program was also evaluated by the CCNE during a site visit February 29-March 2, 2016, with the same outstanding result. Congratulations to the Director, Dr. Sharon Mailey, the nursing faculty and students.

West Virginia Board of Examiners for Registered Professional Nurses (WVBOERN)

The WVBOERN also conducted their site visit at the same time as the CCNE. All requirements were met, with a brief follow-up report requested clarifying administrative reporting structure and faculty evaluations. Dr. Mailey will present this report formally to the WVBOERN in October.

Council on Accreditation of Parks, Recreation, Tourism and Related Professions (COAPRT)

Following a site visit in March 2014 and the receipt of the site visit report, the Health, Physical Education and Recreation Science (HPERS) department prepared a response document in the summer of 2014 and received full accreditation in October 2014. The next site visit will take place in 2021.

Council for the Accreditation of Educator Preparation (CAEP)

Along with the annual reporting elements for this accrediting body, the department has been participating in continuing education in relation to the new standards associated with CAEP. The department is currently accredited by the previous iteration, National Council for Accreditation of Teacher Education (NCATE). The department will have a site visit by CAEP during the 2017-2018 academic year. As West Virginia is a “CAEP” state, requirements for CAEP have worked their way into state policy, such as the information regarding preparation of teacher education candidates in Policy 5100.

International Assembly for Collegiate Business Education (IACBE)

Both the undergraduate and graduate business programs are accredited through IACBE, with annual reports submitted in October of each year addressing enrollment and assessment. The next site visit will occur in 2020.

National Association of Schools of Music (NASM)

A three-day site visit was conducted in February 2015. The report of the visiting team was received in June 2015, with the Department of Music submitting a response to the actions board by October 2015. The October 2015 response was received, and commended the program and the institution on careful attention to many of the items in the visitor’s report and the status of the string program. They granted another year of deferral (not unusual for this organization) for an additional response in October addressing the following issues:

- Financial support;
- Release time for the director;
- Acoustical treatment of spaces;
- Curricular revisions surrounding the B.A. degree.

National Association of Schools of Art and Design (NASAD)

Following a site visit in 2014, the department has worked on submitting a response to NASAD regarding library holdings, credit hours for studio classes and staffing. The report was sent to NASAD in the spring 2015. In October 2015, the NASAD actions council voted to accept the response and granted membership/accreditation to Shepherd's programs, the Bachelor of Fine Arts (B.F.A.) and the Bachelor of Arts (B.A.) in Art Education. The next site visit will take place in the 2020-2021 academic year.

Biology and Chemistry

Dean Nolan is working with faculty in biology and chemistry to pursue our first accreditations in the sciences. An application for initial accreditation was sent to the American Society for Biochemistry and Molecular Biology (ASBMB) in fall 2014, and they have requested a follow-up report, which was submitted in October 2015. Additionally, there have been initial meetings regarding pursuing accreditation through the American Chemistry Society (ACS).

To: Employees List Serve

Date: October 18, 2017

Dear Colleagues,

I appreciate the guidance of the Board of Governors as we work to resolve Shepherd's budget challenges. I genuinely believe that we are moving in the right direction and that our future will be strong. We all recognize that as we make progress, the depth of the current problem produces several challenges. One of these is reflected by Moody's rating, which provides the assessment of our institutional bond rating. Last year our rating was adjusted from A2 to A3. Moody's has completed a new annual review of Shepherd's financial position this week and has issued a downgrade, from A3 to Baa1. This unfortunate news is consistent with our understanding of what is happening across the State and the country as colleges face enrollment and revenue losses.

The coverage on our total institutional debt remains strong, and Moody's has acknowledged that we have established a plan for improvement. While the downgrade is disappointing, it has no immediate impact on Shepherd as we are not planning to refinance nor acquire any new debt, and our current institutional debt is at fixed low interest rates.

The Moody's rating levels for bonds are structured as: Aaa, Aa1, Aa2, Aa3, A1, A2, A3, Baa1, Baa2, Baa3, and then followed by varying grades below that -- which are not generally accepted as investment grade. The HEPC and WVU are rated at Aa3. West Virginia State and Concord are rated at Baa2, and Glenville's rating this year dropped below investment grade.

Shepherd's new leaders have inherited these challenges, and we have a viable plan for sustainability and success. With the strong commitment of our leadership team and entire campus, we will be able to demonstrate a better outlook for Shepherd when the next review is completed.

Respectfully,
Mary

Mary J.C. Hendrix
President

To: Faculty List Serve
From: Provost's Office
September 27, 2017
Re: Academic Re-structuring Taskforce and Financial Information

Colleagues:

Thank you for your time, thoughtful questions and participation in Monday's all-faculty meeting. It was encouraging to have over 100 faculty in attendance. Below please find followup and clarification regarding two points of discussion that emerged from our time together:

ACADEMIC RE-STRUCTURING TASKFORCE MEMBERSHIP:

After further discussion and additional feedback from many of you, we will revise the membership of the Academic Re-structuring Taskforce to include representation from the following:

- A representative from all departments.
- A representative from graduate studies, library, CTL, and faculty senate.
- Ginny Haddock, our Academic Affairs Budget Officer, will join the committee to provide relevant budget information and to represent classified employees.
- All faculty will have additional opportunities for input and feedback through their departmental representative and open forums for discussion.
- The Taskforce will develop several models for consideration by campus stakeholders.
- The other taskforces (Faculty Workload and Boyer Scholarship Model) will follow the membership structure I outlined in the all-faculty meeting.
- Deans and Department chairs have received a list of those who have signed up thus far and will work with chairs and departments to select the appropriate representatives as needed.

As a note, we'll ask that the department or unit representative be sent to Amy Speck (aspect@shepherd.edu) in the Provost's Office no later than Friday, October 6th.

FINANCIAL INFORMATION:

We'd also like to take this opportunity to provide further clarification regarding Shepherd's finances as administrative and academic units work collaboratively to take steps toward strengthening our future:

- With the current audit process underway, and with the steps taken in FY '17, we will end up in a better position than expected in terms of days of cash on hand. The industry standard is that institutions -- as a minimum -- should have a 90-day cash reserve. This means that an institution can operate for 90 days with absolutely no funds flowing in from tuition, grants, philanthropy and the state. It is noteworthy that several of the public higher education institutions in WV do not have this amount of reserve cash. We have exceeded 90 days cash on hand in FY'17 and plan to approximate the 90-day target in FY'18. As an institution we have taken steps in budgeting for FY'19 that will continue to shore up these reserves allowing us to

exceed this target in FY'19, FY'20, FY'21 and FY'22.

- As an institution we are working collectively across all units to address the necessary cuts (approximately \$3M) that are needed to align expenditures and revenue. This is also combined with efforts to support new revenue generating opportunities.
- As noted in the slides from the fall assembly and the all-faculty meeting, these steps include review of vacancy positions, administrative travel, energy savings, targeted recruiting, outsourcing of services, as well as potential savings through continued adjustments to the academic and administrative organizational structure.

Additionally, the quarterly financial report is also in the BoG agenda book found here: <http://www.shepherd.edu/wordpress-1/wp-content/uploads/2017/09/0-Sept17-BoG-pkt-Electronic.pdf>. (See Agenda item 11). Many thanks to Vice President for Administration and Finance, Mr. Tony Major, in providing this information.

Thank you for being a part of the process!

Sincerely,

Dr. Scott Beard, Acting Provost
EXCELLENCE • INNOVATION • OPPORTUNITY
Academic Affairs: 304-876-5176

ALL FACULTY MEETING (Reminder sent on 9/25/17 at 9:13 a.m.)

Colleagues,

In preparation for the all faculty meeting on Monday, September 25th at 4:10 in the Erma Ora Byrd Auditorium (room 117), please note the following resources:

- Information for the All-Faculty Meeting on 9.25.17 may be found [here \(click on link\)](#).
- Link to taskforce signup and to offer comments: <http://www.shepherd.edu/taskforce/>
- There will also be a one-page summary handout as a takeaway.

AGENDA

Welcome and Charge from President Hendrix
Presentation of Material by Academic Affairs
Next Steps
Q & A

College Meetings: For your convenience, we have also reserved rooms from 3:00-4:00 in EOB for individual colleges to meet prior to the all-faculty meeting. The room assignments are below. *Please check with your College Dean to confirm that you are meeting.*

Room 102 –Education and Professional Studies
Room 103 – Natural Sciences and Mathematics
Room 106 – Social and Behavioral Sciences
Room 109 – Arts and Humanities
Room 111 – Business

I look forward to seeing you later today.

Sincerely,

Dr. Scott Beard, Acting Provost
EXCELLENCE • INNOVATION • OPPORTUNITY
Academic Affairs: 304-876-5176

From: Provost's Office
Date: July 2017
NEW INITIATIVES:

Colleagues,

In support of Shepherd's emerging research profile, Academic Affairs, in cooperation with the Office of the President, proudly announces the development of two exciting initiatives:

- As Shepherd develops and implements new partnerships with external research-oriented entities that match the interests of our students and faculty with the opportunities and needs of that partner, *Dr. Jason Best* will act as the liaison with those partners as Shepherd's Director of Strategic Research Initiatives. Jason will also work collaboratively with faculty and deans to introduce, develop and implement new strategic research initiatives at the undergraduate and graduate levels. Jason is also the director of Shepherd's Institutional Review Board (IRB).

- Shepherd's reputation as an institution dedicated to success with veterans has led to the development of a Vet-to-Ag program utilizing greenhouse space on east campus, as well as limited activity at Shepherd's Tabler Farm property. Directed by *Dr. Clarissa Mathews*, the Tabler Farm property is an ideal location for a veteran retraining program. Overarching goals of the program include:

- Training a new generation of farmers and agricultural entrepreneurs;

- Strengthening rural communities in West Virginia and promoting sustainable food systems in the region;

- Providing veterans with new skills, expertise, and a university certificate or degree enabling them to re-launch in the workforce or start a small business.

- Initial funding for director stipends was provided by the *President's Club* and project start-up costs were provided by the *Shepherd Success Fund* with a matching challenge.

Lastly, the academic affairs web page (www.shepherd.edu/academic-affairs) has been reorganized with new resources for faculty, a great video slideshow on the homepage developed by our own Nancy Cowherd, and, as new programs develop, updates will be posted on the Academic Initiatives page.

Sincerely,
Scott

Dr. Scott Beard, Acting Provost
EXCELLENCE • INNOVATION • OPPORTUNITY
Academic Affairs: 304-876-5176
Cell: 240-285-8455
www.shepherd.edu/academic-affairs

To: Employee List Serve
Sent by the President on August 23, 2017

I would like to take this opportunity to welcome each of you to the 2018 academic year - - with the hope that you enjoyed your summer and are excited about starting a new semester. It has been an extremely busy time at Shepherd, and I am proud to share several highlights below with you:

Celebrating the FY2018 Academic Year: All employees will receive free parking on campus and one free meal (loaded onto every Shepherd Rambler card) that can be redeemed at any campus retail location. Please stay tuned for additional details regarding your dining options from Jack Shaw.

Positive Campus Changes: Thanks to the extraordinary talent of Sonya Evanisko and her art students, the Underpass now has a most beautiful scenic mural. Another noteworthy advancement is the creation of C-Lot, the new parking lot east of Ram Stadium where the Sara Cree Athletic Building was raised. This lot offers 92 spaces designated for commuter student parking during business hours and available for general parking after hours. Lastly, a lounge for commuters has been established in room 203 of Stutzman-Slonaker Hall in the area that previously housed the Early Learning Center.

Streamlining Administration: In recognition of our financial challenges, we continue to eliminate administrative positions through attrition whenever possible, including the positions of VP for Development, VP for Administration, and Dean of the Library. The myriad duties associated with these respective positions have been reassigned.

Select New Initiatives in Progress: There are many new projects in the pipeline at Shepherd that you will learn more about in the Fall, but I am excited to share a preview with you:

- Tabler Farm is undergoing development to support a Vets-to-Ag program, funded by the U.S.D.A. and philanthropy, and directed by Dr. Clarissa Mathews.
- A Lactation Center is being established on the first floor of Stutzman-Slonaker Hall.
- Rental of the Popodicon property has increased dramatically to include weddings, Jefferson County Historical Society, Potomac Pedalers Touring Club - - to name a few.
- The Scarborough Library will be creating a Community Reading Room on the main level.
- On October 16, Shepherd University in partnership with Research!America will host a WV Research and Innovation Event featuring Senators Capito and Manchin.
- The lower level of the Dining Hall is undergoing remodeling to accommodate an Applied Business Laboratory, as part of a public-private partnership.
- Saving the best for last, "Cooking After Hours with Dow Benedict and Friends" will offer our students, campus and community the opportunity to learn culinary secrets from the Masters of Cooking – please contact Dow to learn more!

Thank you for being part of Shepherd. Together, we can address our challenges and maybe have a little fun along the way.

With best wishes and great expectations,
Mary J.C. Hendrix

Mary J.C. Hendrix
President

From: President

[EMPLOYEES] Current Status of Shepherd University's Budget Challenges

Wednesday, March 08, 2017 2:14:46 PM

Dear Colleagues:

As we complete the mid-point of the spring semester and the conclusion of my first year as Shepherd's President, I believe it is important to provide some updates to the entire campus regarding the financial condition of the University and our vision for the future.

I have spoken with faculty and staff during the past several months about working to make this year one of maximizing efficiencies. The importance of that focus grows stronger as we continue to see financial challenges here in West Virginia. Shepherd receives almost \$2 million less in State support than was the case in FY13, and the State has additionally offloaded to Shepherd's expense steep increases in what we have to pay for the employee health plans and for insurance coverage [more than half a million dollars].

Last winter and throughout the past year, we have been working with our area Legislators to place more emphasis and bring more visibility to the unfairness of the relative funding levels of West Virginia's baccalaureate degree institutions. Shepherd has been funded at a lower level than any other school, and it would take \$1.5 million more per year simply to catch us up to the next lowest funded institution. We have strong support among our local Legislators, and once the State budget situation stabilizes I believe we will be well positioned to begin to achieve some funding equity for our campus.

In the immediate future, Shepherd University faces some difficult budget challenges which are manageable, but which will require some difficult decisions and help from every employee. These challenges rise from the combination of the dramatic cuts in State support and the

significant downturn in enrollments during the past four years (almost all of West Virginia's public baccalaureates, as well as throughout our region, have experienced comparable declining enrollments). The lower enrollments result in lower tuition revenue and also lower auxiliary revenues from housing, dining and other purchases. Our revenue shortfalls are diminishing cash reserve levels which had been considered healthy four years ago. A year ago, I inherited the challenges associated with several years of declining enrollment, and had hoped that we could change course quickly, to grow our way out of our budget challenges. However, it has become clear, in the last three months, that some significant efforts to reduce expenses will also be required.

I am committed to transparent processes. Ultimately, major initiatives to reduce expenses will be reviewed with the Budget Advisory Council – a group who welcomes your input. The Executive Leadership Team has begun a review of operational expenses for possible reductions, as well as a parallel assessment by a small Financial Working Group of administrators who are strategizing possible expenditure reductions and possible revenue enhancements, all of which will be submitted to the Budget Committee for review.

I directed a curtailment of all Shepherd-supported administrative travel other than for emergencies and critical institutional need on December 1. Last week all of the members of the Executive Leadership Team agreed to implement broader curtailments of any non-essential spending, for the balance of the year. We have also suspended several capital facilities initiatives as a means of reducing total cash expenditures.

March and April will become a concentrated period of planning and consultations across the campus as we work to eliminate more than \$1 million from our current FY17 expenses. We will be committed to strategic efforts, so that we avoid damaging the University and the quality of the student experience, but we must also be open-minded in assessing our options.

I would greatly appreciate your support and contributions as we proceed with the budget process. Specific areas we are addressing for closing FY17 and moving forward are as follows:

Savings in utilities and energy consumption. Our aggregate annual utilities expense exceeds \$3 million. We have implemented modestly reduced heating levels in administrative and instructional buildings, and we are putting increased efforts into eliminating unnecessary lighting by increasing motion-controlled lighting and directing staff to be more attentive to unnecessary use of lighting when rooms are not in use. We will also assess the viability and usefulness of a possible four-day work-week during the summer, in which staff would work three 9.5-hour days and one 9-hour day for each 37.5-hour workweek – as a way to reduce utility usage.

We are restricting new hiring and new recruitment to only critical and essential positions. We have already worked to cancel several faculty and staff position searches, which will have to continue for the indefinite future. Combined with vacancies which already had gone unfilled during the current academic year, we will achieve savings approaching \$500,000. We hope to save at least \$700,000 in position expenses in FY18.

We are continuing a process of converting contracted services in facilities management into internal employees. Although we are increasing modestly the number of trades workers in Facilities, we will achieve net savings of about \$30,000 in FY17 and those savings will grow in FY18 to \$160,000.

As requested by the Classified Employees Council (CEC), we have developed a draft employee furlough plan. We will be sharing the draft with the CEC and the Faculty Senate, but my conclusion is that a furlough plan should only be used to address a financial crisis that is immediate and specific to the current fiscal year. While our budget condition is serious, I believe we have better options for reducing expenses while keeping the University on a path of growth. Therefore, those discussions about the draft will only be in the context of a hypothetical future calamity, not as part of a plan for implementation at a foreseeable time.

The restriction on administrative travel should result in savings of at least \$40,000 in FY17, and we anticipate continuing that restriction in FY18.

We have tabled some capital expenditures which were slated for the current year, and we expect total cash savings from this to approach \$240,000.

The Executive Leadership Team is looking at budgets that each has direct management of -- to assess our own opportunities to achieve additional FY17 savings. As we continue discussions across the campus for savings opportunities, we will begin the process of achieving these savings inside our own discretionary budgets.

We are working on all of these initiatives while carefully monitoring the status of the State's budget processes in the Legislature. If further measures become necessary due to further cuts in appropriations, we will continue to discuss the issues with all of you as we work to navigate Shepherd's future together.

With deep appreciation for your collective efforts,

Mary J.C. Hendrix President

From: Christopher Ames, Provost

Sent: May 24, 2017

Subject: Early Learning Center at Shepherd University

Importance: High

Dear Campus Community,

Shepherd University has made the difficult decision to close its program for pre-school children. The program has a history of serving the community that spans more than half a century, so this is not a decision we take lightly.

The decision is a financial one and reflects the effects of more than five consecutive years of reductions in our state appropriations and other external financial pressures. Like state universities nationwide, we are increasingly reliant on tuition to fund our operation. The program costs the University more than \$3,200 per student annually, only a fraction of which is covered by the tuition (\$640). As an institution, we are facing a variety of painful decisions as we adapt to changing circumstances. Under these circumstances, we cannot continue a program that costs Shepherd nearly \$90,000 per year beyond the revenue it generates, when support from State appropriations has diminished so much.

I'd like to offer my thanks to the staff of the Early Learning Center; the students, faculty and staff of the Department of Education; and the dedicated parents who have made the program a success through multiple generations.

Sincerely,

Christopher Ames Provost

From: President

Date: January 17, 2017 2:40 p.m.

Dear Colleagues:

As our Spring 2017 semester proceeds in its second week, please accept this note as my sincere expression of appreciation for the great work that is done across the campus, in classrooms and laboratories and offices, as we all work together to make this a successful experience for our students. January is always a very important time for the University. The winter break sees our students return to their homes, and our hope is to keep retention from fall to spring as high as possible. Every helpful moment that our faculty and staff gives to a student contributes to their positive experience and enhances the prospect of their return in the following semester. I hear about some of those special connections which students experience, almost every day. As we begin the new year, below is an update regarding some of Shepherd's critical programs, as well as select new initiatives, for your consideration:

- Our Enrollment Management division has worked to create a special visual presentation of the University. This exciting new video is presented on the Admissions Office website: <http://www.shepherd.edu/admissions>. Please take 100 seconds to watch the video, and then share it with others as you deem appropriate. I start every morning with this video, which inspires me the rest of the day.

- This year will have a special focus on maximizing efficiencies as we work to provide our services while striving to keep college affordable! As we continue to help guide the Legislature to provide more support for Shepherd from the State, we know it is important to also help ourselves by being the best stewards possible of the resources that are made available to us. Some of our important initiatives toward this effort include the following:

1. For years, the University has over-relied on the use of the State Purchasing Cards (credit cards) for every form of transaction that is eligible for such cards. However, the use of the Purchasing Card has become very "high- maintenance" for the card-holders, and the fees that are associated with use of the card are often an unnecessary drain against our budget. The Finance Office has

worked this fall to eliminate this fiscal and personnel expense from our internal transactions: For example, internal purchases of supplies and catering, among others, should now be done via budget transfers. For greater details on the new procedures, please see the campus-wide email from Debra Langford distributed on December 5th.

2. The Procurement Office will also be working this year to expand the efficiencies which our office staff can gain in the procurement of routine supplies such as paper, pens, notebooks, etc. We will also engage academic and administrative departments in assessment of the large number of photocopier machines and desktop printers, with the hope of exploring financial efficiencies that can also add to personal productivity and work efficiency for our faculty and staff.
3. The WV Governor granted the final approval required for Shepherd to proceed with the refinancing of its 2005 Series and 2007 Series Bonds. The lower, fixed interest rate will allow the University to reduce its annual debt service by more than \$220,000 per year. We can roll that savings into some of our needed facilities and capital equipment improvements, rather than having to spend tuition revenue for such matters.
4. The Executive Leadership Team has agreed to restrain discretionary administrative travel to achieve some one-time savings in the current fiscal year. Among other examples, we are asking the WV HEPC for telephonic and skype participation in as many meetings as is viable, to avoid mileage and hotel expenses.
5. One of the new revenue generating initiatives will be establishing Shepherd University as a Testing Center for the administration of several national tests, including ACT, SAT and ETS.

Efficiency initiatives remain extremely important for Shepherd this year. The lower enrollment and lower State appropriations of the past four years have created significant financial constraints. The Annual Budget approved by the Board of Governors last spring was built on a projection of an *incremental increase* in total revenue for the year, based upon enrollment

parallel to FY'16. However, our fall enrollment was lower than anticipated, resulting in lower tuition and residence hall revenues; the State also rescinded our appropriation by almost \$200,000 on January 1, 2017. Our initiatives toward efficiencies will reduce some of the erosion in the University's budget position, but we must continue to strive to minimize our cash losses for the year and build toward a financially stable FY'18. Our current spring student enrollment is at 3,200 students, and we need to significantly improve this number to maintain a healthy financial bottom line.

- With the conclusion of the add-drop week, I am excited to share some encouraging information on our progress in turning the corner on our enrollment challenges. Now, the preliminary enrollment information shows proportional improvements in retention of enrolled students, from fall 2016 to spring 2017, over prior years. Our spring enrollment of continuing students from the fall improved by more than five percentage points from last year and from our historical pattern. We are also seeing continuing growth in the number of transfer students, which confirms that the efforts of faculty and staff to enhance our relationships with the region's community colleges are producing positive results.

- We have had some outstanding meetings with area legislators as they prepare for the next Legislative Session in Charleston. We are encouraged by their recognition that Shepherd needs improved funding and more flexibility to manage its affairs in a way that will benefit our students and our employees. Some of the most important leaders of the Legislature live and work directly in our service area in the Eastern Panhandle. Their support for us is gratifying and encouraging.

- As I have met with our Board members and with members of the Legislature during the past few weeks, I have also directly emphasized that the faculty and staff at Shepherd have been working extremely hard and producing record numbers of graduates, while receiving very modest levels of salary increases during the past eight years. I am very disappointed that I have not been able to address a campus-wide salary increase, due to the depth of the budget challenges. However, we are committed to making the progress that will be necessary to allow Shepherd to dedicate at least \$450,000 in the FY'18 budget toward a minimum of at least a 2% salary increase. As we make solid progress in new initiatives and in rebuilding the enrollment levels lost for several years, it is vitally important for each of you to know that

you are an essential component of the successes of our students. The University remains committed to making this a cherished place for you to work. I appreciate all that you do to advance Excellence, Innovation, and Opportunity at Shepherd University, as we train the next generation together.

With deep appreciation for your collective efforts,

Mary J.C. Hendrix President

Appendix B: Sample Minutes of Stakeholder Meetings

Executive Leadership Action Items
Tuesday, July 25, 17

| | Agenda Item | Responsibility | Status | Due Date |
|----|--------------------|-----------------------|--|-----------------|
| 1 | BoG & ELT Retreat | Beard | Talk about faculty restructuring, show PowerPoint slide of possibility, financial models and plan of reducing during 11:15 a.m. - noon session | 8/8/17 |
| 2 | BoG & ELT Retreat | Beard | Compare number of majors with faculty salaries and programs | 8/8/17 |
| 3 | BoG & ELT Retreat | Major | Pull together a pie chart for Mary to review showing budget (how much comes from grants/contract/philanthropy/tuition/state, etc.) | ASAP |
| 4 | BoG & ELT Retreat | Vigil | Look at all ELT slides | ASAP |
| 5 | BoG & ELT Retreat | Vigil | Provide a high-level focused recap during 1-2 p.m. session | 8/8/17 |
| 6 | BoG & ELT Retreat | Perdue/Vigil | Cover email from Marcia re: CATF monies | ASAP |
| 7 | BoG & ELT Retreat | Vigil | CATF monies - High-level expense items | ASAP |
| 8 | BoG & ELT Retreat | Beard | CATF monies - Look at Jenny's pull from Banner | ASAP |
| 9 | BoG & ELT Retreat | ELT | Bring all PowerPoint presentations to the meeting on August 8. | 8/8/17 |
| 10 | State Audit | Hendrix/Magee | Mary will speak with Betsy DeVos the end of next week. Need bullet points and solution - will work with Ed Magee | ASAP |
| 11 | State Audit | Major/Sommers | Meet with Joyce Cabral about how we proceed | ASAP |

Tuesday, September 26, 17

| | Agenda Item | Responsibility | Status | Due Date |
|---|-------------------------------------|-----------------------|---|-----------------|
| 1 | BoG Mtg - 9/27/17 | Sommers | Create three slides to show objective, results and moving forward. | 9/27/17 |
| 2 | BoG Mtg - 9/27/17 | Winbush | Create spreadsheet showing what towns Shepherd athletes come from. | 9/27/17 |
| 3 | FT Custodian in Student Center | Segar/Vigil | ELT approved important hire. | ASAP |
| 4 | FY2017 4th Quarter Financial Report | Sholley | Send to the BoG along with the new agenda page that lists the executive session. | 9/26/17 |
| 5 | BoG Cash flow Statement | Major | Share with the finance committee | 9/27/17 |
| 6 | Football Signage | Winbush/Univ Comm | Create signage from King St. and Underpass directing people to the pavilion, Caters Corner, tickets and entrance | ASAP |
| 7 | Residence Hall Experience | Segar | Work with a group of students and talk about living in the older residence halls and how we can improve their experience. | ASAP |

**Executive Leadership Action Items
Tuesday, October 3, 17**

| | Agenda Item | Responsibility | Status | Due Date |
|---|-----------------------|-----------------------|---|-----------------|
| 1 | Testing Center Update | Beard | Work with ETS to see what proxy we need to have. | 10/3/17 |
| 2 | Testing Center Update | Beard | Check with IT to see if the Foundation software would work. | ASAP |
| 3 | Testing Center Update | Beard | See what the commission is for ETS testing. | ASAP |
| 4 | Interim BoG Reports | ELT | Provide Sonya with information for the month of October by Friday, October 27 | 10/27/17 |
| 5 | Interim BoG Reports | Sholley | Send ELT the blank word document to complete. | 10/6/17 |

| | | | | |
|----|---|------------------------------------|--|---------|
| 6 | AAC&U President's Trust Membership | Sholley | Scan and email to Monica. | 10/6/17 |
| 7 | Summer Classes | Beard | See if we can consolidate summer classes into one building. | ASAP |
| 8 | Evening Classes | Beard | Target in EOB or White Hall | ASAP |
| 9 | October 16th Senatorial Event at Shepherd | Owens | Talk to Tim about Storer Ballroom livestreaming | ASAP |
| 10 | October 16th Lunch at Shepherd | Frye | Confirm lunch with Michelle and Chief McAvoy | ASAP |
| 11 | November 4 Football Game | Frye | Confirm VA Veterans will attend the game | ASAP |
| 12 | Commencement Policy | Beard/Segar | Work on an email and send to students this week. | 10/6/17 |
| 13 | Transcripts | Sommers | Find out if transcripts for Shepherd College are now printed as Shepherd University | ASAP |
| 14 | Graduate Survey | Beard | Follow up with CTL about graduate survey | ASAP |
| 15 | Naming Policy | Beard, Lingenfelter & Perdue | Work on naming policy to be discussed at the 12/14 BoG Mtg | ASAP |
| 16 | Naming Policy | Beard | Solicit Deans Council for ideas | ASAP |
| 17 | RFP Process | Major | ELT should be made aware prior to posting | |
| 18 | Financial Update to Campus | Major | Modify and send to ELT for comment | 10/5/17 |
| 19 | Sabbaticals | Beard | Ask Deans how many people are contemplating sabbaticals and figure out financial implication | ASAP |
| 20 | Sabbaticals | Beard | When meeting with Deans find out what cost savings would be if we postpone for one year. | 10/4/17 |
| 21 | Adjunct Use | Beard | Tell Bill if he should reach out to Shippensburg for adjunct model. | ASAP |

CLASSIFIED EMPLOYEES COUNCIL MINUTES • March 20, 2017

Other sample minutes are available here: <http://www.shepherd.edu/cec/cec-minutes>

Cumberland Room – Student Center

Chair Brian Hammond called the meeting to order at 9:00 a.m.

Present: Sharon Carpenter, Melody Gillespie, Brian Hammond, Karen James, Ramona Kissel, Diane Shewbridge, Peg Swisher, Marian Willauer

Absent: Nancy Cowherd, Ken Harbaugh, Ann Hoover
Guests: Jayne Angle; Marie DeWalt, Director of Human Resources; Ginny Haddock; Tony Major, VP for

Finance It was MSP to approve the February 2017 minutes. Brian introduced Mr. Tony Major, VP for Finance.

- Mr. Major reported that the budget committee is working on several budget scenarios based on budget reductions of 5%, 10% and 17% as cuts are an unknown at this time. This is not as bad as it seems as our State funding is only 16% presently.
- Enrollment is a challenge; 250 students did not return from Spring 2016 to Fall 2016 and another 50 students transferred to other schools.
- Cash reserves are at a good level for now and for FY 18, but Shepherd will need to come up with savings, efficiencies, and additional revenue streams beyond FY18.
- Board of Governors requests 2.2% tuition increase with a modest decrease in housing fees requested from Student Affairs.
- Furlough's and Reduction in Force plans have been discussed but Mr. Major is not in favor of such actions. The net savings (\$50,000 to \$100,000 per day) would be small in comparison to what might be saved energy wise vs. lost by closing areas of the campus that may generate income.
- Interest rates nationally are going up. Enrollment increases when the economy tanks and decreases when the economy improves.
- Shepherd University Foundation may have slight increases on investments going forward.

- 2% pay increases are still on the table, but no promises can be made at this time.

- The Board of Governors meeting on June 22, 2017, will be presented with the proposed budget for FY 18. Hopefully the approved budget will be presented at the Spring Assembly.

- Sara Cree demolition is being funded through an interest free loan from HEPC. The town of Shepherdstown is going to gravel the lot and maybe even donate money to pave the lot when Sara Cree is leveled.

- Administration has looked at Martinsburg Center to assess net loss and feasibility of keeping it going. The feeling is that there is more to gain by keeping it going as far as building community relations and possibly renting space for meetings. Martinsburg Center is breaking even but is not as profitable as was hoped in the pro forma.

REPORTS ACCE (Advisory Council of Classified Employees): Brian Hammond for Ken Harbaugh House Bill 2542 was ramrodded through; Senate Bill 274 is presently sitting still but it is pretty much parallel to HB 2542. IT classified personnel become non-classified on July 1st. Seniority/bumping rights are to be eliminated.

Board of Governors: Ramona Kissel

Board of Governors met on February 23, 2017. Link to the minutes of that meeting can be found online at <http://www.shepherd.edu/wordpress-1/wp-content/uploads/2017/04/February-23-2017.pdf>. Mona had a handout with highlights also. Some highlights:

- The Free School on Princess Street will soon house the Shepherdstown Visitor's Center currently located in the Entler Hotel building. Shepherd will receive fair market value in rent for the Freeschool property.

- The Vet Center will open in Gardiner Hall. There will be a ribbon cutting at 6:45pm on April 11th followed by a lecture at 7:30 in the E.O.B. Auditorium.

- Dual Enrollment of high school students in Jefferson County schools as well as homeschoolers is underway. Berkeley County and Blue Ridge CTC are soon to be incorporated into this program. Students can

take select Shepherd courses for credit while still in high school.

- The next Board of Governors meeting will be on April 22nd. Brian Hammond will present the annual Classified Employees report at this meeting. Staff Development: Marian Willauer Marian had a handout showing expenditures and budget status as of March 20, 2017. Total disbursements to date was \$6,112.45 with a remaining balance of \$6,136.55 to carry us to the end of the FY. No report

Legislative: No report.

Special Events: The Classified Employee spring luncheon is scheduled for April 28. It will be held in the lower level of the dining hall. The price will be \$7.50.

Safety/B & G: Brian Hammond

Committee met on March 13, 2017. Brian stressed the importance of completing Incident Reports (non- injury) when situations in need of attention are observed that could be a safety concern if not addressed. An Accident Report is completed when personal injury is involved. These forms are available on the H.R. Faculty/Staff website.

<http://www.shepherd.edu/wordpress-1/wp-content/uploads/2015/06/AccidentIncidentReport.pdf>.

Improvements to signature & distribution areas of report was raised (Jayne Angle) – HR vs Dustin Robbins, Campus Environmental Safety Coordinator. Suggestion was made to have Dustin come to one of our Classified Council meetings to talk about “Safety Pays” training, reporting hazards, etc. A suggestion was made for the 4-way stop at Rt. 480 and High Street (Miller Hall Corner) that a pedestrian walk light be installed, not a traffic light. Could this keep students from monopolizing the traffic flow when they just walk on across the street single file? Doubtful. Organized campus safety walks have been scheduled to address lighting issues on both campuses. Groups will meet in the evenings to walk campus routes and identify lighting deficiencies. Contact Don Rohel if you would like to participate. Construction updates – get from Brian. The next meeting is scheduled for June 1st at 2:30 in the IT Conference Room in Ikenberry.

Unfinished Business: Update on the request to name Anna Marie Walsh as an

Emeritus Classified Staff. There is to be a meeting scheduled at the end of the week with President Hendrix and Alan Perdue.

New Business: Recommendations from the Council for Emeritus status was M/S/P for Kenneth Harbaugh and Nancy Snyder.

The next regular Classified Employees Council meeting is scheduled for 9 AM on Monday, April 4, 2017.

Meeting adjourned: MSP 11:25 a.m. Respectively Submitted, Diane Shewbridge, Secretary Pro Tem 3/20/17

Deans' Council Meeting

July 5, 2017
9:00 a.m.-10:50 a.m.
Scarborough Library, Room 309

Guests: Jason Best (Director of Strategic Initiatives); Bill Sommers (VPEM)
Scott Beard, Elvira Allison, Dow Benedict, David Gansz, Ginny Haddock, Virginia Hicks, Stacey Kendig, Ann Legreid, Sharon Mailey, Ben Martz, Laura Renninger, Richard Stevens, Bob Warburton, Amy Speck

Attendees: Warburton, Amy Speck



Please read: Attachments

Please bring: All relevant documents, including agenda. Copies will be available at the meeting

Agenda Items

| Topic | Presenter | Time allotted |
|--------------------------------------|-----------------|---------------|
| ✓ Academic Affairs Updates/Reminders | Scott Beard | 10 minutes |
| ✓ Area updates | Council Members | 15 minutes |
| ✓ Enrollment Update | Bill Sommers | 5 minutes |
| ✓ Research Initiatives Update | Jason Best | 10 minutes |

| | | |
|---|---------------|------------|
| ✓ *Vacancies and Searches for FY'18-Budget update | Beard/Haddock | 5 minutes |
| ✓ *Budget | Members | 45 minutes |
| *Budget handouts to come in a separate email. | | |

Deans' Council Meeting

August 16, 2017
10:00 am-12:00 pm
Scarborough Library, Room 309

- Guests:** President Mary Hendrix, Ms. Sara Maene • Director of Institutional Research
Elvira Allison, Scott Beard, Dow Benedict, David Gansz, Ginny Haddock, Virginia Hicks, Stacey Kendig, Ann Legreid, Sharon Mailey, Ben Martz, Laura Renninger, Richard Stevens, Bob Warburton, Amy Speck
- Attendees:** _____
- Please read:** Attachments
- Please bring:** All relevant documents, including agenda. Copies will be available at the meeting

Agenda Items



| Topic | Presenter | Time allotted |
|--|-------------------|---------------|
| ✓ Academic Affairs Updates/Reminders | Scott Beard | 5 minutes |
| ✓ Institutional Organizational Updates | President Hendrix | 15 minutes |
| ✓ HEPC Facilities Usage Request | Sara Maene | 10 minutes |
| ✓ Area updates | Council Members | 15 minutes |
| ✓ Position Request Template | Beard/Council | 10-15 minutes |
| ✓ Other | | |

Deans' Council Meeting

September 27, 2017
 10:30 a.m.-12:00 p.m.
 Scarborough Library, Room 309

Guests:

Elvira Allison, Scott Beard, Dow Benedict, Ginny Haddock, Virginia Hicks, Stacey Kendig, Ann Legreid, , Sharon Mailey, Ben Martz, Laura Renninger, Richard Stevens, Bob Warburton, Amy Speck

Attendees:

Speck

Please read:

Taskforce membership

Please bring:

All relevant documents, including agenda. Copies will be available at the meeting

Agenda Items



| Topic | Presenter | Time allotted |
|--------------------------------------|-----------------|---------------|
| ✓ PPA process (from HEPC meeting) | Beard/Members | 10 minutes |
| ✓ Follow-up from All-Faculty Meeting | Council Members | 5 minutes |
| ✓ Representation on the Taskforce(s) | Attachment | 5minutes |
| ✓ Deans to ELT/Committee Membership | Beard/Members | 5-10 minutes |
| ✓ Other | Council Members | As needed |

Reminders: Taskforce membership; Writer-in-Residence Events, NCI Internship meeting.

Deans' Council

Meeting Agenda

October 18, 2017

10:00 a.m.-12:00 p.m.

WV Room, Scarborough Library

Guests:

Elvira Allison, Scott Beard, Dow Benedict, Ginny Haddock, Virginia Hicks, Stacey Kendig, Ann Legreid, , Sharon Mailey, Ben Martz, Laura Renninger, Richard Stevens, Bob Warburton, Amy Speck

Attendees:

Please read:

Attachments—position descriptions

Please bring:

All relevant documents, including agenda. Copies will be available at the meeting

Agenda Items



| Topic | Presenter | Time allotted |
|---|---------------------------|---------------|
| ✓ Updates | Council Members | 5-10 minutes |
| ✓ Update on Academic Community Outreach | Ass't. Provost Hicks | 5 minutes |
| ✓ Update on Executive Staff Visit | Dr. Warburton | 10 minutes |
| ✓ Advisement Feedback | Dr. Warburton | 10 minutes |
| ✓ Position requests: ECON, POLI SCI, SNSM | Martz, Legreid, Warburton | 20 minutes |
| ✓ OTHER/ANNOUNCEMENTS | Council Members | |

Department Chair/Deans' Council

Meeting Agenda

September 20, 2017

12:00 -1:00 p.m.

Cumberland Room, Student Center

| | |
|----------------------|--|
| Guests: | <u>N/A</u> |
| Attendees: | <u>Provost, Deans, Department Chairs, AA Administrative Assistant</u> |
| Please read: | <u>Attachments : PPA document, position request template, WV Rocks proposal</u> |
| Please bring: | <u>All relevant documents, including agenda. Copies will be available at the meeting</u> |

Agenda Items



| Topic | Presenter | Time allotted |
|--|---------------------------|----------------------|
| ✓ Welcome/Introductions at 12:10 | | |
| ✓ Updates from Academic Affairs Web | Provost | 10 minutes |
| ✓ PPA approval process (from HEPC meeting) | Provost | 5 minutes |
| ✓ Requesting staff and faculty positions | Provost & Council Members | 5 minutes |
| ✓ Spring 2018 Schedule | Council Members | 5minutes |
| ✓ Academic Restructuring Process | Provost & Council Members | 20 minutes |
| ✓ All-Faculty Meeting Preview | Provost & Council Members | 10 minutes |
| ✓ OTHER/ANNOUNCEMENTS | Council Members | |

Department Chair/Deans' Council

Meeting Agenda

October 18, 2017

12:00 -1:00 p.m.

Cumberland Room, Student Center

Guests: Dr. Jason Best

Attendees: Provost, Deans, Department Chairs, AA Administrative Assistant

Please read: Attachments : IRB information; Link to

Please bring: All relevant documents, including agenda. Copies will be available at the meeting

Agenda Items



| Topic | Presenter | Time allotted |
|--|---------------------------|---------------|
| ✓ Welcome/Updates at 12:10 | Provost & Council Members | 5 minutes |
| ✓ Update on Academic Community Outreach | Ass't. Provost Hicks | 5 minutes |
| ✓ IRB Overview & Federal Policy Updates | Dr. Jason Best | 15 minutes |
| ✓ Communications with Admin. Assistants | Provost & Ms. Speck | 15 minutes |
| ✓ Academic Restructuring Taskforce-updates | Provost & Council Members | 20 minutes |
| ✓ OTHER/ANNOUNCEMENTS | Council Members | |

Other Information

Appendix C: Academic Restructuring Taskforce Information

Academic Restructuring Taskforce

MEMBERSHIP:

| Last Name | First Name | Dept./Position | College |
|-----------------|------------|-------------------|------------------|
| Ellzey | Betty | ENG/ML* | A&H |
| Mathews | Clarissa | IEPS* | CNSM |
| Clayton | Laura | NURS-grad. Coord. | COEPS/graduate |
| Place | Greg | HPERS | COEPS |
| Slocum-Schaffer | Stephanie | PSCI | CSBS |
| Daily | Larry | PSYC* | CSBS |
| Kaineg | Kristen | CAT | A&H |
| Sandy | Julia | HIST | A&H |
| Wing | David | BIOL* | CNSM |
| McKahan | Jason | MASS COM-Chair | A&H |
| Tudor | Rob | MUSIC | A&H |
| Hamood | Roger | ACCT* | COB |
| Scales | Cinda | BADM | COB |
| Reid | Kathy | ECON/FIN* | COB |
| Allison | Elvira | EDUC | COEPS |
| Cole | Jacqui | CHEM | CNSM |
| Mirdamadhi | Reza | CME* | CNSM |
| Corpus | Kathy | FACS* | CSBS |
| Green | Karen | SWK | CSBS |
| Howard-Bostic | Quita | SOCI/GEO | CSBS |
| Stevens | Richard | Graduate Studies | GRADUATE STUDIES |
| Donaldson | Rhonda | Library | Senate rep. |
| Ricketts | Michelle | AAC | CTL rep. |
| Donaldson | Rhonda | Library | Library rep. |
| Legreid | Ann | DEAN-CSBS | Deans' rep. |

Initial Meeting Agenda

- **Formal Charge to the Council:** Our current budget challenges and long-range financial sustainability, coupled with the charge from the institutional Board of Governors is the catalyst for this discussion. **“RESOLVED FURTHER,** That the Shepherd University Board of Governors directs the President to implement steps to complete a comprehensive review, in appropriate consultation with faculty and staff, of the academic and administrative structures of the University to improve efficiencies and effectiveness in the operations and management of the University, and to bring recommendations to the Board not later than **May 1, 2018.** “

- **Overarching goal and definition:** Academic restructuring involves the realignment of colleges, programs, departments, and schools. The goal of academic restructuring is to find the configuration of academic programs that positions the university to meet the academic needs of its students, to provide opportunities for its faculty, and create ways of enhancing the academic quality of the institution and its financial health.
- **Why are we restructuring our academic units?:** In addition to the reasons listed above, we know that the landscape of higher education is constantly changes. An adjusted structure will allow us to take full advantage of our academic strengths and provide collaborative opportunities for new and innovative academic possibilities that will prepare our students for careers and their role as model global citizens.
- **Process and Timeline**
 - **Framing of Questions and work on potential models** (this meeting and next—October and early Nov)
 - **Comparative research** (Is what we have sufficient, or do we need to do more?)
 - **Discussion with constituencies** (ongoing)
 - **Formation of recommendations** (beginning of spring semester)
 - **Vetting of recommendations** (spring semester)
 - **Presentation to President and at Spring Assembly** (April 2018)
 - **Presentation to the BoG** (by May meeting)
 -
- **Function of Academic Structure**
 - **Administrative units: departments, schools, colleges, divisions [taxonomy]**
 - **Faculty governance and representation**
 - **Highlighting of specialized programs; fundraising and external relations**
 - **Institutional character and emphasis (liberal arts, comprehensive, professional program)**
 -
- **Framing of Questions for Future Discussion**
 - Now that we have made adjustments to the academic structure, what other professional departments might be candidates for specialized schools? Why?
 - How do these structures communicate the relationship between pre-professional and liberal arts education?
 - Restructuring should not be perceived as punitive. How do we ensure that is not the case in this process? How can we frame this positively?
 - Would a new academic organizational structure help inform strategic priorities, potential funding, and also master plan initiatives?

Findings from initial research conducted in 2014-2015:

- **Research on Comparable Institutions (see resources on SAKAI)**
 - Divisional Structure akin to SU's quite common.
 - Business School as separate school with dean quite common.
 - Education School as separate school with dean quite common.
 - Variety of academic structures, although some trends such as a College of Arts and Sciences, emerge (see notes on HEPC/MGT peers in resources).

- **Questions/Topics for Discussions with Constituencies**
 - Why are schools for professional programs a popular model? What are the advantages?
 - What would be lost and gained by combining some existing colleges and/or departments?
 - What are the implications of structural changes for governance?
 - What are the implications of structural changes for relative emphasis on liberal arts vs. professional schools?
 - Deans vs. Directors? What's the difference? How would directors report? (e.g., a director could be essentially a chair who sits on deans' council and reports to Provost, or director could report to a college dean)

- **Models to Propose and Evaluate**
 - Based on research and using the template and exercises as a committee, work to develop models with a proforma financial model attached.

At a Glance: Best Practices in Academic Restructuring (see Resources on Sakai)

- Invite stakeholder participation through proposals, open forums, committees, etc.
- Develop strategies for communicating goals and intentions to the wider community, and build in an adequate period for consultation and feedback.
- Invest in leadership development to ensure that administrators at all levels are capable of effectively contributing to and managing a restructuring transition.
- Commit to transparency, including by posting all relevant strategy and process documents on the university website.
- Develop an interdisciplinary agenda that draws from existing, emerging innovations and supplements existing disciplinary strengths, without threatening the latter.
- Provide clear and timely information about staff restructuring and avoid staff redundancy whenever possible.
- Take care to explain how and when restructuring will not significantly impact the lives staff members and students, and work closely to assist those in the minority who will be significantly affected.
- In redesigning curriculum, consider the national and international portability of any new credentials systems.

COPLAC Institutions—Academic Structures

Eastern Connecticut State: (

Three academic divisions:

- School of Education and Professional Studies (Business, Communications, Economics, Education, Health and PE)
- Graduate Division
- School of Arts and Sciences *Note: also a School of Continuing Studies

Fort Lewis College:

Three academic divisions:

- School of Business Administration
- School of Arts and Sciences (combined in 2013)
- Department of Teacher Education (Director)

Georgia College

Four academic divisions:

- College of Arts and Sciences
- College of Business (Management, Acct, Econ, Computer Science)
- College of Education (includes grad programs)
- College of Health Sciences (essentially Nursing + HPERS + Masters programs)

Henderson State College

Four academic divisions: (

- College of Arts and Sciences
- College of Business
- Graduate
- Teachers College

Keene State College

Three academic divisions:

- Professional and Graduate Studies (includes Nursing, Education, Architecture, Athletic Training)
- Sciences and Social Sciences (includes Management)
- Arts and Humanities

Massachusetts College of Liberal Arts

No academic divisions. VPAA and Dean of Academic Affairs (two positions) under 1800 students (Business Administration department and major; MBA program)

Midwestern State University

Six academic divisions and Graduate School, each with a dean (6 of the 7 “named”)

- Health Sciences and Human Services
- Science and Mathematics
- College of Business Administration
- College of Education
- Graduate School
- College of Humanities and Social Sciences

- College of Fine Arts

Ramapo College

Five academic divisions (with deans), graduate programs (each with a director)

- Humanities and Global Studies
- Business
- Contemporary Arts
- Social Science and Human Services
- Theoretical and Applied Sciences

Sonoma State University

Five divisions:

- Arts and Humanities
- Business and Economics
- Education
- Extended and International Education
- Science and Technology
- Social Sciences

Southern Oregon University

Five divisions:

- Business, Communication and the Environment (different on org chart from web)
- Education, Health and Leadership
- Humanities and Culture
- Science, Technology, Engineering, and Mathematics
- Social Sciences

Southern Utah University

Eight divisions (AACSB):

- Education and Human Development
- Humanities and Social Science
- Performing and Visual Arts
- Science and Engineering
- Business
- Continuing and Professional Studies
- Graduate Studies
- University College

St. Mary's College

VPAA and Academic Departments (no business program; education at MAT only)

SUNY Geneseo

Provost, Dean of Academics, Academic Departments plus

- School of Business (AACSB)
- School of Education

Evergreen State College

Provost and team of deans from faculty (no divisions or majors)

“Evergreen’s academic structure is unique and especially designed to model the college values in collaboration and shared governance. We are all members of the faculty and we rotate into the deans positions from teaching for fixed three or four year terms. Instead of representing academic divisions, we are each responsible for specific administrative functions within our academics as a whole and we work as a team to support faculty and students.”

UVa Wise

Provost and Academic Departments (Natural Sciences and Social Sciences are departments)

Truman State University

Five academic divisions: (AACSB)

- School of Arts and Letters
- School of Business
- School of Health Sciences and Education
- School of Science and Mathematics
- School of Social and Cultural Studies

University of Alberta (Augustana)

Four academic departments (divisions)

- Fine Arts
- Social Science
- Science
- Humanities

University of Illinois, Springfield

Four academic divisions:

- Business
- Education and Human Services
- Liberal Arts and Sciences
- Public Affairs and Administration

University of Maine, Farmington

Provost and academic departments

University of Mary Washington

Three academic divisions:

- Business
- Education
- Arts and Sciences

University of Minnesota, Morris

Four academic divisions:

- Education
- Humanities

- Science and Mathematics
- Social Sciences

University of Montevallo

Four academic divisions:

- Arts and Sciences
- Business
- Education
- Fine Arts

University of North Carolina, Asheville

Three academic divisions:

- Humanities
- Social Sciences
- Natural Sciences

University of Science and Arts of Oklahoma

Four academic divisions:

- Arts and Humanities
- Social Sciences and Business
- Science and Physical Education
- Education and Speech-Language Pathology

University of South Carolina, Aiken

Five academic divisions: (AACSB)

- College of Humanities and Social Sciences
- College of Natural Sciences
- School of Business
- School of Education
- School of Nursing

(colleges have “coordinators”; schools have “deans”)

University of Wisconsin, Superior

Provost – Dean of Faculties – 12 combined departments with chairs (e.g., Business and Economics [includes Business, Acct, Econ, and Transportation and Logistics]; Natural Sciences; Social Inquiry [History, Sociology, Political Science])

MGT Peers—Academic Structures

California State University Monterey Bay:

- Enrollment—6,500

Six colleges

- Arts, Humanities and Social Sciences
- Business
- Education
- Extended Education (includes BSN Nursing, MBA, Lifelong Learning, Wildlands Study)
- Health Science and Human Services (includes BS and BN in Nursing!?? And Social Work)
- Science, Media Arts and Technology (includes computer science and communications)

Each college has a dean + staff (budget, support, coordinator specialists)

Departments with chairs.

Eastern Oregon University:

- Enrollment—4,157

Eleven separate entities—two colleges, one school, 8 programs.

Has a provost, associate provost + staff, deans and associate deans.

Hard to really figure out their academic structure.

One of their entities is Arts and Letters which includes art, music, theater, communication, science, math, technology, social sciences, and language—the kitchen sink.

Fort Lewis College: COPLAC

- Enrollment—3,789 or 4,028 depending on what web page I look

- Two schools

- Arts and Science
- Business Administration

Department of Education with a Director no chairs

In A&S, a dean + associate deans (2) + departments with chairs (17) or directors (10)

In Business Administration, a dean + an associate dean. No chairs

Indiana University—East

- Enrollment—4,500

Seven schools

- Business, Econ
- Education
- Humanities and Social Sciences
- Natural Science and Math
- Nursing
- Continuing Studies
- Social Work

Deans

Department chairs

Langston University

- Enrollment—2,840

- Three schools
- Arts and Science

- Business
 - Education and Behavioral Science
- Deans
Department chairs, Programs with directors

Lewis—Clark State College

- Enrollment—4,304
- Eight Divisions
- Business
 - Education and Kinesiology
 - Humanities
 - Natural Science and Math
 - Nursing and Health Science
 - Social Science
 - Technical and Industrial
 - Business Technology and Service
- Three deans
Departments with chairs, directors

Longwood University

- Enrollment—4,834
- Four Colleges
- Arts and Science
 - Business and Econ
 - Education and Human Services
 - Graduate and Professional Studies
- Deans, assistant deans (2)
Departments (30) with chairs

Mississippi Valley State University

- Enrollment —2,279
- Six Colleges
- A & S
 - Education
 - Professional Studies
 - Graduate Studies
 - University College
 - Continuing Ed
- Deans + assistant deans
Departments with chairs

Shawnee State University

- Enrollment—4,255
- Three Colleges
- A&S with five departments
 - Professional Studies with six departments
 - University College with two departments
- Deans

Departments with chair

Southeastern Oklahoma State University

- Enrollment—3,440

Four schools

- A&S, Business
- Education and Behavioral Science
- Graduate

VPAA + Associate + four staff

Sixteen departments with chairs and directors

No deans

SUNY College at Old Westbury

- Enrollment—4,158

Three schools

- A&S
- Business
- Education

Deans + Associate and Assistant deans

Sixteen departments with chairs

University of Hawaii at Hilo

- Enrollment—3,457

Six colleges

- Agriculture and Natural Resources
- A&S
- Business and Economics
- Language
- Continuing Ed and Community Service
- Pharmacy

Three Programs

- Graduate
- Research
- Distance Learning

Deans

Departments with chairs (30)

University of Maine at Farmington

- Enrollment—1,901

No schools

All departments

Provost

University of Mary Washington

- Enrollment—4,383

Three colleges

- A&S
- Business

- Education
- Provost + Associate Provost + Assistant Provost (2)
Deans + assistant Deans
Department chairs

University of Maryland—Eastern Shore

- Enrollment—4,509
- Five Schools
- Arts and the Professions
 - Business and Technology
 - Pharmacy and Health Professions
 - Agriculture and Natural Science
 - Graduate
- Provost + Associate VPAA
Deans
Departments with chairs (18)

University of North Carolina at Asheville

- Enrollment—3,736
- Three schools
- Humanities
 - Social Science
 - Natural Science
- Provost + associate provost + assistant provost
Deans (3)
Departments/programs with chairs/directors (37)

University of South Carolina—Aiken

- Enrollment—3,175
- Two colleges
- Science
 - Humanities and Social Science
- Three schools
- Business administration
 - Education
 - Nursing
- Executive Vice Chancellor + associate VC + assistant VC
Colleges have coordinators
Schools have deans
Departments with chairs (11)
Programs with directors (2)

Western State College of Colorado

- Enrollment—2,192
- One school
- Business
- VPAA
Dean + associate dean

Departments with chairs (9)

Eastern Connecticut State University

- Enrollment—4,179

Three schools

- A&S
- Education and Professional Studies + Graduate Division
- Continuing Education

Provost

Deans for each school

Departments with Chairs (19)

Director for Graduate Studies

Georgia College

- Enrollment—5,729

Four Colleges

- A&S
- Business
- Education
- Health Science

One School

- Nursing

Provost + associate provost + staff (5)

Deans for each schools

A&S also has an associate dean

Departments with chairs

Henderson State University

- Enrollment—3,199

Two Colleges—both named

- A&S
- Education

One School

- Business

Provost

Both colleges have deans + department chairs and directors

School of Business has dean + associate dean but no chairs or directors

Notes on COPLAC and HEPC Peers

HEPC Peers (23); COPLAC (27); 7 institutions in common; 43 total institutions (not counting SU)

| | |
|---|----|
| # with a school or college of business | 24 |
| # with no schools or divisions (just departments) | 7 |
| # with a school of education | 24 |
| # with a school of nursing or health | 8 |
| # with a school or college of Arts and Sciences | 15 |

All AACSB institutions have a separate business unit headed by a dean; some non-AACSB institutions do as well.

Academic structures vary a good deal, but there are certain patterns. Of the 43 institutions, 7 of the smaller ones have a Chief Academic Officer overseeing academic departments with chairs (with no intermediate divisional structure). That is the “small liberal arts” model.

Of the remaining 36, 24 have business as a separate school or college and 24 have education (a few of those include some health or human services professions as well).

Eight institutions have a school of nursing. However, nursing is not offered at every university.

Only one institution has music as a separate school.

Fifteen colleges combine all the traditional liberal arts departments into a school or college of Arts and Sciences. Generally, this becomes the largest school and the dean is likely supported by an associate dean or deans.

Academic Affairs Faculty/Staff Position Request

Department:

School/College:

Type of position: (faculty or staff); (FT OR PT); (tenure-track or other)

Position Number: (list new if a new position)

Source of Funding (add coding):

Special Conditions (retention of line; retirement, accreditation requirement, etc.)

I. Background: Give history and background of the scope of the current or proposed position noting how it relates to the institutional and unit strategic plan. This should also include mission, goals, vision and relationship to other programs on campus such as graduate studies.

II. Program production: Enrollment, retention and graduation rates, recruitment efforts, etc.

III. Service courses provided to the core curriculum and/or to other majors:

IV. Cost per SCH and FTE productivity of the department (available from Finance and Institutional Research).

V. Special features of the program or specialized credentials required by the position.

VI. Career Trajectory: Types of employment, economic forecast statistics, etc.

VII. Justification narrative: You can cite trends demonstrated in the other categories, as well as potential for growth, positive revenue streams, timeline, etc.

Appendix D: Enrollment Information

Five-year headcount projections

| Headcount by Segment | Fall Census 2016 Actual | Fall Census 2017 Estimate | Fall Census 2018 Target | Fall Census 2019 Target | Fall Census 2020 Target |
|----------------------------------|------------------------------------|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Continuing UG | 2,117 | 1,966 | 1,980 | 1,990 | 2,000 |
| | | | | | |
| New FTIC | 564 | 580 | 580 | 590 | 600 |
| New Transfer | 362 | 350 | 350 | 360 | 360 |
| Re-admit | 51 | 50 | 50 | 50 | 50 |
| | | | | | |
| New and Continuing G | 157 | 170 | 180 | 185 | 190 |
| Degree Seeking Enrollment | 3,241 | 3,116 | 3,140 | 3,175 | 3,200 |
| | | | | | |
| Non-degree UG and G | 595 | 400 | 400 | 400 | 450 |
| University Enrollment | 3,836 | 3,516 | 3,540 | 3,575 | 3,650 |

Targets based on multiple sources: • Shepherd University Institutional Research • WICHE, Knocking at the College Door 2016 • Maryland, Virginia, and Pennsylvania, Department of Education, high school enrollment reports • WVHEPC 2016 Report Card

Retention of Freshman Cohorts (Full-time, First-time-in-college)

Students Seeking Baccalaureate Degrees

| Semester | Freshman Cohort | Percent of the Cohort Retained or Graduated after | | | | | | Percent Graduated within | | | | |
|----------|-----------------|---|-------|-------|-------|-------|-------|--------------------------|------|-------|-------|-------|
| | | 1 yr | 2 yr | 3 yr | 4 yr | 5 yr | 6 yr | 2 yr | 3 yr | 4 yr | 5 yr | 6 yr |
| Fall '11 | 783 | 63.3% | 51.7% | 47.3% | 46.1% | 44.1% | 44.6% | 0.0% | 0.9% | 24.6% | 38.7% | 42.0% |
| Fall '12 | 747 | 68.4% | 57.6% | 53.0% | 50.5% | 49.9% | | 0.1% | 1.9% | 30.0% | 45.0% | |
| Fall '13 | 676 | 68.2% | 57.7% | 53.4% | 49.6% | | | 0.0% | 1.6% | 29.4% | | |
| Fall '14 | 634 | 66.1% | 54.9% | 50.8% | | | | 0.3% | 2.5% | | | |
| Fall '15 | 631 | 59.9% | 50.9% | | | | | 0.2% | | | | |
| Fall '16 | 559 | 64.9% | | | | | | | | | | |
| Fall '17 | 590 | | | | | | | | | | | |

The freshman cohort for a year is the set of full-time, first-time-in-college freshmen entering in the fall of that year. A student is considered retained in the cohort if the student enrolled in the fall of the year in question. For example, a student who enrolls in the fall semester following the initial enrollment is said to have been retained after 1 yr even if the student withdrew before the end of the semester (HEPC and IPEDS method). The graduation percentages are cumulative. Note that students can return and will then be counted in the cohort again; suspended students would be an example. Data for the times referred to as after 1 yr, after 2 yr, etc. come from the fall enrollment data. Graduates are counted regardless of the degree received. Summer graduates are counted with the previous year's graduates per IPEDS guidelines.

Shepherd University Fall 2017 Census Snapshot (actual)

Fall 2017: FTE and Headcount by Degree

| Degree | Status | Credit Hours | FTE | Head Count | Credit HC |
|------------------------------|------------|-----------------|----------------|---------------|--------------|
| Baccalaureate | Full-Time | 39033.5 | 2602.23 | 2611 | |
| | Non-Credit | .0 | .00 | 2 | |
| | Part-Time | 2345.5 | 156.37 | 345 | |
| Baccalaureate Total | | 41379.0 | 2758.60 | 2958 | 2956 |
| Masters | Full-Time | 775.0 | 64.58 | 77 | |
| | Part-Time | 396.0 | 33.00 | 80 | |
| Masters Total | | 1171.0 | 97.58 | 157 | 157 |
| Doctors Prof Prac | Full-Time | 191.0 | 15.92 | 19 | |
| | Part-Time | 42.0 | 3.50 | 6 | |
| Doctors PP Total | | 233.0 | 19.42 | 25 | 25 |
| Non-Degree UG | Full-Time | 37.0 | 2.47 | 3 | |
| | Non-Credit | .0 | .00 | 51 | |
| | Part-Time | 1283.0 | 85.53 | 462 | |
| Non-Degree UG Total | | 1320.0 | 88.00 | 516 | 465 |
| Non-Degree Graduate | Part-Time | 465.0 | 38.75 | 133 | |
| Non-Degree Grad Total | | 465.0 | 38.75 | 133 | 133 |
| Grand Total Sum | | 44568.0 | 3002.35 | 3789 | 3736 |

2016-2017 Metro Scholarship Results

Applied Students The number of applied students from metro counties when compared to the prior year was slightly down (18 students). Allegany, Clarke, Fairfax, and Washington counties saw a slight increase in applications. Frederick (VA), Garrett, Loudoun, Montgomery, and Franklin (PA) saw slight decreases in application totals while Frederick, MD was even. The Metro Scholarship did not drive up the number of applied students as anticipated. Application numbers could increase by marketing earlier in the recruitment cycle and 2017-2018 being the second year. Approval for the scholarship was not realized until the end of September 2016.

Deposited Students Positive increase in student deposit and fewer deposit cancellations was realized in 2016-2017. The conversion of accepted students to deposited increase by 5.1% when compared to the prior year. The numbers of students who cancelled their enrollment deposit was also positively impacted with a decrease of 11.8% when compared to last year. These results show the additional \$4000 scholarship was valued and helped students and families reduce the financial commitment.

2017-2018 Metro Scholarship Expansion

This analysis used results from the 2016-2017 recruiting cycle and other data to serve as a means for identifying where to expand the scholarship program in 2017-2018. These data will help to inform leadership about which counties should be added to the Metro Scholarship program. There is a risk with expansion. Adding counties with an already high accept to deposit yield is potentially “giving away” tuition revenue Shepherd would have received without the scholarship. The baseline used in this analysis includes, counties with at least ~10 applications, accept to deposit yield of <30%, and the number of deposit cancellations.

Virginia Shepherd’s Position

Over three years, the average number of applied students from Virginia was 277.
Total applications this year is 218.

Admission Funnel conversions (all students)

o Application to Accept 70% o Accept to Deposit 30% o The deposit cancellation 22.9%

70.5% of all applied students for fall 2017 came from 4-counties (Fairfax, Frederick, Loudoun, and Prince William).

67.2% of all deposited students for fall 2017 came from the same four counties.

Recommendation Competition from Virginia's public and private colleges and universities will continue to intensify. Total enrollment at Virginia's state's public and private colleges and universities has declined 1.5% over last year and 3.4% from the peak in 2012-1013. The Metro Scholarship provides a financial incentive that students/parents are seeking when applying to out-of-state colleges and universities. Expansion to all counties in Virginia will give Shepherd University greater reach to increase the applicant pool and will help reduce the deposit cancellations.

Maryland Shepherd's Position

Over three years, the average number of applied students from Maryland was 576.

Total applications this year is 580.

Admission Funnel conversions o Application to Accept 64.3% o Accept to Deposit 38% o The deposit cancellation 7%

51% of all applied students for fall 2017 came from 7-counties counties (Ann Arundel, Baltimore/Baltimore County, Carroll, Frederick, Washington, Montgomery, and Prince George's).

71.8% of all deposited students for fall 2017 came from 4-counties (Frederick, Washington, Montgomery, and Prince George's).

Recommendation Maryland is more difficult to determine counties with the greatest potential and those with a history of high yield where we might be "giving away" tuition revenue to students who would enroll without the scholarship. There are 4-counties currently not included in the Metro Scholarship program with a high accept to deposit yield (30%-50% range). These counties include Baltimore, Baltimore County, Carroll, Cecil. All other counties have low application numbers, high yield, and show greater risk for not breaking even. Staying with the decision of adding Prince George's county for the 2017-2018 recruiting cycle is recommended. An assessment at the end of the recruiting cycle will be completed before moving on to 2018-2019.

Washington DC Shepherd's Position

- Over three years, the average number of applied students from Washington DC was 52. Total applications this year is 45.
- Admission Funnel conversions o ApplicationtoAccept44.4% o AccepttoDeposit25%
- 44% of all applicants are from Capital City Public Charter High School. The admission counselor did a high school visit/application day last fall. Recommendation The Washington DC market along with key counties in Maryland and Virginia will be our focus for the multicultural student recruitment initiative starting this year. Providing scholarships and aid will be a critical to the success when recruiting students. Students from DC are eligible to apply for the Tuition Assistant Grant (TAG), a \$10,000 grant to help offset out-of-state tuition rates. The TAG grant coupled with the Metro Scholarship just might be enough to make attending Shepherd financially attainable. Expanding the Metro Scholarship program to include Washington DC will help successfully launch the multicultural student recruitment initiative in 2017-2018.

Appendix E: Enrollment Reports to the SU Board of Governors 2016-present

Community Music Program

Shepherd's Department of Music Preparatory Division changed its name to Community Music at Shepherd (CMS). Dr. Rob Tudor, music department chair, said the name change better reflects the mission of the program. "The traditional name, Preparatory Program, might lead one to believe we educate only young people to prepare them for collegiate music study," Tudor said. "We chose Community Music at Shepherd to reflect the comprehensive music educational opportunities for pre-K to adult learners."

Enrollment Management

Office of the Registrar

Shepherd has partnered with the Scrip-Safe company and will utilize their Diplomas on-Demand system to print diplomas in-house. This move will create greater efficiency and accuracy for student diplomas.

The process for students who have stopped-out and who readmit to the RBA degree program, and petitioning to graduate has been streamlined. In conjunction with Financial Aid and Business Office, the summer term is currently being re-structured within Banner for greater efficiency for awarding students with financial aid and registration, billing, and payment.

Team River Runner (TRR)-Shepherd launched a follow-on whitewater component this summer, and has worked with the University Foundation and the Financial Aid Office to initiate a memorial scholarship to encourage TRR veterans to enroll at Shepherd. The first annual fall fundraiser, a kayak football tournament, will be held on Veterans Day - - November 11, 2017.

Office of Financial Aid

The Financial Aid Office continues to process financial aid packages for new and current students who enrolled for the 2017-2018 academic year. Our focus in August and during the first few weeks of the semester was to disburse aid to students and identify additional financial resources for students who are struggling to clear their Fall bill. The Last Dollar Grant program is intended to help deserving students who have exhausted all state and federal aid options and still need financial assistance to clear their bill. Identifying student's eligible for last dollar funds is a collaboration between the Office of Financial Aid and the Business Office.

Office of Admissions

The recruitment plan for 2017-2018 has been launched with admission counselors already on the road attending college fairs and visiting high schools. There have been several transitions in staffing - - admissions counselor Julia Keough transitioned into a position in Student Affairs and Konrad Turnbull transitioned to law school.

New counselors to the admissions team started on Monday, August 21. Mark Adelsberger and Brett Deavers are Shepherd alumni who have experience in customer service and marketing. Their territories will include the greater D.C.-Baltimore area and Western Maryland. A new initiative to increase visibility and strengthen Shepherd's out-of-state recruiting brings the addition of Brittany Higgins. Brittany will serve as Shepherd's part-time regional admissions counselor focusing on Loudoun, Fairfax, and Frederick counties, Virginia. Brittany will work remotely as she conducts high school visits and attends college fairs to recruit future students and strengthen relationships with high school counselors in these targeted areas. Brittany brings with her four years of admissions experience at Bridgewater College, where she recruited traditional-age undergraduate students from Northern Virginia.

High School Dual Enrollment

On August 8, 2017, dual enrollment high school students and parents attended an orientation program. The program was successful in helping students feel comfortable with the campus and expectations of college courses. The office of Academic Outreach has already begun planning course offerings for spring 2018 and expanding the program to include Berkley County high schools.

University Strategic Planning

The University Strategic Planning committee will reconvene on September 15. The Committee has set an aggressive timeline to complete its work and deliver a draft strategic plan to the President this December. There will be opportunities for campus and community stakeholders to provide input throughout the Fall semester. A new Strategic Planning webpage was launched on September 8, 2017 and can be viewed at <http://www.shepherd.edu/strategic-plan/>.

Student Affairs

Emerging Leaders in Service (ELS)

More than 90 new students participated in the 2017 ELS Program, a four-day, optional early immersion experience designed specifically for incoming students. The program took place the week before classes started and provided students with an opportunity to engage with the community, peers, faculty, and staff while learning about their leadership strengths and expanding their leadership capacity. ELS students participated in Shepherd's Annual Day of Service assisting over 20 service agencies in the region. ELS students also assisted first-year students moving into the residence halls.

Opening of Potomac Place and Riverside Market

New and continuing students moved into Potomac Place, the University's newest residence hall, where they enjoy large common area spaces throughout the building including a large kitchen and lounge area on the first floor. The campus community enjoyed the debut of Riverside Market, the newest dining option on campus, featuring Asian fusion cuisine and a modern dining space that includes multiple flat screen televisions and wonderful views provided by placement of windows on three sides.

Orientation Step 2: New Student Welcome

New students attended Orientation Step 2, a critical experience designed to educate them on how to access university resources that contribute to their successful transition to Shepherd. The day began with all new students attending Convocation which included remarks from Student Government Association President Sneha Reddy, Professor of the Year Sonya Evanisko, and President Hendrix. Convocation ended with singing of the alma mater. Sociology Department Chair Dr. Chiquita Howard-Bostic delivered a talk about the importance of diversity and inclusion. Throughout the day, students received information about campus life, expectations of being a Shepherd student, community relations with Shepherdstown, and a celebration of Shepherd's diversity and culture of respect for each other. They ended the day with their academic departments to establish connections with faculty and peers.

Student Involvement Fair

Student organizations, academic professional organizations, sororities, and fraternities showcased involvement and service opportunities to hundreds of new and returning students. The event provides students an opportunity to explore Shepherd's 70+ recognized organizations and learn ways to become involved on campus.

Aging Well Workshop

The 9th annual Aging Well Workshop was held on the Shepherd campus on May 10, sponsored by the departments of Psychology and Social Work. This year's theme was: "Memory, Legacy, and Remembrance." Dr. Lauren Chandler, WV State Ombudsman and neuropsychologist at the Martinsburg V.A. was the guest speaker. The workshop was coordinated by Dr. Heidi Dobish, Associate Professor of Psychology, and funded by a grant from the WV Bureau of Social Services. There were about 40 participants from the campus and greater community.

Enrollment Management

Office of Admissions

Orientation for new freshmen and transfer students will run throughout the month of June, with four sessions being held for freshmen and two for transfer students. The office of admissions is working diligently to register students for their chosen orientation session and ensuring we have all final documents to make the advising and enrollment process as smooth as possible. Many offices, faculty, and staff play key roles during orientation.

The 2016-2017 recruiting cycle and admission build are in final stages. An assessment of recruiting strategies, tactics, and events will be completed to identify opportunities for improvement and expansion as we begin to plan for the next recruiting cycle. Preliminary planning for the 2017-2018 recruitment cycle has already started and will be completed this summer. The recruitment plan is a comprehensive document that includes strategies, tactics, events focused on marketing Shepherd and recruiting students for the spring 2018 and Fall 2018 semesters. Tactics include, but are not limited to: college fairs, high school visits, campus open house programs, campus visitation programs, and transfer advising days. A comprehensive communication plan is also being enhanced for 2017-2018.

Office of Financial Aid

The Office of Financial Aid continues to process financial aid packages for new and current students who are enrolled for the 2017-2018 academic year. Financial Aid staff will be meeting with new students and families during orientation in June.

Office of the Registrar

Shepherd's commencement ceremony was divided into two celebrations this spring. On the morning of May 6, 64 Graduate students were honored and received their master's degrees. The ceremony was followed by a reception for student, families, faculty, and staff. In the afternoon, 748 undergraduate baccalaureate degrees were conferred.

High School Dual Enrollment

At the end of May, 40 dual enrollment high school students have registered for the Fall semester. The Office of Admissions is planning a special orientation, to be held on August 8, for students and parents who will be joining us on campus this Fall.

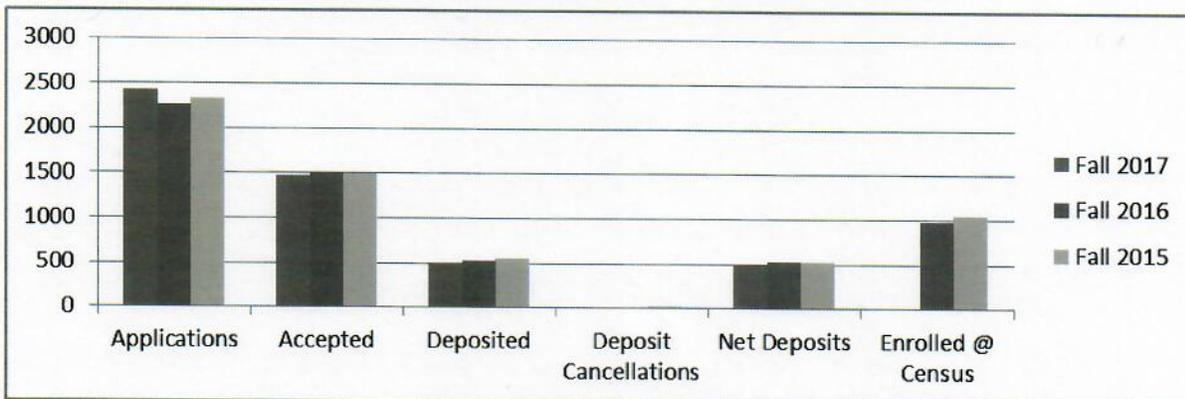
ENROLLMENT MANAGEMENT UPDATE

Fall 2017 Admission Build

February through June is the period of time in the recruiting cycle that focuses on motivating accepted students to choose Shepherd and pay their enrollment deposit. Below are a few key recruitment events and activities focused on enrollment yield.

- Accepted Student Day, March 4th
 - Shepherd University hosted future students at the 3rd annual Accepted Student Day. Dr. Hendrix, Faculty, current students, and staff welcomed 230 accepted and deposited students to campus. Over 100 students had individual financial aid appointments, 120 students registered for summer orientation, 25 students completed housing contracts, and roughly 150 people took a “sneak peek” tour of Potomac place.
- Spring Open House, April 1st
 - One-hundred prospective high school juniors, seniors, and transfer students attend the spring open house program.
- Scholarships and Financial Aid Awards
 - This year, the Office of Financial Aid received a record number of on-time FAFSAs by the March 1st priority deadline. As of March 1st 4,283 students had filed a FAFSA compared to 3,450 last year. New students started receiving award notifications in mid-January, more than two months earlier than the previous year.
 - Six-hundred meritorious scholarships have been offered to newly accepted students. One-hundred and nine students have accepted the scholarship offer and paid their enrollment deposit. Follow-up with students is on-going.
 - Shepherd University has lowered its three year cohort default rate down from 9.6% to 8.9%. It is not uncommon for regional, public universities to have cohort default rates in the 12%-15% range.

New Undergraduate (Freshmen, Transfer, Readmits) 4/10/17



- High School Counselor Workshop (*New 2017*)
 - Thirty-three high school counselors from Maryland, Virginia, and West Virginia attended the counselor workshop hosted by the Office of Admissions on March 24, 2017. The day included admissions, financial aid, student success workshops, a student discussion panel, and a campus tour. The counselor's appreciation and positive survey responses validated our intention to make this an annual event.
- High School Dual Admission Program (*New Fall 2017*)
 - The Office of Admissions has been working with Dr. Virginia Hicks and the Jefferson County Board of Education to build our High School Dual Enrollment Program. Close to one hundred Jefferson County high school students and families attended an information session on February 28th. A separate session was held for home school students and families on March 7th. There are currently forty-seven high school students who have applied to take classes this Fall.

Fall 2017 Enrollment Build

- Registration for Fall classes started on April 3rd for currently enrolled graduate and undergraduate students. Faculty advisors, Retention Intervention Team (RIT) members, and affinity group leaders had been preparing their students for registration throughout the month of March. A targeted communication campaign launched at the end of March and encouraged students to take advantage of their priority registration window. Communication vehicles included emails, postcard direct mailer, and yard signs around campus. The Office of the Registrar plays a key role in preparing the system for registration and monitoring the enrollment build until the enrollment census is taken by Institutional Research (IR) in October.
- Retention Intervention Team (RIT)
 - RIT members have been communicating and meeting with their assigned students in preparation for fall registration. Follow-up with students who have not registered started the week of April 10th. The goal is to help students overcome challenges related to registering for the upcoming semester.

Student Success Initiatives

- FTIC Student Success Initiative (*New Fall 2017*)
 - Implementation of the Shepherd Success Academy continues to progress. Over one hundred students have been identified as candidates for the Success Academy and will receive an invitation to participate at the end of April. Students participating in the Academy will be pre-assigned to their Success Coach. Students and Coaches will meet for the first time when the Academy formally begins at the June orientation.

Academic Affairs

Notable Honors

Professor Carrie Messenger (English) received a prestigious creative writing residency at the MacDowell Colony for the month of May.

Professor Christian Benefiel and Adjunct Professor Evan Boggus (Art) had a two-person show at the Engine Room Gallery in Hagerstown, MD.

Professor David Modler (Art) was named the director of the 2018 WV Art Education Association Annual Conference being held at Shepherd.

Professor Doris Burkey, (Nursing) and a board certified family nurse practitioner, has been reappointed to the Board of Examiners for Registered Professional Nurses. Her new term ends June 30, 2021.

New Psychology Lab

A new psychology lab was constructed over winter break, using funds provided by a grant from the HEPC. Students and faculty are already utilizing the lab for class and research projects.

Civil War Christmas Event

Students and faculty of the Department of History and the George Tyler Moore Center for the Study of the Civil War hosted a highly successful Civil War Christmas event in Shepherdstown, including public lectures, concerts, tours and re-enactments. Several tours were given on the first floor of the Popodicon.

Faculty Trip to Havana, Cuba

In December, a small group of faculty members traveled to Havana, Cuba, to explore opportunities for study abroad, collaboration, and institutional partnership. This trip built on a previous COPLAC-sponsored visit to Cuba in December 2015 by Professor Rob Tudor (Music) and a visit last summer to Shepherd and the CATF by Norge Espinosa Mendoza (famous Cuban playwright and activist). The faculty group represented studio arts, historic preservation, nursing, social work, English, and Spanish. The itinerary included extended introductions to potential major partners, including those at the University of Havana, the University of the Arts, key organizations fostering academic and professional exchange, studios of several important contemporary artists, and the US embassy. As a result, a study abroad trip focusing on Spanish language and culture is being marketed for this coming May and trips focusing on Art, Historic Preservation, and/or Social Work are in the planning phase for 2018. We are thankful for the leadership of Professor Denis Berenschott (Spanish) and Norge Espinosa in arranging the December trip and in assisting the development of future ones. Should demand and interest continue, we will eventually pursue the creation of a Shepherd-administered signature study abroad program to Cuba that would be offered regularly and marketed to other schools within and beyond WV.

Enrollment Management

Spring Semester 2017 Enrollment Estimates

Spring Semester opened on January 9, 2017. The first two weeks of the semester were busy helping students adjust their class schedule, completing the financial aid process, and clearing their semester bill. Spring enrollment numbers are showing improvement when compared to spring 2016. The official spring enrollment census will be taken on February 13, 2017.

- Ninety percent of current undergraduate, degree-seeking students enrolled Fall 2016, registered for spring 2017. This is a 4 percent increase over last year.

- New First-time in College (FTIC) and Transfer students combined for a total of 190 students. This is a 10 percent increase over spring 2016.
- Graduate student enrollments increased when compared to spring 2016. A total of 177 continuing and new graduate students enrolled. This is a 10 percent increase over spring 2016.
- The number of student's schedules being dropped due to non-payment decreased by 12 percent when compared to spring 2016. This is a direct result of stakeholders across campus contacting students about their account status.
- December graduates – 221 students were cleared for graduation at the end of the Fall semester.

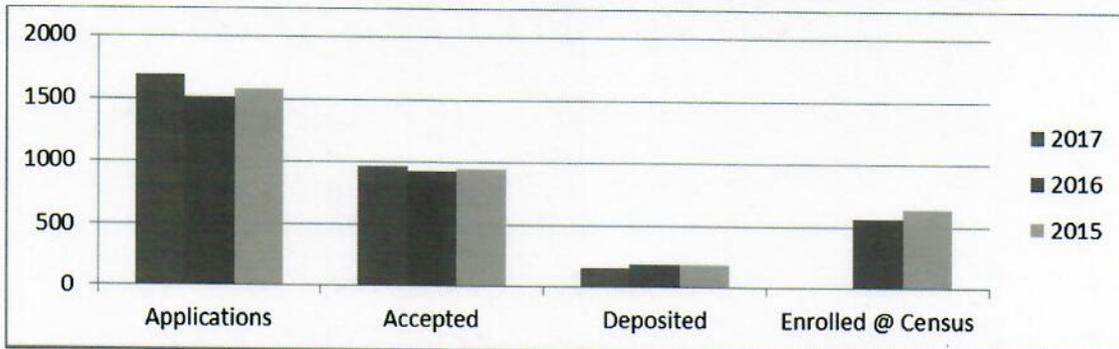
Fall Semester 2017 Admission Build

The recruitment and admission cycle continues to move forward with a focused emphasis on moving students/families through the decision and commitment process. Faculty and staff across the campus play an important role in the process.

- Recruiting efforts continue with a focus on building our application pool and converting incomplete applicant admission files to complete.
- February through June is the period of time in the recruitment cycle focusing on motivating accepted students to pay their enrollment deposit. Awarding student's financial aid and scholarships, Accepted Student Day (March 4th), Spring Open House (April 1st), and helping students secure on-campus housing are just a few key activities.

FTIC Student Admission Build as of 2/13/17

- Applications and accepted FTIC student numbers continue to run ahead of the last two years.
- Student enrollment deposits are lagging slightly when compared to the last two years. The peak months when students typically pay enrollment deposits are April and May.
- The Office of Financial Aid has sent 500 new students their 2017-2018 financial aid offers.



Student Success Initiatives (Retention)

- Early Alert Program - The Beacon program focuses on helping current students resolve challenges at the first opportunity. Faculty and staff submit an “alert” online for immediate follow-up.
- Retention Intervention Team (RIT) - Every full-time degree-seeking undergraduate student is assigned a RIT member who works throughout the semester to provide specific academic, student life, and enrollment interventions. RIT serves as a resource to support continuous enrollment and guide students through the course registration process for the next semester.
- FTIC Student Success Initiative - New Fall 2017 - The Shepherd Success Academy is a student retention initiative focusing on full-time, first-time undergraduate students who will benefit from intrusive student support from the point of admission to Shepherd through the end of their first semester of enrollment. The program will compliment work of staff and faculty currently being done to facilitate student persistence and retention. The cohort-based program will focus on helping students avoid and overcome

challenges as they transition from high school through their first semester at Shepherd. Our primary goal is to increase student persistence from fall-to-spring and from fall-to-fall.

Student Affairs

Hands for Humanity

The Multicultural Leadership Team (MLT) hosted Hands for Humanity on November 6, 2016, to demonstrate the ideals of support, appreciation, love, and understanding throughout the University and neighboring community. MLT members Kahlen Browning and Sarah Fletcher established the program to bring awareness to social issues affecting the nation and to promote a positive relationship between the community, University, organizations, staff and students. Dr. Chiquita Howard-Bostic, Assistant Professor and Sociology Department Chair, and Dr. Thomas Segar, Vice President for Student Affairs, were guest speakers. The 62 participants ended the event by holding hands in the shape of a heart on the East Campus Midway. The MLT intends to make this an annual event.

Holiday Giving

The annual holiday giving program at Shepherd provides multiple opportunities for the campus to positively influence the lives of community members during the months of November and December. Students, staff, faculty, and community members collected food items for Thanksgiving meals that were delivered to senior shut-ins and hundreds of holiday gifts were collected for children who otherwise would've gone without.

Welcome Shepherd Students

Orientation was held on January 6 for all new and transfer students. The program began with Convocation, the ceremonial beginning of the academic semester, with a welcome from Caitlin O'Connor, Student Government Association president; Dr. Anne Murtagh, Associate Professor of Psychology, and Dr. Chris Ames, Provost. The Orientation component of the day featured informal departmental gatherings where new students had the opportunity to meet faculty and other students in their field of study, an advisement session with faculty, registration for classes, an information fair, a session on interpersonal violence, and a session on diversity and civility.

Martin Luther King Jr. (MLK) Day of Service

The MLT continued their annual commitment to the MLK Day of Service on Monday, January 16. The team of 21 students divided into two groups to serve three different locations; the Martinsburg Meals on Wheels, the Berkeley County Senior Center, and the Martinsburg Rescue Mission. The students' tasks included food preparation and serving, socializing with seniors, and general cleaning and organization. The agencies were extremely impressed with the quality of work and dedication to service the students demonstrated. Many of the students expressed a desire to serve at these locations in the future.

Midnight Breakfast

The Division of Student Affairs hosted the 34th Midnight Breakfast on Sunday, December 4, 2016, with over 360 students in attendance and several dozen staff and faculty preparing and serving food. This long-standing Shepherd tradition brings together faculty, staff, and students for a lively meal the night before Final Exam Week. Students enjoyed a free deluxe breakfast, prizes, and music.

Human Trafficking Teach-In

On Wednesday, January 25 students, staff, and faculty participated in a Teach-In that focused on the dangers of human trafficking as well as methods of prevention and elimination of this worldwide tragedy. Participants heard from law enforcement, legislative representatives and attorneys, faculty, and students,

ENROLLMENT MANAGEMENT ANNUAL REPORT

The Enrollment Management report for 2016-2017 will be presented by Mr. Bill Sommers, Vice President for Enrollment Management. This report provides a summary of Fall 2016 enrollments, current initiatives related to student persistence and retention, and future enrollment initiatives and opportunities.

Fall 2016 University Enrollment Summary

In early October 2016, Fall 2016 enrollment census data were reported to the West Virginia Higher Education Policy Commission (HEPC). The data reflect the challenging higher education environment facing many public, regional universities, caused by shifting and declining student demographics, increasing student need for financial support, heightened price sensitivity, resistance to student loan debt, and intense competition among institutions.

The breakdown below shows an overall decrease in degree-seeking university enrollment of 5.4% compared to Fall 2015. First-time in college (freshman) (FTIC) and continuing undergraduate enrollment account for the majority of the decline. Positive gains were made in undergraduate readmit and International student enrollments. New and continuing graduate student enrollments also exceeded last year. In addition, at the graduate level, thirteen students enrolled in the second Doctor of Nursing Practice (DNP) cohort.

Fall 2016 University Enrollment Breakdown

| Headcount by Student Segment | Census Fall 2015 | Census Fall 2016 |
|---------------------------------------|---------------------|---------------------|
| Continuing Undergraduate | 2,270 | 2,119 |
| New First-Time in College (Freshman) | 639 | 564 |
| Re-Admit | 44 | 51 |
| New Transfer | 370 | 362 |
| Graduate, Master's-New and Continuing | 144 | 151 |
| Doctor of Nursing Practice (DNP) | 15 | 22 |
| Degree-Seeking | 3,482 | 3,296 |
| Non-Degree Undergraduate | 376 | 388 |
| Non-Degree Graduate | 63 | 207 |
| University Enrollment | 3,906 | 3,867 |

Source: Enrollment Census Snapshot, Office of the Registrar

Fall 2016 Recruitment and Enrollment Summary

The 2015-2016 undergraduate recruitment and enrollment cycle yielded 564 FTIC, 362 transfers, and 51 readmit students. The FTIC admission build resulted in a higher conversion rate from applied to accepted student. This higher conversion was a result of working with incomplete applicants to complete their admission file so an offer of admission could be made. The conversion from accepted to deposited lagged behind last year however, the deposit cancellation (melt) rate improved by 4.5% showing a stronger commitment of deposited students to enroll and matriculate in the Fall semester.

FTIC (freshman) Admission and Enrollment Build

| | Fall 2016 | Conversion | Fall 2015 | Conversion |
|--------------------|------------------|-------------------|------------------|-------------------|
| Applications | 1,883 | | 2,043 | |
| Accepts | 1,417 | 75.2% | 1,484 | 72.6% |
| Deposits | 660 | 46.5% | 789 | 53.1% |
| Deposits Cancelled | 59 | 8% (melt) | 99 | 12.5% (melt) |
| Net Deposits | 601 | | 690 | |
| Enrolled | 564 | 94% | 639 | 92% |

Source: Admission Build Report, Admissions Office

Transfer student recruitment and enrollment build experienced increases in the number of applied and accepted students, but lower than expected conversion to deposit. Much like the FTIC population, the deposit cancellation rate improved over last year. The improvements in deposit cancellation rates in both FTIC and transfer student populations, is a direct result of building strong relationships with future students throughout the recruitment cycle and a comprehensive summer orientation program.

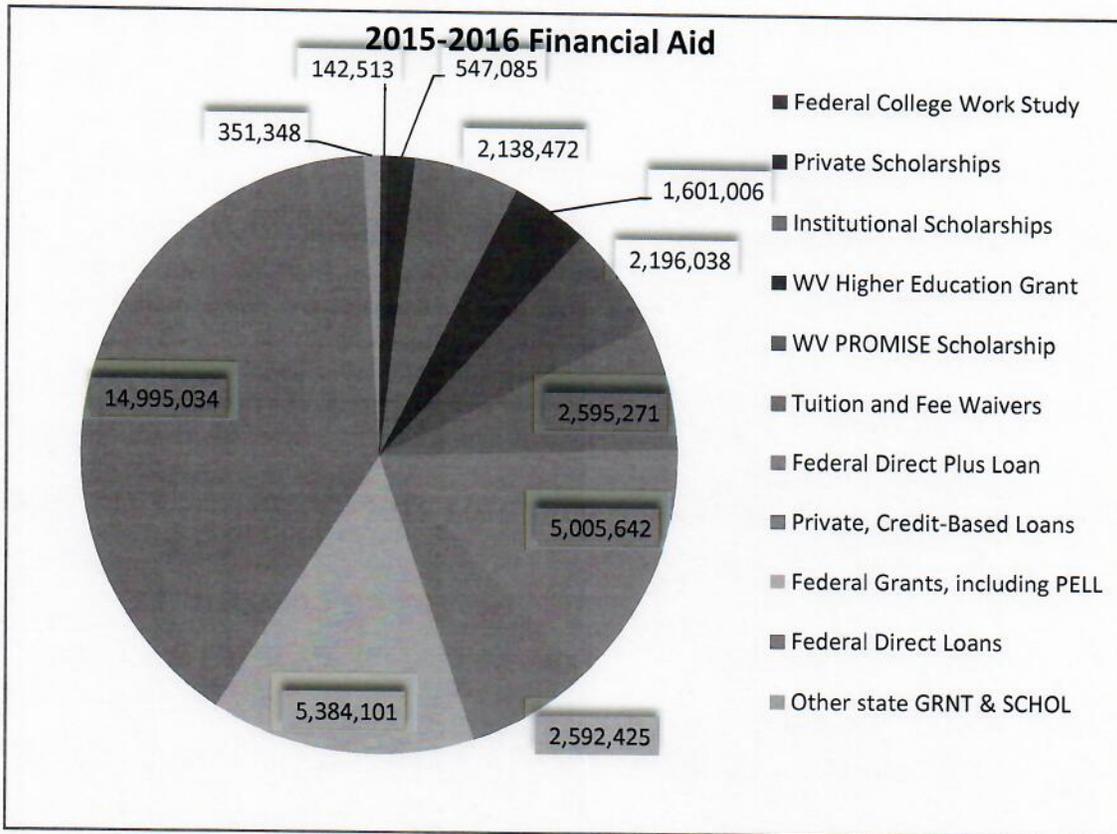
Transfer Admission and Enrollment Build

| | Fall 2016 | Conversion | Fall 2015 | Conversion |
|--------------------|------------------|-------------------|------------------|-------------------|
| Applications | 857 | | 755 | |
| Accepts | 604 | 70.4% | 577 | 76.4% |
| Deposits | 465 | 76.9% | 510 | 88.3% |
| Deposits Cancelled | 50 | 10.7% (melt) | 93 | 18.2% (melt) |
| Net Deposits | 415 | | 417 | |
| Enrolled | 362 | 87.2% | 376 | 90.1% |

Source: Admission Build Report, Admissions Office

Financial Aid and Student Scholarships

The increasing need for financial support, heightened price sensitivity, and resistance to student loan debt has increased the need for more institutional aid to attract, enroll, and retain Shepherd students. State and Federal aid resources have not kept pace with the rising cost of attendance (maximum loan amounts have stayed the same for a number of years -- freshman/\$5,500, sophomore/\$6,500, junior-senior/\$7,500). Roughly 48% of Shepherd undergraduate students are either low income, first-generation, or both. The breakdown below shows the distribution and amounts of aid students have utilized.



Source: Office of Financial Aid and Scholarship

Student Persistence and Retention

Student persistence and retention continues to be an opportunity for improvement and a high priority with the offices of Student Affairs, Academic Affairs, and Enrollment Management. The growing financial need of our students, coupled with academic preparedness, continues to be the overarching barriers to persistence. Many Shepherd students work on- and off-campus jobs while trying to maintain full-time student status (12 or more credit hours). That combination is very challenging and stressful for students and can attribute to poor academic performance. The Retention Intervention Team (RIT) completed its work in spring 2016 contacting current students who were eligible to register for Fall 2016, but did not take advantage of early registration in April. The outreach campaign was successful with 32% of students registering for Fall 2016 after the campaign concluded.

Another successful retention initiative was the Last Dollar Grant (LDG) program started in Fall 2016. Through generous support of donors, the LDG was established to help deserving students clear their Fall 2016 bill after all other financial resources had been exhausted. Fourteen students were awarded and accepted LDG funds. Below is a distribution summary of LDG funds.

- Students by class level: 10-freshmen, 1-sophomore, and 3-seniors.
- LDG funds were allocated to both in-state (4) and out-of-state (10) students.
- The average award per students was \$932.
- All upper division students were in good academic standing in the 3.0 range.
- The distribution of funds awarded crossed all schools and 10 different majors.

Degrees Awarded

The number of degrees and degrees by academic program remained consistent when compared to previous years.

Degrees Awarded

| Degree Level | 2015-2016 |
|----------------|-----------|
| Baccalaureates | 708 |
| Master | 63 |
| Total | 771 |

Source: Institutional Research Office

Top Degrees Awarded by Major

| Degree Program | 2015-2016 |
|--------------------------------|-----------|
| Regent Bachelor of Arts | 12% |
| Nursing | 11% |
| Business Administration | 10% |
| Elementary Education | 10% |
| Recreation and Leisure Studies | 7% |
| Secondary Education | 6% |

Source: Institutional Research Office

Moving Forward

Fall 2017 Recruitment and Enrollment

The Admissions, Financial Aid, and Registrar offices within the division of Enrollment Management are collaborating on a number of new enrollment initiatives. Recruiting new FTIC, transfer, and readmit students for Fall 2017 is well underway and off to a solid start. At this point-in-time, student admission applications and acceptances are trending ahead of last year. All three offices collaborated and authored the 2016-2017 Annual Recruitment Plan. The plan is goal oriented and driven by enrollment objectives, strategies, and tactics. The plan is aligned with the college search, selection, and decision timeline (phases) of our future students, families, and decision influencers.

Sample Recruitment Initiatives:

- Launched the new Metro Scholarship marketing campaign the beginning of October. This scholarship is focused on increasing out-of-state student enrollments and housing occupancy rates.
- Worked with University Communications to run 38 geo-targeted social media marketing campaigns prior to the admission counselor's visit to the high school, college fair, and open house events.
- Successfully completed three prospective student Fall open house programs.
- Launched Cappex.com campaign. Received over 400 qualified prospective student leads.
- Deployed the Hobson's Connect CRM (Customer Relations Management) system that automates communications with prospective students throughout the recruitment and enrollment cycle.
- Collaborating with the History Department faculty on a prospective student recruitment event, tied with Shepherdstown's, Civil War Christmas event in December.

- The Office of Financial Aid successfully implemented the new Federal guidelines for the early FAFSA filing timeline. Shepherd will start awarding aid for 2017-2018 in December 2016.
- Revising the institutional scholarships and departmental waivers awarding process and timeline to be aligned with recruiting initiatives and be more responsive to future students.

Strategic Enrollment Growth Opportunities

Future enrollment growth will need to come from new student populations and innovative instructional delivery methods. It will be very challenging to achieve optimal enrollment and revenue levels from a single student population. Below are targeted populations or delivery methods that need to be developed, resourced, and designated as strategic university priorities.

1. Current Undergraduate Students-Persistence and Retention
 - a. Continue to fund LDG program
 - b. Explore offering a summer bridge success program for at-risk FTIC or first-generation students
2. International Students
 - a. International pathway partnership agreements
 - b. Marketing and recruiting international undergraduate and graduate students
 - c. Market Intensive English Language program
3. Adult Students
 - a. Martinsburg Center Student Enrollments
 - b. Expand undergraduate course and program offerings to attract a wider audience of adult-students
 - c. Expand graduate programs to attract new students
 - d. Explore and develop corporate training services with local and regional businesses
4. Graduate Students
 - a. Expand Graduate Degree programs
 - b. Expand graduate certificate programs aligned with local and regional employer needs
5. Summer Term
 - a. Expand the number of course offerings for current undergraduate students
 - b. Aggressively market the summer terms
6. Online Course and Program Delivery
 - a. Explore a winter term offering online courses

ENROLLMENT SNAPSHOT 2016-2017

(Columns labeled “% Change” reflects the relative differences between the 2015-2016 and the 2016-2017 academic years.)

Sources: Institutional Research Office, Admissions Office, Office of the Registrar, and Office of Financial Aid

| | Credit HC | FTE |
|---------------|-----------|----------|
| Baccalaureate | 3,095 | 2,875.33 |
| Masters | 151 | 92.83 |
| DNP | 22 | 15.92 |
| NDUG | 388 | 61.80 |
| NDPG | 170 | 48.50 |
| Total | 3,826 | 3,094.38 |

| Current Head Count by Class Year | |
|----------------------------------|-------|
| Freshmen | 796 |
| Sophomore | 562 |
| Junior | 731 |
| Senior | 1,010 |

| FTE by Student Type | | | |
|---------------------|----------|----------------|----------|
| | FTE | % Distribution | % Change |
| Undergradua | 2,875.33 | 93% | -7% |
| Graduate | 108.75 | 4% | 13% |
| NDUG | 58.33 | 2% | 5% |
| NDPG | 48.50 | 2% | 178% |
| High School | 3.47 | 0% | -27% |

| FTE by Class Level | | | |
|--------------------|--------|----------------|---------|
| | FTE | % Distribution | % Chang |
| Freshmen | 778.03 | 26% | -10% |
| Sophomore | 536.23 | 18% | -11% |
| Junior | 680.27 | 23% | -9% |
| Senior | 871.20 | 29% | -2% |
| Graduate | 108.75 | 4% | -13% |

| Paid FTE | FTE | Percent | Change | % |
|------------------|----------|---------|---------|--------|
| Resident | 2,114.68 | 70.92% | -158.57 | -7.56% |
| Non-Resident | 867.28 | 29.08% | -68.87 | -7.36% |
| University Total | 2,981.97 | 100% | -222.43 | -7.46% |

| FTE by Residency | | | |
|------------------|----------|----------------|----------|
| | FTE | % Distribution | % Change |
| In-State | 1,902.02 | 64% | -5.11% |
| Out-of-State | 1,079.95 | 36% | -10.00% |

STUDENT PROFILE 2016-2017

| Ethnicity | | |
|----------------------|-------|-------|
| Unknown | 2.1% | 79 |
| Hispanic | 3.3% | 125 |
| Am Ind/Al Native | 0.6% | 23 |
| Asian | 2.0% | 75 |
| Black/AA | 8.1% | 306 |
| Nat HI/Other Pac Isl | 0.1% | 2 |
| White | 82.1% | 3,101 |
| Two or More | 1.8% | 68 |

| International | |
|---------------|----|
| Enrolled | 12 |
| Countries | 9 |

| Retention | | |
|---------------|------|------|
| | 2015 | 2016 |
| FTIC | 66% | 60% |
| Undergraduate | 77% | 71% |

| Gender | | |
|--------|-------|-------|
| Female | 59.3% | 2,242 |
| Male | 40.7% | 1,537 |

| Status | | |
|-----------|-----|-------|
| Full-Time | 74% | 2,782 |
| Part-Time | 26% | 997 |

| Age | | |
|-------|-----|-------|
| <18 | 1% | 42 |
| 18-22 | 61% | 2,288 |
| 23-24 | 8% | 316 |
| 25-44 | 23% | 880 |
| 45-64 | 7% | 248 |
| 65+ | 0% | 5 |

| Housing | | |
|------------|-------|-------|
| On-Campus | 23.2% | 878 |
| Off-Campus | 76.8% | 2,901 |

| Veterans and Dependents Receiving Benefits | | |
|--|-----|-------|
| Year | New | Total |
| 2015 | 67 | 182 |
| 2016 | 54 | 188 |

New Students Fall 2016

| Mean Scores | 2015 | 2016 |
|-------------------|-------|-------|
| Freshmen ACT Comp | 21.76 | 21.68 |
| Freshmen SAT Comp | 990 | 984 |
| HS GPA | 3.31 | 3.34 |
| Transfer GPA | 3.11 | 3.08 |

| Enrollment | |
|------------------|------------|
| Freshmen | 564 |
| Transfers | 362 |
| Readmits | 51 |
| Total New | 977 |

| Geographic Distribution | | |
|-------------------------|-----|-----|
| WV | 66% | 645 |
| MD | 20% | 200 |
| VA | 9% | 89 |
| PA | 2% | 18 |
| Other | 3% | 25 |

| Conversion | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------|------|------|------|------|------|
| Admit Rate | 81% | 94% | 98% | 90% | 92% |
| Yield Rate | 46% | 42% | 36% | 43% | 40% |
| Denied Rate | 19% | 6% | 2% | 10% | 8% |

Financial Aid

| Household Income of (16-17) FAFSA Enrolled Students | |
|--|---------------------------------|
| 11% | Dependent Students <=\$25,000 |
| 89% | Dependent Students >\$25,000 |
| 54% | Independent Students <=\$25,000 |
| 46% | Independent Students >\$25,000 |

| Degree Seeking, Enrolled, Financial Aid Application Filers (15-16) | |
|--|---|
| 82% | Enrolled, degree seeking students who applied for financial aid |
| 94% | Applicants who received aid |

(Note: Students are not required to submit a FAFSA when applying for private, credit-based loans and private scholarships.)

| First Generation College Students | | | |
|-----------------------------------|-----------------|-----------------|--------------------------|
| Year | FAFSAs Received | FAFSAs Enrolled | FAFSAs Enrolled with Aid |
| 12-13 | 2,782 | 1,425 | 1,344 |
| 13-14 | 2,751 | 1,362 | 1,294 |
| 14-15 | 2,507 | 1,195 | 1,143 |
| 15-16 | 2,157 | 1,164 | 1,106 |
| 16-17 | 2,114 | 1,050 | 988 |

| New FT UG as % of Total Enrollment, Fall 2016 | | | | |
|---|-----|-----------|-------|-------|
| | New | Returning | Total | % New |
| Unclassified | 12 | 1 | 13 | 92% |
| Freshman | 622 | 166 | 788 | 79% |
| Sophomore | 112 | 445 | 557 | 20% |
| Junior | 172 | 558 | 730 | 24% |
| Senior | 59 | 947 | 1,006 | 6% |
| Total | 977 | 2,117 | 3,094 | 32% |

| Promise Scholarship: 474 Recipients Currently at Shepherd University | | |
|--|-----------------------------|---------------------------------|
| Year | Freshmen Promise Recipients | Percentage Who Kept Scholarship |
| 10-11 | 169 | 67% |
| 11-12 | 151 | 66% |
| 12-13 | 167 | 82% |
| 13-14 | 150 | 77% |
| 14-15 | 149 | 74% |
| 15-16 | 140 | 66% |
| 16-17 | 141 | As of 10/28/16 |

Post Details

Video **Post**



Shepherd University

Published by Timothy Haines [?] · October 31 at 8:00am · 🌐

Halloween may not be scary, but missing out on being a Shepherd Ram is! APPLY TODAY! <http://www.shepherd.edu/admissions>



9,409 people reached

[View Results](#)

👍👎 134

2 Comments 2 Shares

👍 Like 💬 Comment ➦ Share

9,409 People Reached

4,275 Video Views

155 Reactions, Comments & Shares

137 Like 126 On Post 11 On Shares

1 Love 0 On Post 1 On Shares

8 Haha 8 On Post 0 On Shares

3 Comments 2 On Post 1 On Shares

6 Shares 2 On Post 4 On Shares

175 Post Clicks

80 Clicks to Play 8 Link Clicks 87 Other Clicks

NEGATIVE FEEDBACK

1 Hide Post 0 Hide All Posts
0 Report as Spam 0 Unlike Page

[Edit Post](#)

[View Results](#)

Video **Post**



Shepherd University

Halloween may not be scary, but missing out on being a Shepherd Ram is! APPLY TODAY! <http://www.shepherd.edu/admissions>

Video Performance In This Post

| | |
|----------------------------|-------|
| 🕒 Minutes Viewed | 757 |
| 👤 Unique Viewers | 3,934 |
| 👁️ Video Views | 4,275 |
| 👁️ 10-Second Views | 1,739 |
| 📅 Video Average Watch Time | 0:05 |
| 👤 Audience and Engagement | |

Enrollment Management

Enrollment Update

Re-admit student enrollments are up slightly when compared to Fall 2015 census (October). First-time in college (freshman) and Transfer student enrollment is lower than Fall 2015. Competition for students residing in Maryland and Virginia is at an all-time high and impacted our enrollment numbers to lag behind Fall 2015. Twenty new international students enrolled in Fall 2016 compared to six last year. Graduate student enrollment is up slightly compared to Fall 2015. We successfully started our second cohort of DNP students.

Student persistence and retention continues to be a challenge and high priority for the offices of Student Affairs, Academic Affairs, and Enrollment Management. The growing financial need of our current students coupled with academic preparedness continues to be the overarching barriers to persistence. The Retention Intervention Team (RIT) completed its work contacting current students who were eligible to register for Fall 2016, but did not take advantage of early registration in April. The outreach campaign was successful with 32% of students registering for Fall 2016, after receiving a call from an RIT member.

Key Initiatives

The Shepherd Brand

- Enhance and strengthen awareness of Shepherd University in our West Virginia and out-of-state markets.
 - Expanded recruitment print publications including scholarship and financial aid, student/residence life, academic majors, and international student pieces.
 - Enhancing content on the shepherd.edu website
 - Increasing our digital and social media marketing outreach
 - Aerial campus tour video-October 2016

Marketing and Recruiting

- Targeted and sustained approach to marketing, recruiting, and enrolling students.
 - Implemented annual marketing, recruiting, and communication plan for 2016-17
 - Enhancing student engagement events-high school visits, college fairs, application days, campus visit/tour, open houses, accepted student day
 - Targeted and time sensitive messaging and communications from prospect stage through enrollment.
 - More engagement between current and prospective Shepherd students
 - Alumni and friends engagement in recruiting-Legacies and Friends Referral Campaign
 - Faculty engagement, targeted by school, department, and major
 - Leverage financial aid and scholarship programs-addition of the Metro Scholarship for out-of-state students

Recruitment and Enrollment Technologies

- Leverage existing technologies that provide an exceptional end user experience.
 - Shepherd.edu website-enhanced home page with Request, Visit, and Apply call to action buttons, enhanced Future Students tab, and Utilize Home Page header sliders as promotional vehicle
 - Added online system for prospective students to register for a daily campus visit
 - Cappex.com partnership-prospective college search engine and database allows for targeted outreach generating prospective student inquiries

- o Hobson's Connect Customer Relations Management (CRM) system-communication system that automates communicating with prospective students throughout the life recruitment and enrollment process.

Student Affairs

Emerging Leaders in Service

The Emerging Leaders in Service (ELS) Program, a four-day, optional program designed specifically for new students, took place the week prior to the beginning of the academic year. This program provided students with an opportunity to engage with the community, peers, faculty and staff while developing an understanding of their leadership strengths. ELS students participate in Shepherd's Annual Day of Service and assist other first year students who are moving into the residence halls.

Orientation Step 2: New Student Welcome

New students attended Orientation Step 2, a critical component in the transition of being a successful student designed to educate students on how to access university resources that contribute to their successful transition to Shepherd University. The day began in Ram Stadium with a performance by the Ram Band and ended with Convocation. During the day, students received information about campus life, expectations of being a Shepherd student, community relations with Shepherdstown, and a celebration of Shepherd's diversity and culture of respect for each individual. Students met with their academic departments to establish connections with faculty and peers, and ended the day with a post-Convocation reception on the Butcher Center Plaza.

Pep Rally

On the eve of Shepherd's first home football game, a pep rally was held in the newly enhanced Dining Hall. Players, coaches and cheerleaders helped build the momentum for the season opener against West Virginia Wesleyan College where the Ram's went on to win 27-12.

Student Leadership Conference

For 31 years Shepherd students have participated in the Student Leadership Conference where they take part in a day of interactive leadership development and idea sharing. The Leadership Conference is scheduled for Saturday, September 24th and is free to all Shepherd students and employees.

Shepherd Dining Hall Enhancements

With the addition of new window treatments, fresh interior signage, a large screen television, a living wall of fresh herbs, and the creation of an intimate dining setting in the lower level, students, staff, faculty and the community are able to enjoy a positive, natural, and relaxed dining experience.

University Advancement

Fundraising Report: 7/1/16 through 7/31/16

Fundraising activities of the Office of University Advancement and the Shepherd University Foundation for the first month of FY2017 are presented below.

- In July 2016, \$287,036 was received in new gifts, including \$124,933 in deferred grants/gifts.
- Gifts are primarily comprised of \$17,314 in endowed funds, and \$92,971 in gifts to annual funds.

Appendix F: Presentations to Campus Stakeholders



President's Report
Spring Assembly
April 12, 2017



STRIVING FOR FINANCIAL STABILITY TO PROVIDE A WORLD-CLASS LIBERAL ARTS AND PROFESSIONAL STUDIES EDUCATION

- Tightening our belts while maintaining momentum and launching new initiatives.
- Achieving job satisfaction and career enhancement
- Balancing cost-saving initiatives with revenue-generating leads: We need a multi-year plan to attain stability!



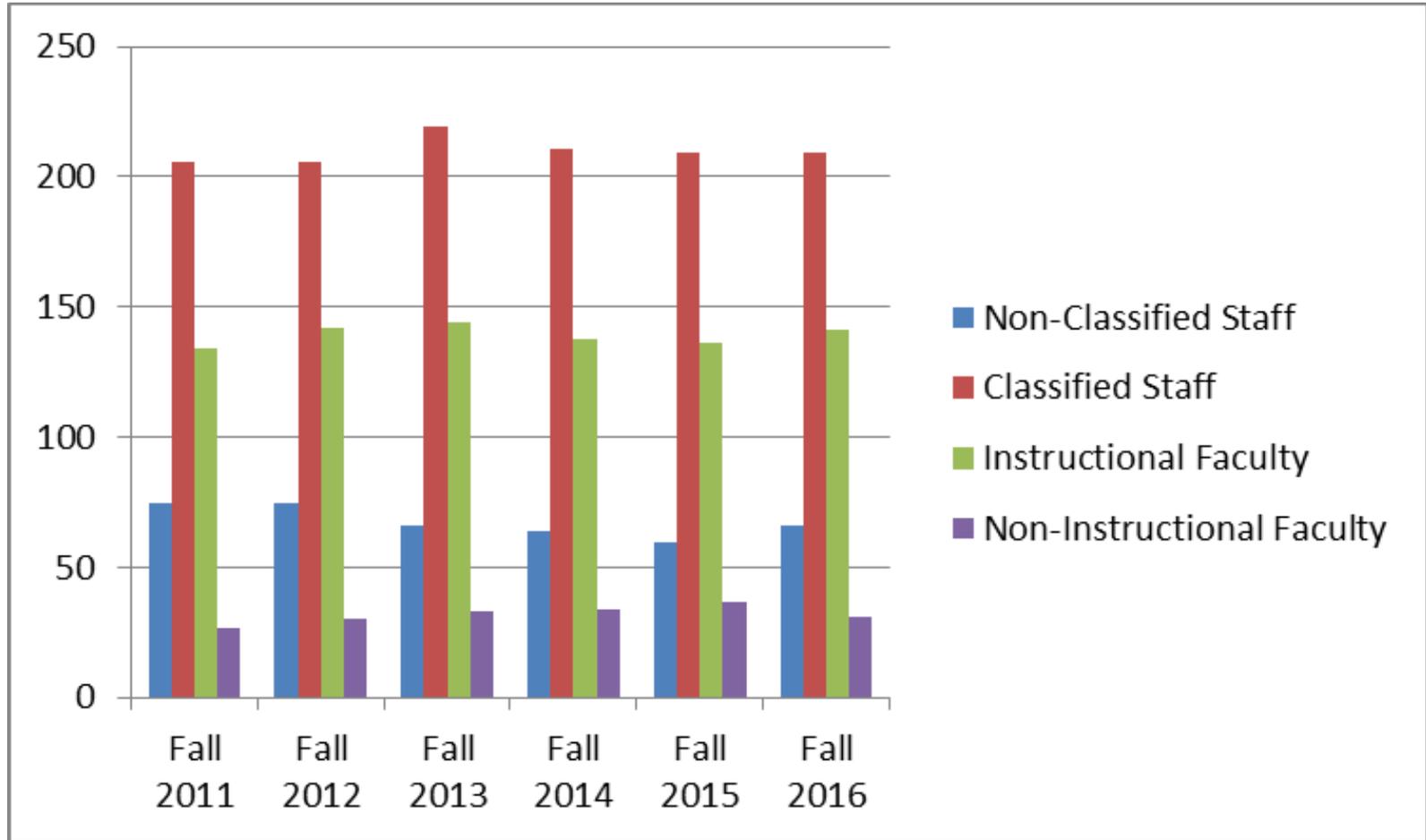
EXECUTIVE SUMMARY OF SHEPHERD'S FINANCIAL CHALLENGES

- Over the last five years Shepherd has experienced a decline of 680 full-time equivalency (FTE) students and a reduction in its State appropriation of nearly \$2 million dollars.
- With the decline in enrollment, the University has also seen a decline of 19% in residence hall occupancy from Fall of 2012 to Fall of 2016. As the lowest funded public baccalaureate institution per FTE in West Virginia, Shepherd has become increasingly reliant on tuition, fee, and room and board revenue to fund basic operations.
- The University has also become dependent on tuition and fee increases to fund escalating operating costs.

EXECUTIVE SUMMARY OF SHEPHERD'S FINANCIAL CHALLENGES (CONT.)

- With the declines in enrollment and residence hall occupancy, revenue from these sources is failing to provide sufficient operating resources to support the University's budget needs.
- The University's accreditation body, the Higher Learning Commission, recognized that Shepherd is in challenging financial times and has required the University to submit periodic monitoring reports on our financial condition for the last three years.
- In order for Shepherd to achieve its mission, add new initiatives, and address our deferred maintenance backlog, we must develop a financial model that: meets current operational needs, allows for investments in the future, and builds a contingency reserve.

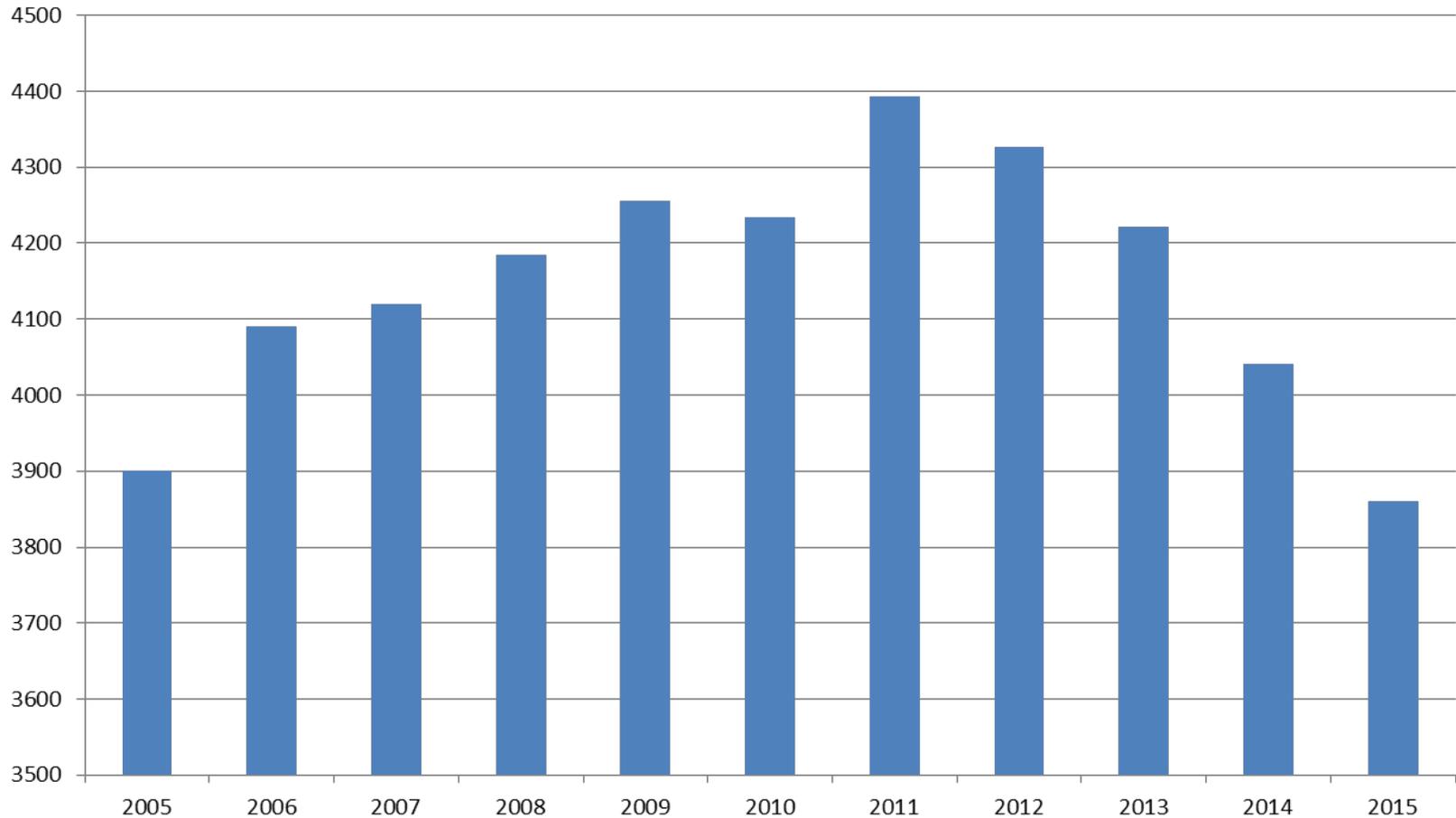
PERSONNEL



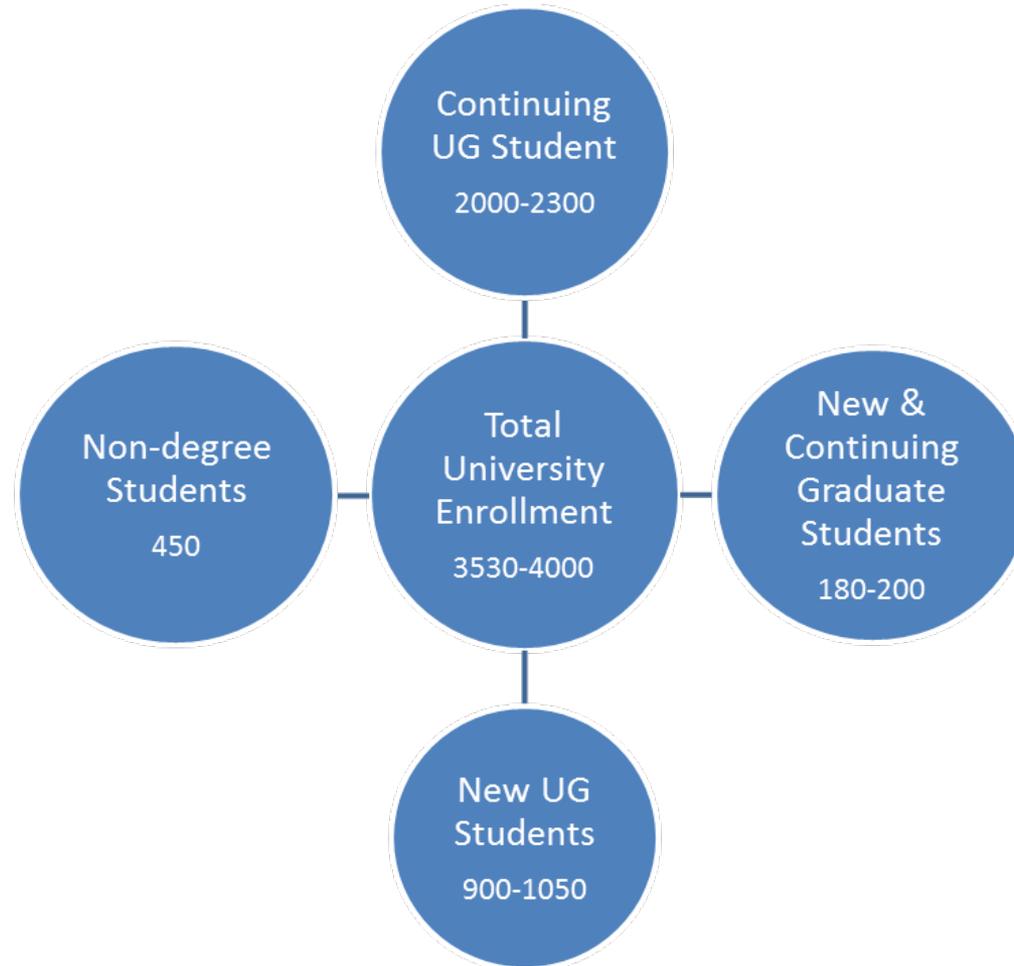
SHEPHERD UNIVERSITY ENROLLMENT

2005-2015

(Total Headcount)



ENROLLMENT DISTRIBUTION MOVING FORWARD



RETENTION, *PERSISTENCE TO GRADUATION*, IS EVERYONE'S JOB AT SHEPHERD

- 96% of Shepherd's incoming first-year students said obtaining a college degree is very important;
- 91% said they are willing to do whatever it takes to stay in college; and
- 93% said they are planning to complete their degree at Shepherd.

Student Success Inventory, Shepherd University, Fall 2015

Nationally, fewer than 60% of students graduate within six years from the same institution.

U.S. Department of Education, National Center for Education Statistics

THE BOTTOM LINE

Satisfaction and Success

- ✓ 82% of Shepherd students say their college experiences met or exceeded their expectations.
- ✓ 83% of Shepherd students rate their overall satisfaction positively.
- ✓ 73% of Shepherd students say that if they had to do it all over again they would enroll at Shepherd.

Cost Factor

Tuition, Room and Board for In-state Student for One Year

- ✓ 1 student loss = \$16,998
- ✓ x 10 students = \$169,980
- ✓ 3,094 students, current attrition 25% = 774 students or \$13.2M

Tuition, Room and Board for Out-of-state Student for One Year

- ✓ 1 student loss = \$27,310
- ✓ x 10 students = \$273,100
- ✓ 3,094 students, current attrition 25% = 774 students or \$21.1M



\$2.5M BUDGETED ANNUALLY FOR ELECTRICAL ENERGY CONSUMPTION

| Utility Type | Load % | Cost |
|---------------------------------|--------|-------------|
| Major MEP Systems and Equipment | 50% | \$1,250,000 |
| Lighting | 30% | \$750,000 |
| Plugs | 20% | \$500,000 |

IMPLEMENT BASIC ENERGY MANAGEMENT STRATEGIES AND SAVE UNIVERSITY RESOURCES



Space Heater



2.5 Classrooms

- Reduce Major Utility Loads: 68 and 72 degrees, shutdown systems
- Reduce Lighting Loads: LED retrofits; delamping; turn lights off when not needed; add lighting controls where possible
- Reduce Plug Load: Manage cord and plug connected appliances
- Turn off personal computers when leaving work

WHAT YOU CAN DO TO HELP



- Lights
- Appliances
- Computers/Printers/Monitors
- Space Heaters
- Chargers

We want to hear your ideas: eshuler@shepherd.edu

POTENTIAL SAVINGS REALIZED FROM ENERGY MANAGEMENT PROGRAM

| Energy Savings Strategy | Potential Savings Annually |
|--------------------------------|------------------------------------|
| De-lighting Spaces | \$3,000 Per 300 Tubes (@ \$75,000) |
| Reducing Plug Load | \$8,600 Per 150 Appliances |
| LED Lighting Retrofit | \$225,000 For Entire Campus |
| Temperature Setback Management | \$175,000 |

IMMEDIATE NEEDS: IMPROVED IT INFRASTRUCTURE AND EXPANDED SERVICES; GUEST WI-FI AND IMPROVED EXPERIENCE FOR STUDENTS

| Buildings to Have Guest Wi-Fi Access Available by September 1 st | |
|---|-----------------------|
| ✓ Robert C. Byrd Science | ✓ Scarborough Library |
| ✓ Erma Ora Byrd | ✓ Snyder Hall |
| ✓ Frank Center | ✓ Student Center |
| ✓ Knutti Hall | ✓ White Hall |
| ✓ Robert C. Byrd Center for Congressional History and Education | |



| New Access Point Deployment for Remaining Buildings | |
|---|--------------------------|
| ✓ Kenamond Hall | ✓ Wellness Center |
| ✓ Shaw and Thacher Halls | ✓ Butcher Center |
| ✓ Scarborough Library | ✓ Stutzman-Slonaker Hall |
| ✓ Turner Hall | ✓ CCA II |
| ✓ Football Stadium | ✓ Miller Hall |
| ✓ McMurrin Hall | ✓ Ikenberry Hall |

Note: Wi-Fi Updates Can be Found at <http://www.shepherd.edu/itservices/guestwifi>

SECURING EXTRAMURAL FUNDING FOR NEW INITIATIVES IS THE WAY FORWARD

- Total Awarded Proposals to Date for FY'17-'18: **\$563,423**
- Total Pending Proposals to Date for FY'17-'18: **\$3,192,501**
- Proposals Currently in Development for 2017 Submission: More Than **\$6,200,000**

Jessica Kump

*Director, Office of Sponsored Programs
Co-Director, Shepherd Entrepreneurship
and Research Corporation (SERC)*

jkump@shepherd.edu



COMMUNICATING FACULTY AND STAFF BENEFITS

- The Human Resources website contains links to the employee tuition waiver and spouse/dependent tuition waiver policies and forms.
- The Faculty Scholarship Fund and the Classified Employee's Children's Scholarship Fund are managed separately through the Foundation.
- All of these benefits are now listed on the Human Resources website to facilitate communication, application and approval.
- Expanding free tuition to employee dependents is under assessment. ?Volunteers?

CAMPUS PROJECTS UPDATE



Potomac
Place

- On Time
- On Budget
- At Capacity



Sara Cree
Hall

- Mitigation Completed
- Demo Begins in May



Knutti Hall
Boiler
House

- Chimney Uncapped



Underpass
Art Project

- Art Department
- Gifted Monies

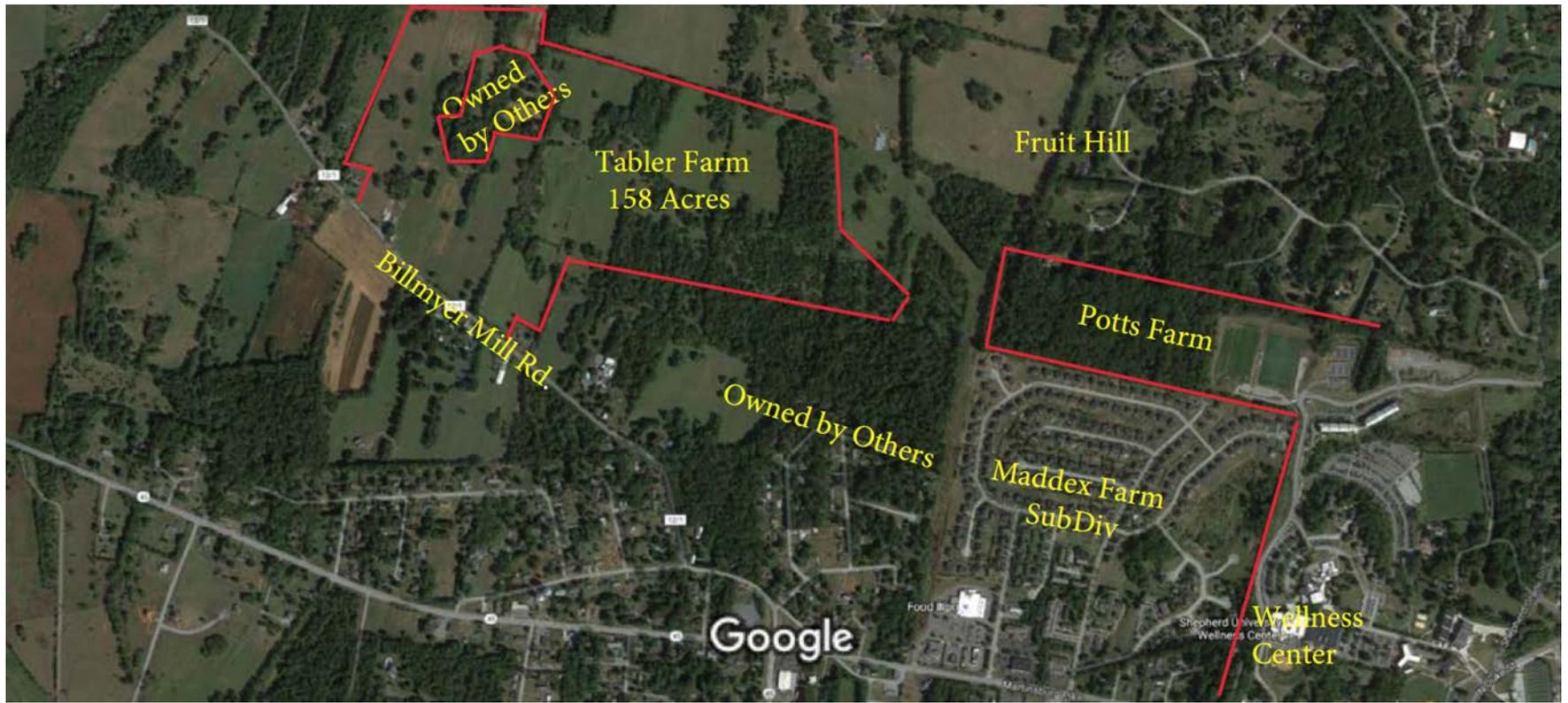
Buildings Coming Offline 5/17: Turner Hall and Kenamond Hall

MEDICAL CLINIC TIMELINE

| Event | Time Period |
|--|----------------------------|
| Presentation to Board of Governor's for free standing, on-campus medical facility to serve both the campus and the community | April 2016 |
| Potential partners conducted project feasibility studies | April 2016 – January 2017 |
| University notified by potential partner all new construction projects cancelled | January 2017 |
| University and potential partner study lower cost approach to project | February 2017 – March 2017 |
| Architectural study of existing space for medical clinic underway | March 2017 |

TABLER FARM: FUTURE DEVELOPMENT SITE FOR SHEPHERD'S INITIATIVES

(Student and Veteran Training Program in Sustainable Food Production and Marketing)



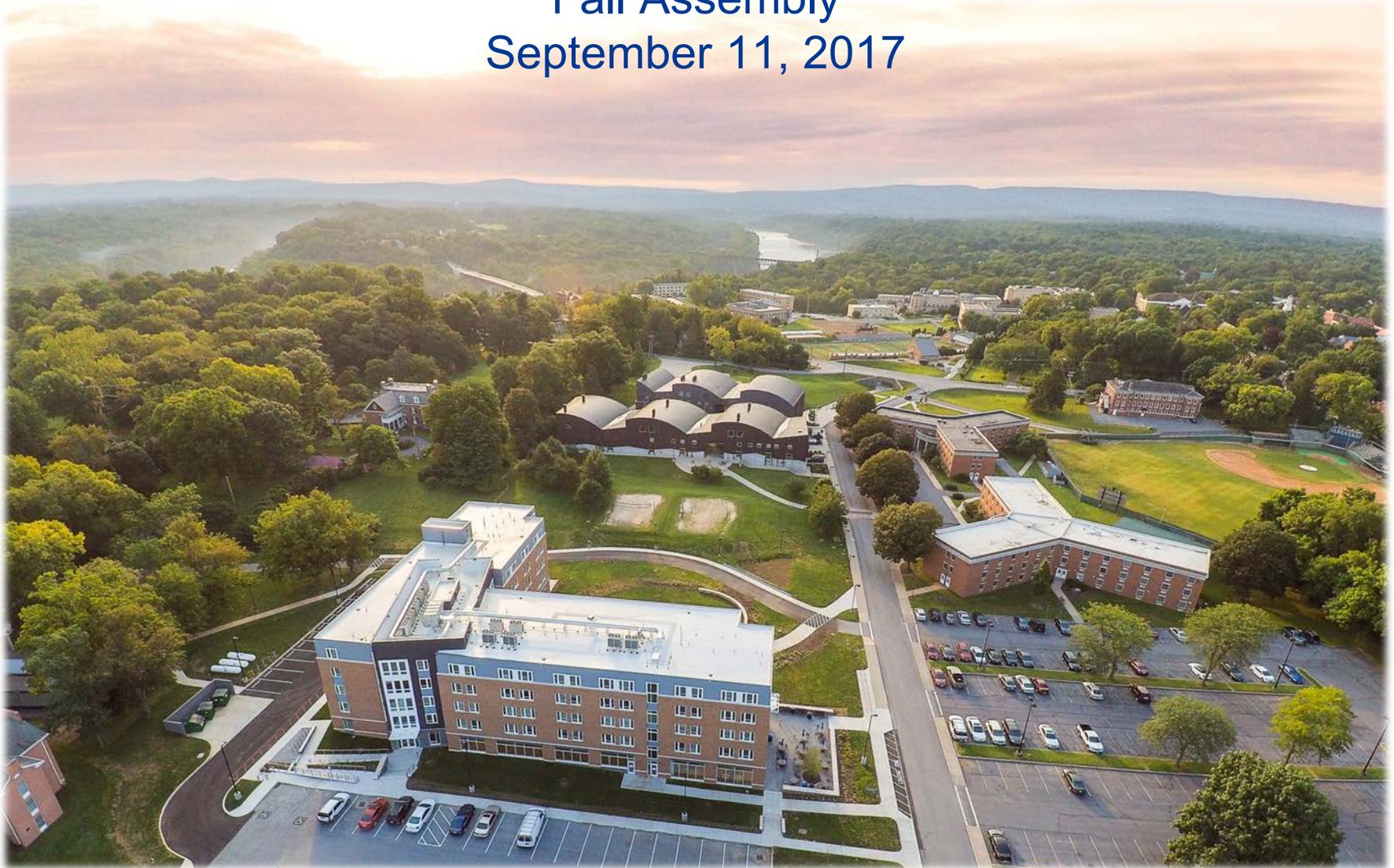
Shepherd University

Innovative Education for
West Virginia's Future Economy



Overview of Institutional Priorities

President's Report
Fall Assembly
September 11, 2017



Primary Goal: Attain financial stability to provide a world-class liberal arts education for the next generation of professional leaders and model citizens, and to serve as an educational resource for the community.



- Priority 1: To invest strategically in a regional recruiter to focus on recruitment efforts in Loudoun County and Fairfax County - - to impact enrollment.
- Priority 2: To expand the Office of Sponsored Programs (OSP) to support proposal writing and pre- and post-award services to PIs. (Director of OSP, Jessica Kump; Director of Strategic Research Initiatives, Dr. Jason Best)
- Priority 3: To increase extramural funding by at least 10% each year over the next five years to achieve a minimum of \$3 million annually.
- Priority 4: To advance public/private partnerships through Shepherd's Entrepreneurship and Research Corporation (SERC) - - to support ongoing and new initiatives.

Enrollment Management

- Shepherd Enrollment Fall 2017
- Enrollment Strategies 2017-2018 (Fall 2018)



Fall 2017 Enrollment

Continuing Undergraduate Students

- Continuing undergraduate (UG) students is lagging by 7% compared to Fall 2016
- 80% of UG students persisted from spring 2017 to Fall 2017 (+10% improvement when compared to last two years)

New Undergraduate Students

- Freshmen student enrollment is up 4.9% when compared to Fall 2016
- Transfer student enrollment is even with Fall 2016

New and Continuing Graduate Students

- Graduate student enrollment is up 5% compared to Fall 2016

Overall degree-seeking student enrollment is improving when compared to Fall 2015 and 2016.

Fall 2017 Enrollment census will be taken at the beginning of October.

Moving Forward – Key Strategies for 2017-2018 (Fall 2018)

Marketing and Recruiting

- Ramping up Digital Marketing Campaign
- Regional Recruiter - Loudoun and Fairfax Counties
- Leverage Scholarships and Aid (Metro Scholarship and Academic Department Tuition Waivers)
- Multicultural Student Recruiting Initiative
- Community College Partnerships, 2+2 Articulation Agreements
- High School Dual Enrollment to FT Degree Seeking Pipeline - Fall 2018

Student Success (Retention)

- Shepherd Success Academy-35 students currently participating in the Academy
- Probation Recovery Program
- Summer Enrollment and Housing (Summer 2018)

Financial Overview

- Situation Analysis
- Five-Year Plan
- Actions



Situation Analysis

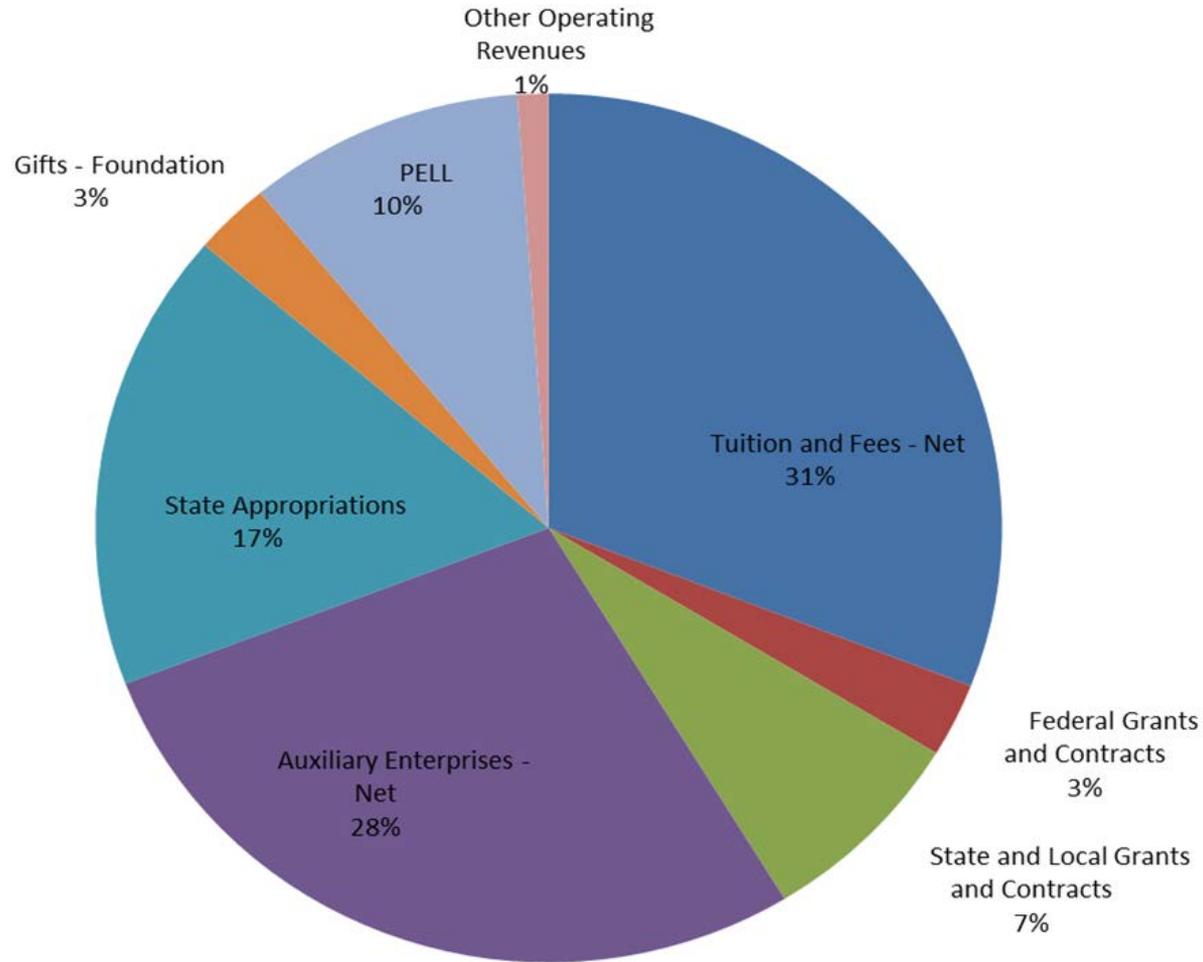
EXPENDITURES EXCEED REVENUES!

Continuing Decline in Revenues:

- Reduction in State Appropriations
- Reduction in Tuition and Fee and Auxiliary Revenues due to declining student enrollments

Declining Cash Reserves

FY2018 Revenue Budget



ACTIONS for FY2017

- \$3 Million Reduction in Expenditures from FY2017 Budget Base:
 - Elimination of ALL Nonessential Administrative Travel
 - Review of ALL New Position Postings
 - “Sweeping” of ALL Departmental Capital Expenditures
 - Significant Reduction of Capital Projects to Preserve Cash
 - RFP to Outsource Bookstore
 - FY2018 Budget Based on Actual FY2017
 - Energy Savings
 - Contractor Savings
 - Vacancy Savings
 - Martinsburg Reduction
 - Closure of Early Learning Center

ACTIONS for FY2018

- \$2.7 Million Reduction Needed in Expenditures from FY2018 Base:
 - Pure Reduction Approach in Expenses by Function:
 - Instruction
 - Academic Support
 - Student Services
 - Institutional Support
 - Auxiliary Expenses
 - Combination Approach of “New” Revenue and Expense Reduction to Net \$2.7Million
 - EXAMPLE:
 - \$542,500 “New Revenue” (50 “New Students” at \$10,850) Blended Tuition and Fee Rate
 - \$2,157,500 in Expense Reduction
 - Other new sources of revenue will result in less expense reduction

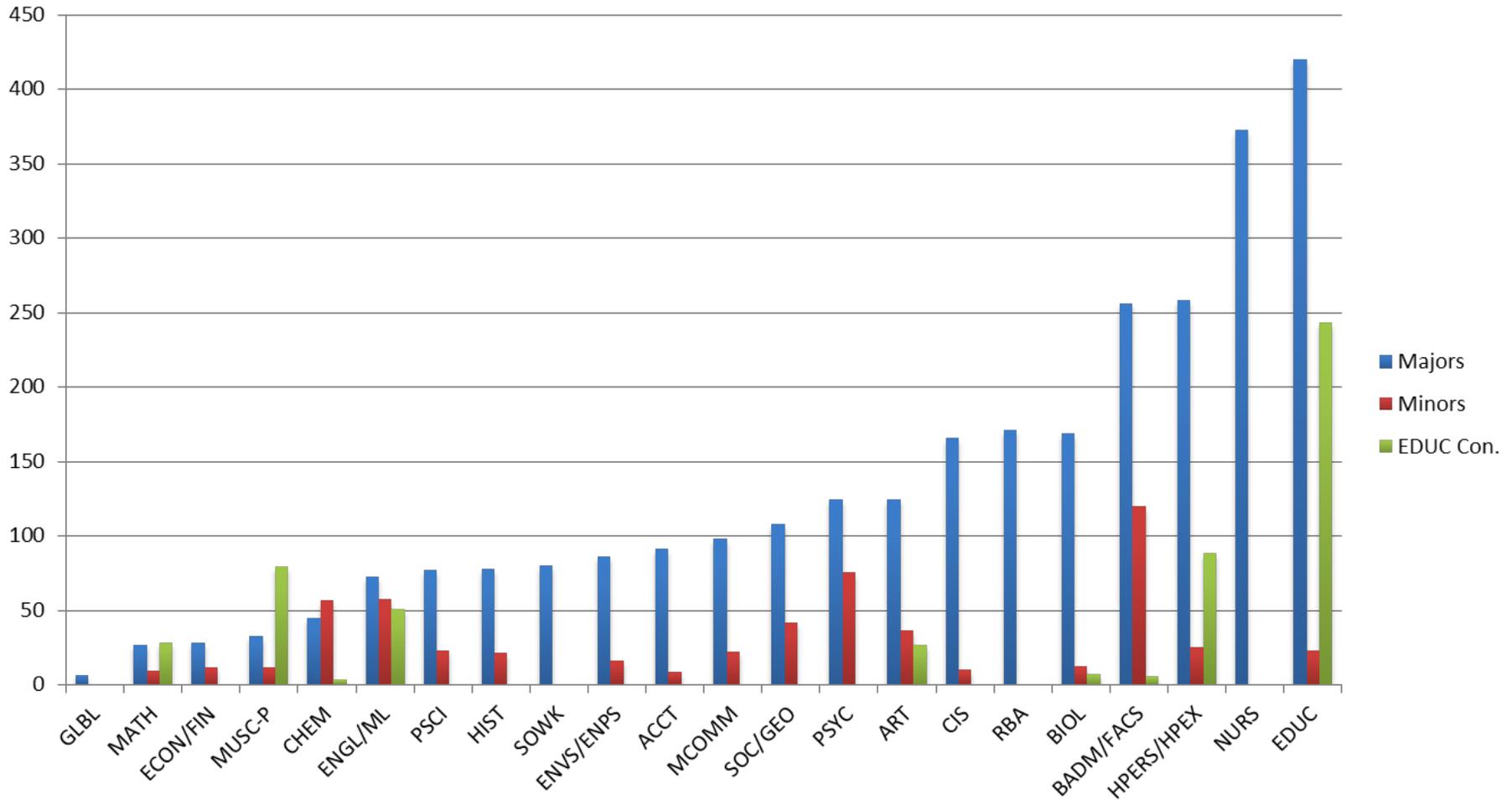
Academic Affairs



Academic Program Evaluation Metrics



SU Mean Number of Majors Program Area 2012-2016

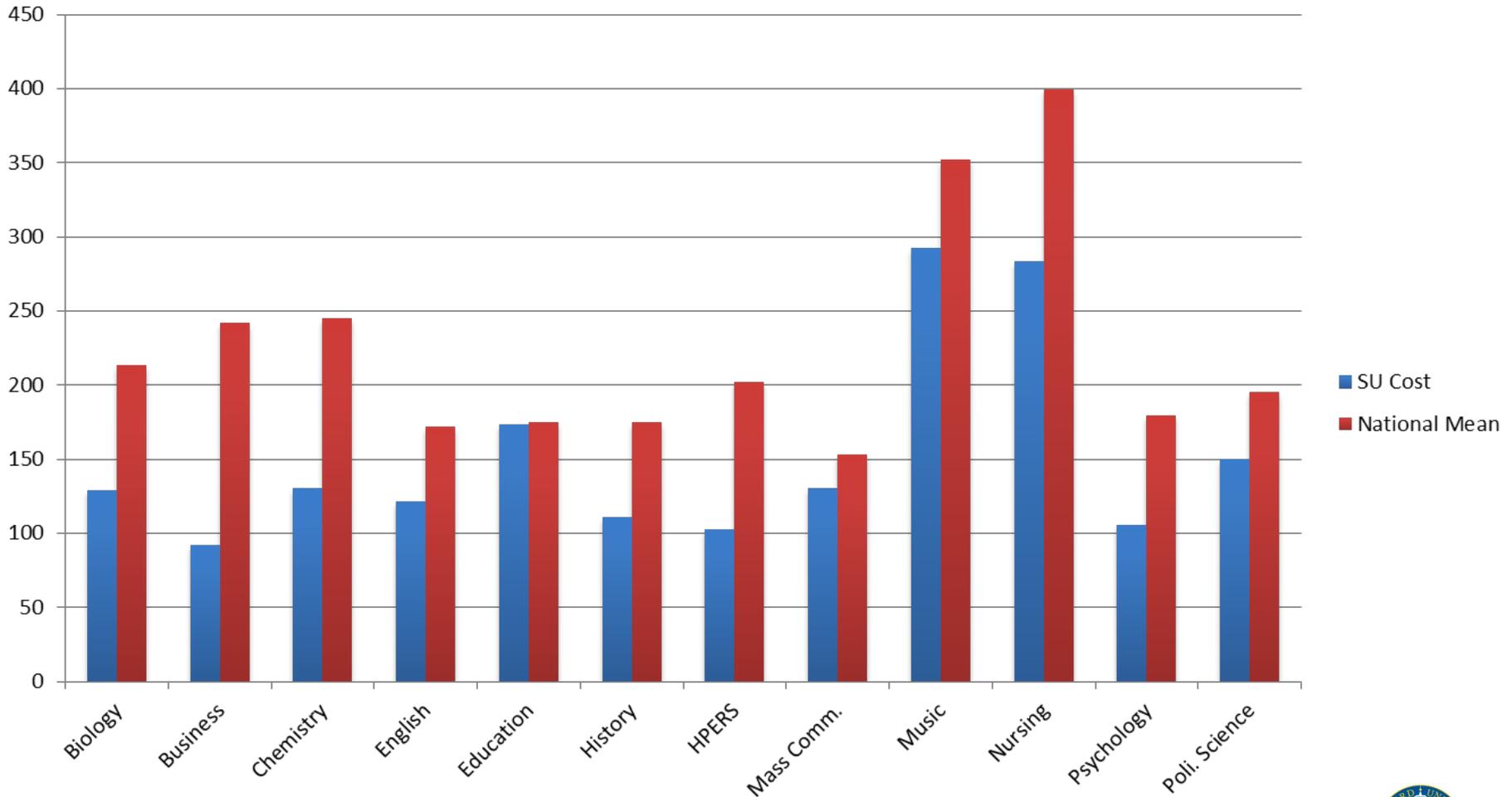


Delaware Cost Study

- Universal tool for benchmarking instructional costs, research, and public service; expenditures at the academic discipline level;
- Assists institutional data and unit alignment;
- Assists in identifying cost distortions;
- Ideal for program reviews and accreditation; and
- Ideal for establishing new program or department projections.

Delaware Cost Study

Comparison of Instructional Expenditure per SCH



What's new on the horizon



New Initiatives

- To enhance the student experience
- To advance Shepherd University's reputation
- To create new sources of revenue

“Projecting a positive image and outlook”

To enhance the student experience

Potomac Place



Commuter Lounge



Commuter Parking Lot



To advance Shepherd University's reputation

WV Research and Innovation Event at Shepherd University in partnership with Research!America

October 16, 2017 PROGRAM

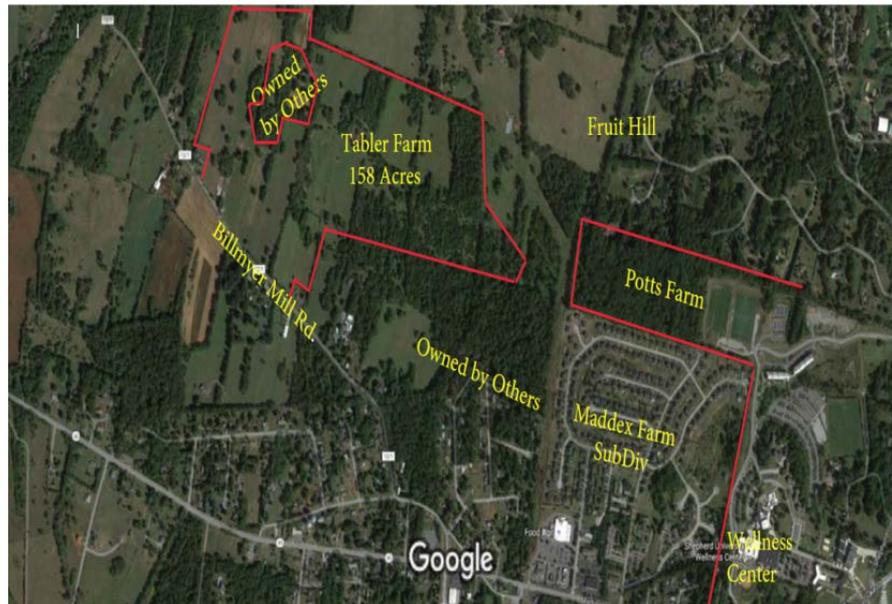
- 9:30 a.m. By invitation only...Private coffee with Senators Capito and Manchin, Presidents from West Virginia colleges and universities and Platinum Sponsors
- 10 a.m. Introduction of Shepherd University President Mary J.C. Hendrix by Dr. Ray Smock, Director of the Robert C. Byrd Center for Congressional History and Education
- 10:05 a.m. President Hendrix to introduce Senator Joe Manchin
- 10:35 a.m. President Hendrix to introduce Senator Shelley Moore Capito
- 11:05 a.m. Mary Woolley, President, Research!America, Results of the Survey of West Virginians
- 11:13 a.m. Brad Fenwick, D.V.M., M.S., Ph.D., DACVM, Senior Vice President of Global Strategic Alliances, Elsevier
- 11:20 a.m. Panel Discussion and Q&A
- Rear Admiral James C. "Jim" Olson, USCG (ret.), U.S. Interdiction Coordinator, Office of National Drug Control Policy, Executive Office of the President - *Alarming Drug Use in America*
 - Marcia K. Brand, Ph.D., Senior Advisor, Dental Quest Foundation - *Improving Health Outcomes in Rural Appalachia*
 - Fred White, Senior Director of Business Development, ABS Consulting - *Investing in West Virginia*
 - Cannon Wadsworth, Director, State and Commercial Programs at Global Science & Technology, Inc. - *Research and Innovation*
 - Brad Fenwick, D.V.M., M.S., Ph.D., DACVM, Senior Vice President of Global Strategic Alliances, Elsevier - *West Virginia's Knowledge Economy*
- Moderator:* Judy Miller Jones, Founding Director, National Health Policy Forum
- 12:30 p.m. A networking lunch will follow the program in the Robert C. Byrd Center for Congressional History and Education rotunda.
- 1:30 p.m. Tour of the Robert C. Byrd Center for Congressional History and Education Congressional Collections

To advance Shepherd University's reputation

- Last spring a total of 165 individuals attended a Lifelong Learning course, event, tour or lecture.
- FY2018 President's Lecture Series
 - September 19, 2017 - "The Environmental Sources of Lead and the Potential Effects of the Continuing Exposure to Lead for Children and Adults"
 - October 23, 2017 - "Discussion of American Intelligence Community from World War II to 2000 and Evolution of CIA"
 - November 27, 2017 - "Artificial Intelligence, the Promise and Peril"
- Innovation Seminar and Networking Series
 - September 12, 2017 - "Intuition + Analytics → Innovation"
 - October 10, 2017 - "Knowledge Management, Trust, and Innovation"
 - November 14, 2017 - "Business Process Mining for Innovation"
- Biennial Symposium, Humanities in the 21st Century
 - October 26 and 27, 2017 - "Humanities and the Environment"
 - www.shepherd.edu/humanities

To create new sources of revenue

- Development of Tabler Farm



- Vets-to-Ag project (USDA and Shepherd Success Fund); director position announced (new enrollments)
- Entrepreneurship and food sustainability
- Solar panels for energy production

To create new sources of revenue

- Development of a venue to host outdoor entertainment events similar to Ravinia and Wolf Trap

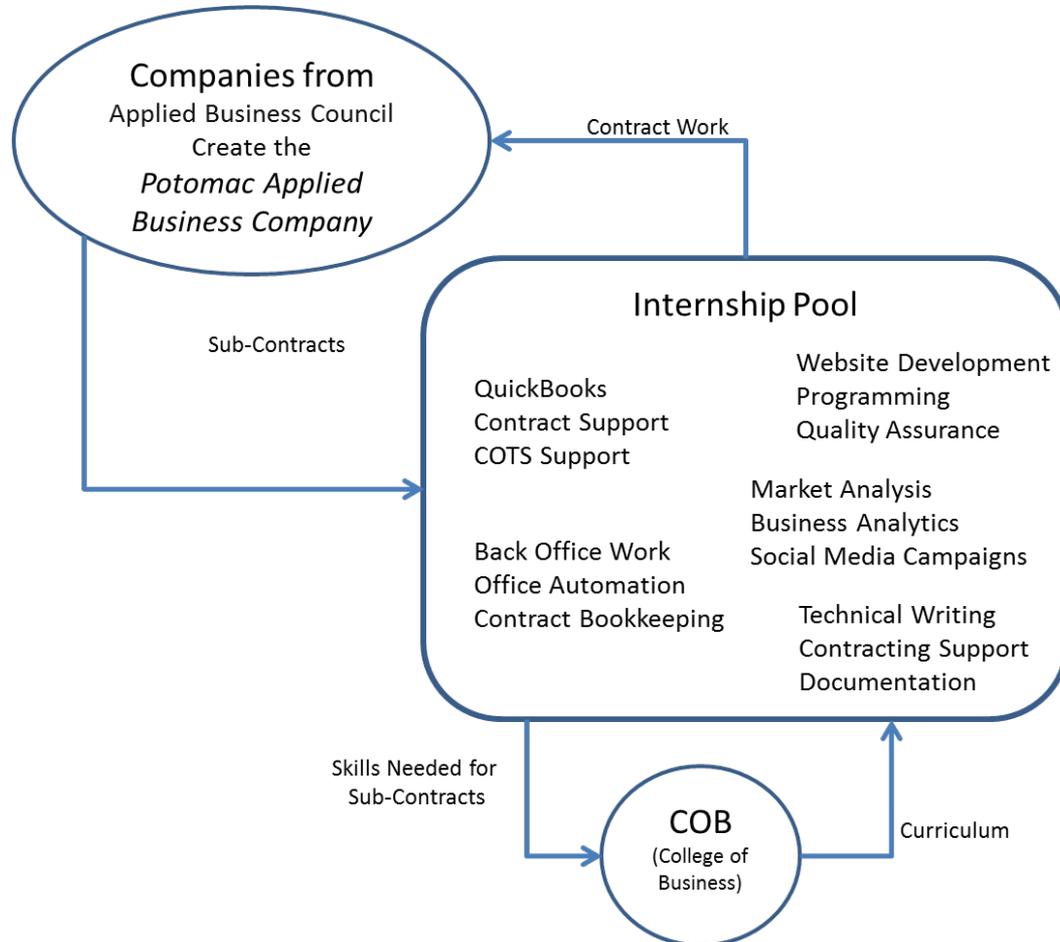
Potomac Performance Pavilion

The site of future revenue.



To create new sources of revenue

President's Club and Shepherd Success Fund to Support Project Applied Business Pipeline



- 10 work stations
- 2 students/station
- 20 work spaces
- One model: Shepherd charges \$1K/space = \$20K/year
- Students are paid \$3K/each x 20 = \$60K/year

**SHEPHERD UNIVERSITY
BOARD OF GOVERNORS**

**August 29, 2017
10:00 a.m. – 2:30 p.m.**

**Student Center
Cumberland Room #223
Shepherdstown, WV**

Board of Governors and Executive Leadership Team

RETREAT AGENDA

| | | |
|-------------------------|--|---|
| 9:30 a.m. | Coffee, tea and continental breakfast available | |
| 10:00 – 10:15 a.m. | Welcome and overview of institutional priorities | Gat Caperton and President Mary J.C. Hendrix |
| 10:20 – 11:10 a.m. | Enrollment Management trends and targets | Bill Sommers, Vice President for Enrollment Management |
| 11:15 a.m. – 11:30 a.m. | Financial overview (FY'18 – FY'22) | Tony Major, Vice President for Finance |
| 11:30 a.m. – 12 noon | Academic Affairs overview | Scott Beard, Acting Provost |
| 12 noon – 12:45 p.m. | Lunch and presentation of new initiatives and Foundation support | President Hendrix and Monica Lingenfelter, Executive Vice President Shepherd Foundation |
| 1:00 – 2:00 p.m. | Strategies to address challenges and mitigate risk | James Vigil, Vice President for Administration, BoGs, ELT |
| 2:00 – 2:30 p.m. | Next steps | Gat Caperton and President Hendrix |

Goal: For Shepherd University's Executive Leadership Team to present current financial challenges and data-driven solutions to inform the retreat discussion with the Board of Governors.

Overview of Institutional Priorities

Shepherd University
Board of Governors Retreat
August 29, 2017



Primary Goal: Attain financial stability to provide a world-class liberal arts education for the next generation of leaders and model citizens, and to serve as an educational resource for the community.

- 
- Priority 1: To invest strategically in a regional recruiter to focus on recruitment efforts in Loudoun County and Fairfax County - - to impact enrollment.
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Enrollment Management

- Situation Analysis
- Shepherd Enrollment Current and Future
- Enrollment Opportunities



Situation Analysis - Regional and National Trends

- Dwindling State Support Nationally, Regionally, and in West Virginia
- The perceived value of earning a college degree is being questioned, particularly in light of increased costs of attendance and debt following graduation
- The high school-aged student population will continue to decline and/or become increasingly diverse
- Competition among public, private non-profit, and proprietary colleges and universities for students will continue to intensify (Buyers Market)



Situation Analysis - FTIC Demographic Trends

- West Virginia high school graduates are not projected to increase with a slight decrease in White high school graduates.
 - West Virginia's going rate is ~54%
- Maryland will experience a 2.8% increase by 2024-2025 with White high school graduates continuing to decline and Non-white continuing to increase.
 - Maryland's college going rate is ~64%
- Virginia will experience a 6.3% increase by 2024-2025 with White high school graduates continuing to decline and Non-white continuing to increase.
 - Virginia's college going rate is ~63%
- The District of Columbia is projected to increase 3.2% by 2024-2025. High school students are eligible to apply for the \$10K, DC TAG (Tuition Assistant Grant) program.

Source: Western Interstate Commission for Higher Education, Knocking at the College Door, December 2016



Situation Analysis - Shepherd University 2011-2016

Undergraduate (UG) Enrollment

- Enrollment peak, Fall 2011, 3,836 (FT/PT) degree students
- Enrollment, Fall 2016, 3,095 (FT/PT) degree students
 - Enrollment Driver: Decrease in out-of-state students
 - Enrollment Driver: Increase in UG student attrition

Graduate (G) Enrollment

- Master's degree enrollment has remained flat since 2011 at ~170 students
- Fall 2016 - Master's 151 + 22 DNP students = 173 total graduate enrollment

Non-degree Enrollment

- UG and G non-degree enrollments have grown ~7% since Fall 2011

Sources: Shepherd Institutional Research and HEPC, West Virginia Higher Education Report Card 2016



Shepherd Enrollment - Fall 2017 Enrollment Build

(Point-in-time, as of 8/24/17)

Continuing UG degree seeking students

- 81% of UG students have registered for Fall 2017. Increase of 10% compared to last year.
- Currently at 101% of our Fall 2017 target

New UG Students (Freshmen and Transfer)

- Registrations are up 1% compared to Fall 2016
- Currently at 106% of our Fall 2017 target

Graduate Students

- Registrations are up 23 (new and continuing students) compared to Fall 2016
- Currently at 106% of our Fall 2017 target

Non-degree Students

- Registrations are up over 150 non-degree students compared to Fall 2016
- 61 High School Dual Enrollment students compared to 16 students, Fall 2016

Total Degree-seeking Enrollment

- 3196 UG and G students are registered for Fall 2017- 102% of our Fall 2017 target

Important Enrollment Build Dates

- **Registration Drop/Add week, August 28th-September 1st**
- **Drop for Non-payment, September 13th**
- **Official Enrollment Census, ~October 2nd**

Shepherd Enrollment Current and Future

| Headcount by Segment | Fall Census 2016 Actual | Fall Census 2017 Estimate | Fall Census 2018 Target | Fall Census 2019 Target | Fall Census 2020 Target |
|----------------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| Continuing UG | 2,117 | 1,966 | 1,980-2,000 | 2,000-2,010 | 2,010-2,030 |
| New FTIC | 564 | 580 | 590-600 | 600-610 | 610-620 |
| New Transfer | 362 | 350 | 360 | 370 | 375 |
| Re-admit | 51 | 50 | 50 | 50 | 50 |
| New and Continuing G | 157 | 170 | 180 | 190 | 200 |
| Degree-seeking Enrollment | 3,241 | 3,116 | 3,160-3,190 | 3,210-3,230 | 3,245-3,275 |
| Non-degree UG and G | 595 | 400 | 400 | 400 | 450 |
| University Enrollment | 3,836 | 3,516 | 3,560-3,590 | 3,610-3,630 | 3,695-3,725 |

Targets Based on Multiple Sources:

- Shepherd University Institutional Research
- WICHE, Knocking at the College Door 2016
- Maryland, Virginia, and Pennsylvania, Department of Education, High School Enrollment Reports
- WVHEPC 2016 Report Card

Enrollment Opportunities – Key Tactics for Fall 2018

Marketing-Strengthen the Shepherd Brand

- Digital Marketing Campaign

Recruitment-Focus on high yield opportunities

- Regional UG Recruiter - Loudoun and Fairfax Counties
- Multicultural Recruitment Program
- Leverage Scholarships and Aid (Metro Scholarship)
- New UG Majors and G Degree
- Community College Partnerships, 2+2 Articulation Agreements
- High School Dual Enrollment to FT Degree Seeking Pipeline

Student Success (Retention)

- Shepherd Success Academy
- Probation Recovery Program
- Summer Enrollment and Housing (Summer 2018)



Success Metrics Estimates by Fall 2018

- Digital Marketing Campaign - Re-targeting and Geo-fencing
 - Targeting Montgomery, Loudoun and Fairfax counties = 600,000+
- Regional UG Recruiter - Loudoun and Fairfax Counties
 - Doubling High School Visits - Applications +25%
- Leverage Scholarships and Aid (Metro Scholarship)
 - Expand Metro Scholarship to all counties in VA and MD = +40 students based on Fall 2017 numbers and conversion percentages. A deeper analysis is in process.
- New UG Majors and G Degree
 - New UG majors = 15-20 applicants
 - New G degree = 8-10 applicants
- High School Dual Enrollment to FT Degree Seeking Pipeline
 - HS Seniors conversion Fall 2018 = ~20-25 students

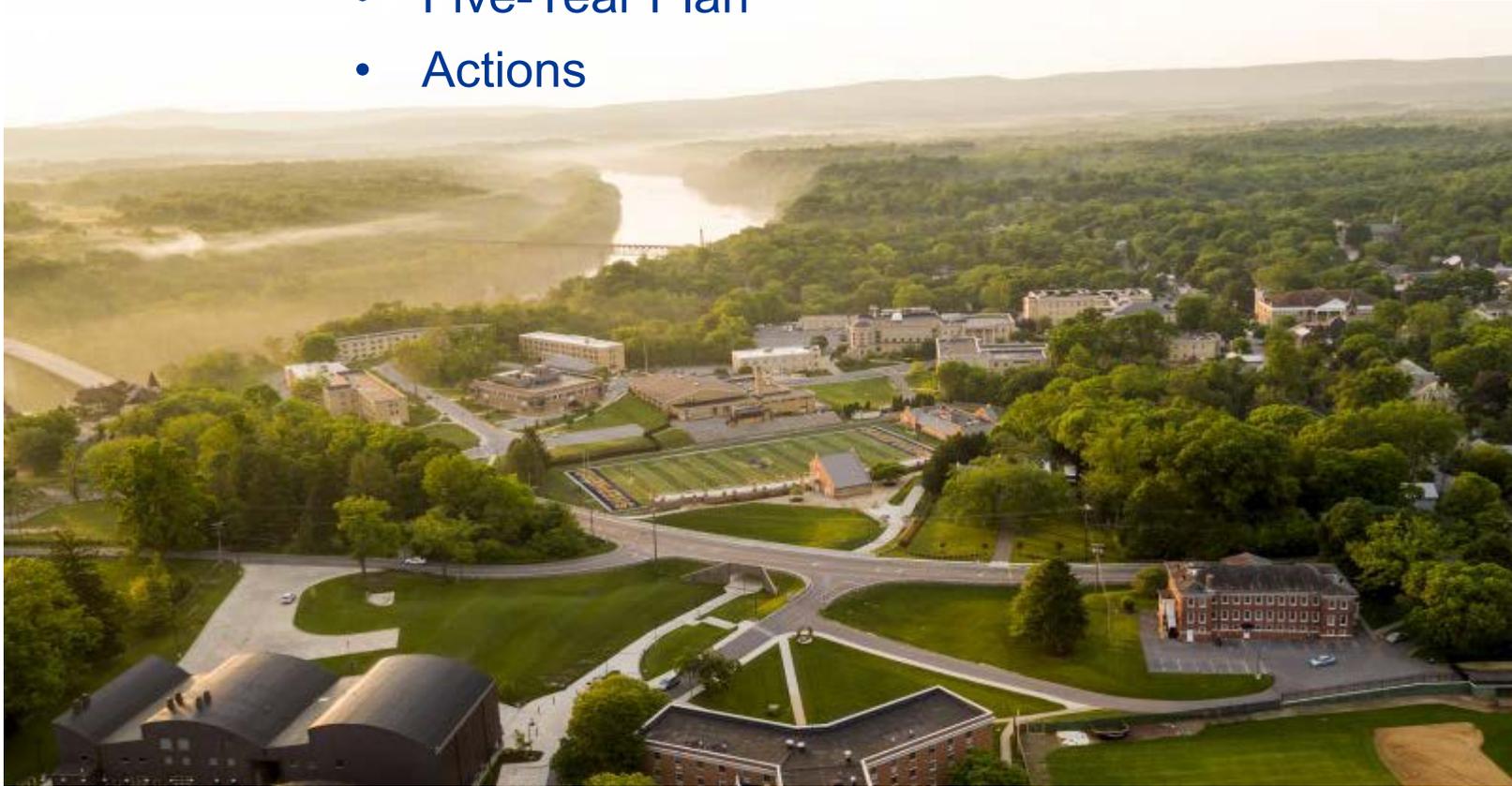
Student Success (Retention)

- UG degree seeking persistence rate of 80% from spring 2018 to fall 2018
 - Shepherd Success Academy
 - 90% persistence rate fall to spring
- Probation Recovery Program



Financial Overview

- Situation Analysis
- Five-Year Plan
- Actions



Situation Analysis

EXPENDITURES EXCEED REVENUES!

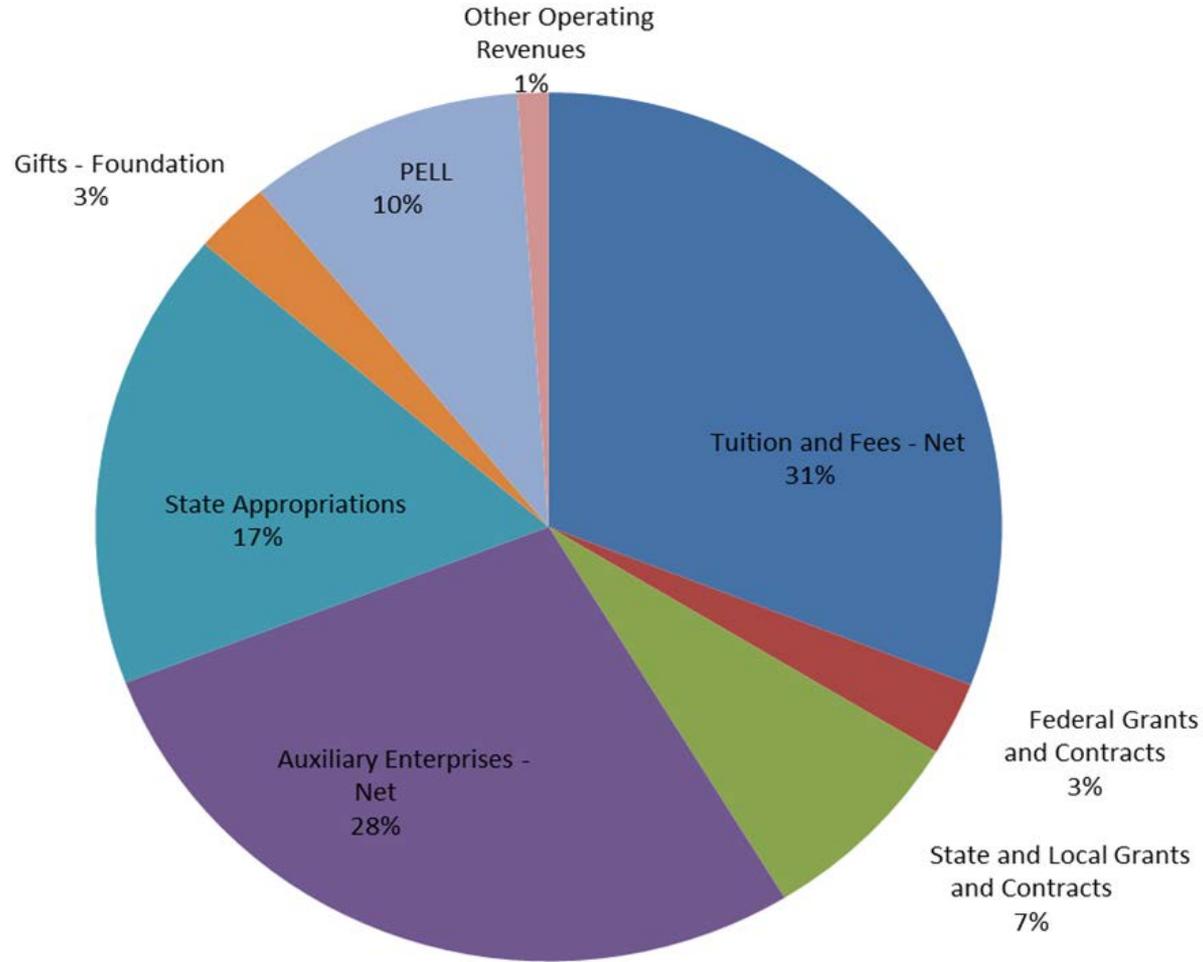
Continuing Decline in Revenues:

- Reduction in State Appropriations
- Reduction in Tuition and Fee and Auxiliary Revenues due to declining student enrollments

Declining Cash Reserves



FY2018 Revenue Budget



FY2018 Operating Scenario

Cash Flow Projection - 5 Years (Dollars in Thousands)

| | AUDITED | Projection | Budget | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | <u>FY16</u> | <u>FY17</u> | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
| TOTAL OPERATING REVENUES | 56,650 | 54,898 | 54,695 | 54,550 | 56,105 | 57,740 | 59,450 |
| TOTAL OPERATING EXPENSES | 60,924 | 62,078 | 60,790 | 57,830 | 58,390 | 60,245 | 60,625 |
| Increase (Decrease) in Net Assets | <u>(4,274)</u> | <u>(7,180)</u> | <u>(6,095)</u> | <u>(3,280)</u> | <u>(2,285)</u> | <u>(2,505)</u> | <u>(1,175)</u> |
| Increase (Decrease) in Cash | (1,619) | (3,893) | (2,670) | 90 | 1,029 | 871 | 846 |
| Ending Cash | <u>16,260</u> | <u>12,367</u> | <u>9,697</u> | <u>9,787</u> | <u>10,816</u> | <u>11,687</u> | <u>12,533</u> |
| Days Cash | 116 | 87 | 70 | 75 | 80 | 85 | 90 |



ACTIONS for FY2017

- \$3 Million Reduction in Expenditures from FY2017 Budget Base:
 - Elimination of ALL Nonessential Administrative Travel
 - Review of ALL New Position Postings
 - “Sweeping” of ALL Departmental Capital Expenditures
 - Significant Reduction of Capital Projects to Preserve Cash
 - RFP to Outsource Bookstore
 - FY2018 Budget Based on Actual FY2017
 - Energy Savings
 - Contractor Savings
 - Vacancy Savings
 - Martinsburg Reduction
 - Closure of Early Learning Center



ACTIONS for FY2018

- \$3.129 Million Reduction Needed in Expenditures from FY2018 Base:
 - Pure Reduction Approach in Expenses by Function:
 - Instruction - \$1.4 Million
 - Academic Support - \$307,000
 - Student Services - \$296,000
 - Institutional Support - \$490,000
 - Auxiliary Expenses - \$636,000
 - Combination Approach of “New” Revenue and Expense Reduction to Net \$3.129 Million
 - EXAMPLE:
 - \$542,500 “New Revenue” (50 “New Students” at \$10,850 Blended Tuition and Fee Rate)
 - \$2,586,500 in Expense Reduction
 - Other new sources of revenue will result in less expense reduction



Possible Furlough Plan - Draft

- Tiered – Based on Salary
- No Impact to Student Experience / Instruction
- Staff Savings of \$50,000 / Day
- Difficult to Implement
- Budget Deficit may be too Large for this to be a Viable Strategy



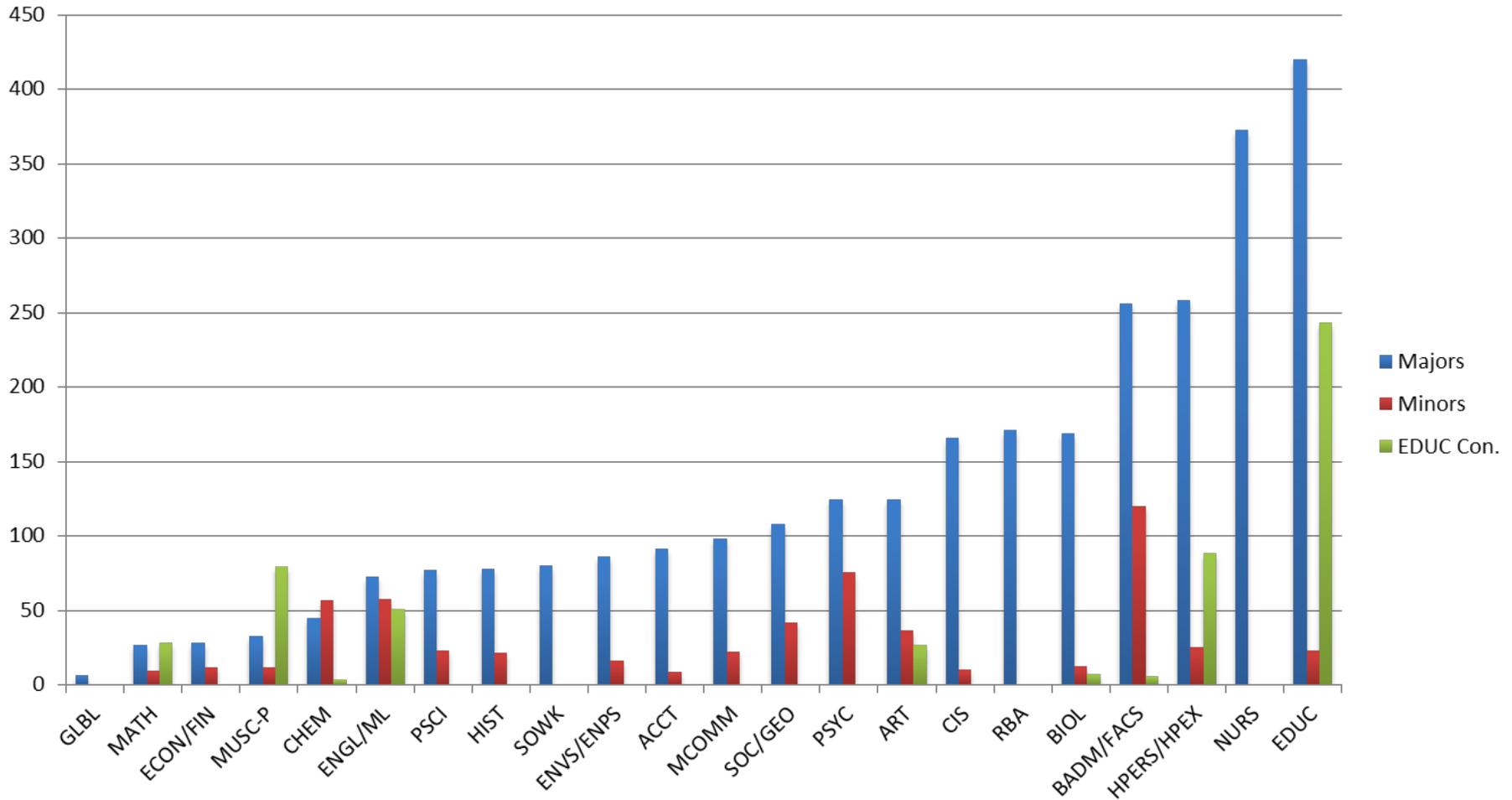
Academic Affairs



Academic Program Evaluation Metrics



SU Mean Number of Majors Program Area 2012-2016



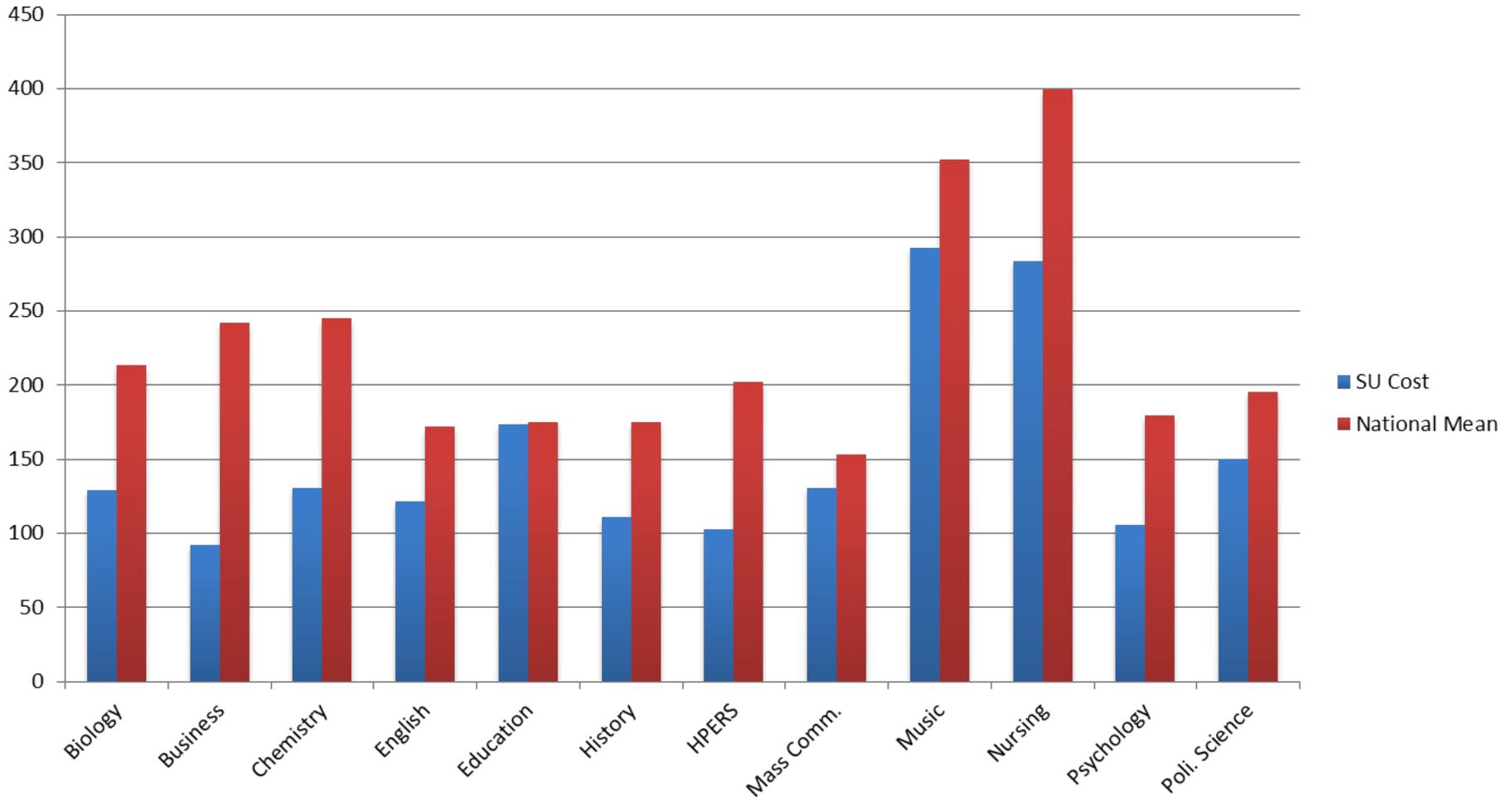
Delaware Cost Study

- Universal tool for benchmarking instructional costs, research, and public service; expenditures at the academic discipline level;
- Assists institutional data and unit alignment;
- Assists in identifying cost distortions;
- Ideal for program reviews and accreditation; and
- Ideal for establishing new program or department projections.



Delaware Cost Study

Comparison of Instructional Expenditure per SCH



Financial Scenarios to Reach in Academic Affairs

- Vacancies/retirements average four to five per year. Typical annual savings are in the range of \$300K or more. Outside of this, we will need to make decisions collaboratively about filling positions (10-13 folks leave Shepherd annually).
- Increase online course offerings 20% and increase the online course fee from \$35 to \$50 per credit hour with the goal to net \$100k or more in additional revenue, while also providing revenue sharing with the departments developing new online courses.
- Enhance operational efficiency to achieve \$450-650K in savings
 - Reduction in number of course sections and increased class size: \$100K. This will lead to a reduction in adjunct faculty.
 - Adjustments to the academic structure: \$100-200K
 - Re-evaluate use of additional instruction sites: potential \$100-200K
 - Adjustments where possible to the number of full-time faculty: \$140K



What's new on the horizon



New Initiatives

- To enhance the student experience
 - To advance Shepherd University's reputation
 - To create new sources of revenue
- “Projecting a positive image and outlook”

To enhance the student experience

Potomac Place



Commuter Lounge



Commuter Parking Lot



To advance Shepherd University's reputation

WV Research and Innovation Event at Shepherd University in partnership with Research!America

October 16, 2017 PROGRAM

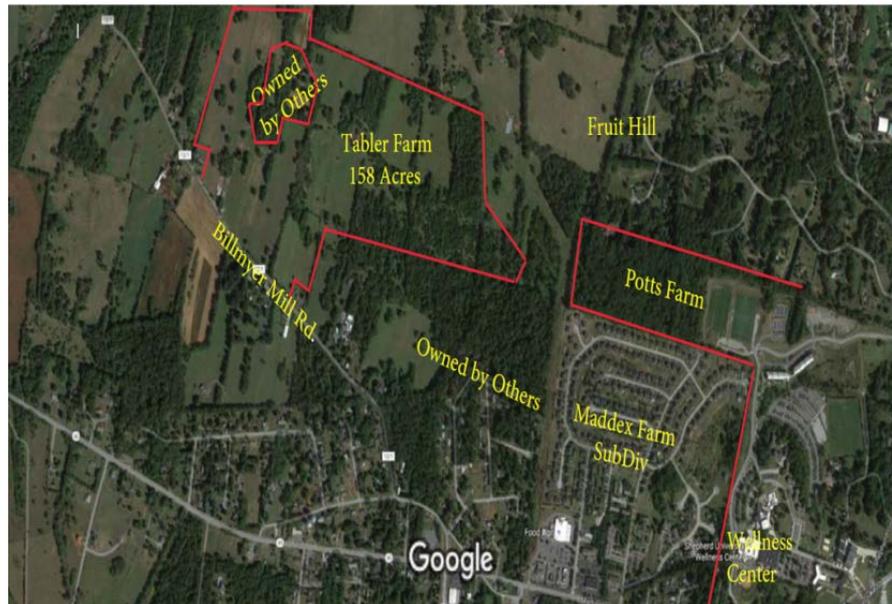
- 9:30 – 10 a.m. By invitation only...Private coffee with Senators Capito and Manchin, Presidents from West Virginia colleges and universities, and Platinum Sponsors
- 10 a.m. Introduction of Shepherd University President Mary J.C. Hendrix by Dr. Ray Smock, Director of the Robert C. Byrd Center for Congressional History and Education
- 10:05 – 10:30 a.m. President Mary J.C. Hendrix introduces Senator Manchin
- 10:35 – 11 a.m. President Hendrix introduces Senator Capito
- 11:05 a.m. Mary Woolley, President, [Research!America](#) - *Results of the Survey of West Virginians*
- 11:13 a.m. Brad Fenwick, D.V.M., M.S., Ph.D., DACVM, Senior Vice President of Global Strategic Alliances, Elsevier
- 11:20 a.m. Panel Discussion and Q&A
- Rear Admiral James C. "Jim" Olson, USCG (ret.), U.S. Interdiction Coordinator, Office of National Drug Control Policy, Executive Office of the President - *Alarming Drug Use in America*
 - Marcia K. Brand, Ph.D., Senior Advisor, Dental Quest Foundation - *Improving Health Outcomes in Rural Appalachia*
 - Fred White, Senior Director of Business Development, ABS Consulting - *Investing in West Virginia*
 - Cannon Wadsworth, Director, State and Commercial Programs at Global Science & Technology, Inc. - *Research and Innovation*
 - Brad Fenwick, D.V.M., M.S., Ph.D., DACVM, Senior Vice President of Global Strategic Alliances, Elsevier - *West Virginia's Knowledge Economy*
- Moderator:** Judy Miller Jones, Founding Director, National Health Policy Forum
- 12:30 p.m. A networking lunch will follow the program in the Robert C. Byrd Center for Congressional History and Education rotunda.
- 1:30 p.m. Tour of the Robert C. Byrd Center for Congressional History and Education Congressional Collections

To advance Shepherd University's reputation

- Last spring a total of 165 individuals attended a Lifelong Learning course, event, tour or lecture.
- FY2018 President's Lecture Series
 - September 19, 2017 - "The Environmental Sources of Lead and the Potential Effects of the Continuing Exposure to Lead for Children and Adults"
 - October 23, 2017 - "Discussion of American Intelligence Community from World War II to 2000 and Evolution of CIA"
 - November 27, 2017 - "Artificial Intelligence, the Promise and Peril"
- Innovation Seminar and Networking Series
 - September 12, 2017 - "Intuition + Analytics → Innovation"
 - October 10, 2017 - "Knowledge Management, Trust, and Innovation"
 - November 14, 2017 - "Business Process Mining for Innovation"
- Biennial Symposium, Humanities in the 21st Century
 - October 26 and 27, 2017 - "Humanities and the Environment"
 - www.shepherd.edu/humanities

To create new sources of revenue

- Development of Tabler Farm



- Vets-to-Ag project (USDA and Shepherd Success Fund); director position announced (new enrollments)
- Entrepreneurship and food sustainability
- Solar panels for energy production

To create new sources of revenue

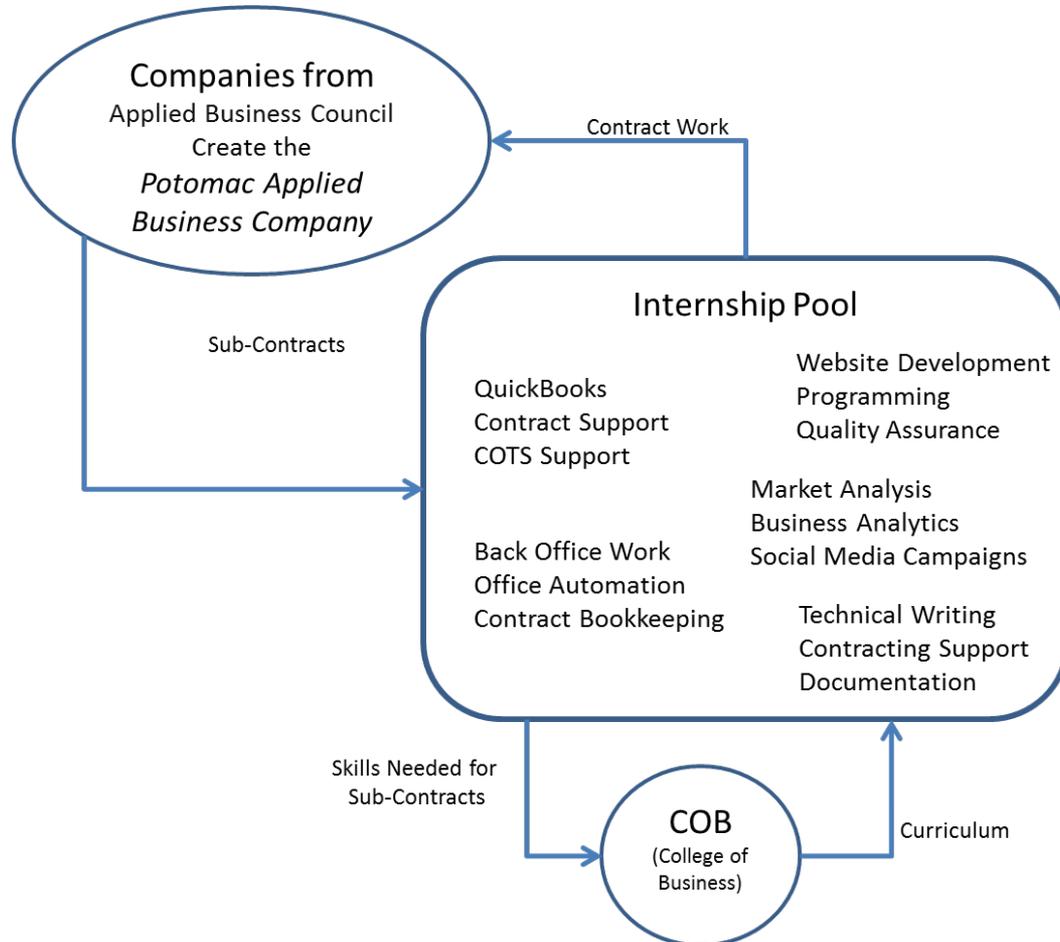
- Development of a venue to host outdoor entertainment events similar to Ravinia and Wolf Trap

Potomac Performance Pavilion
The site of future revenue



To create new sources of revenue

President's Club and Shepherd Success Fund to Support Project Applied Business Pipeline



- 10 work stations
- 2 students/station
- 20 work spaces
- One model: Shepherd charges \$1K/space = \$20K/year
- Students are paid \$3K/each x 20 = \$60K/year

The image features a large, modern university building with a mix of brick and white panels, set against a clear blue sky. The building has multiple stories and many windows. In the foreground, there is a paved walkway and a grassy area with a black lamppost. The text 'Shepherd UNIVERSITY FOUNDATION' is overlaid on the top right of the image.

Shepherd

UNIVERSITY
FOUNDATION

**How does the
Shepherd University Foundation
support the University?**

Established: Chartered in 1961 as a non-profit WV educational foundation for Shepherd University

Governance: Board of Directors (32 elected, appointed and at large)

Administration: Executive VP as chief executive officer reporting to board; 5 full-time staff members

Assets: Unaudited Estimates for June 30, 2017

Total Assets \$52.6m

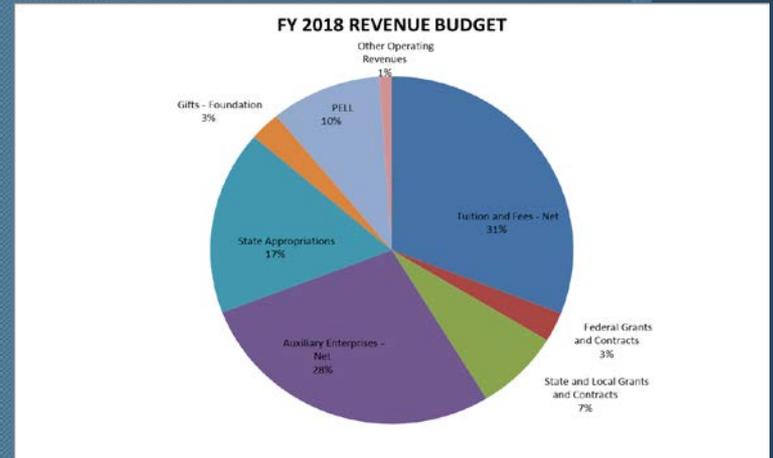
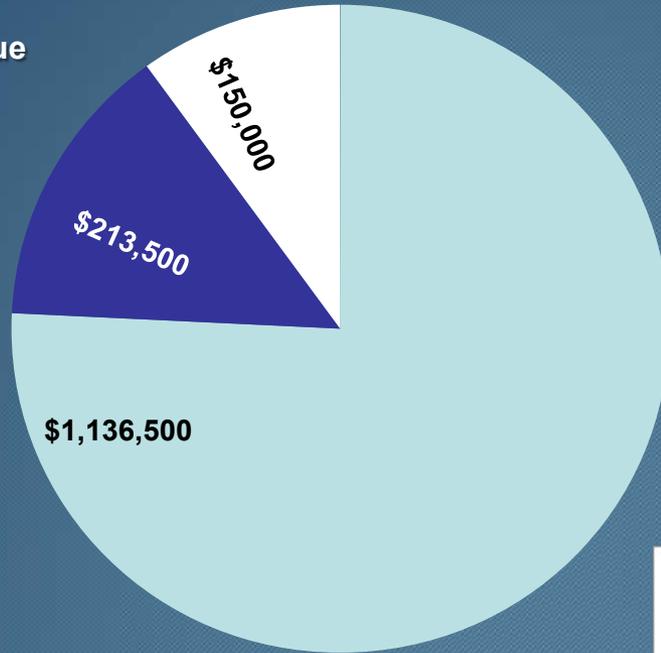
- Potomac Place Residence Hall \$22.4m
- Current and Invested Assets \$30.2m
 - Permanently Restricted 83%
 - Temporarily Restricted 15%
 - Unrestricted 2%

Custodial Services: Administer \$1.5m annually for the benefit of Shepherd University academic programs, athletics, and student organizations

Fiduciary Services: Fiduciary management for the Robert C. Byrd Center for Congressional History and Education (receipts, disbursements, payroll and benefits, financial reports, investments, and audit)

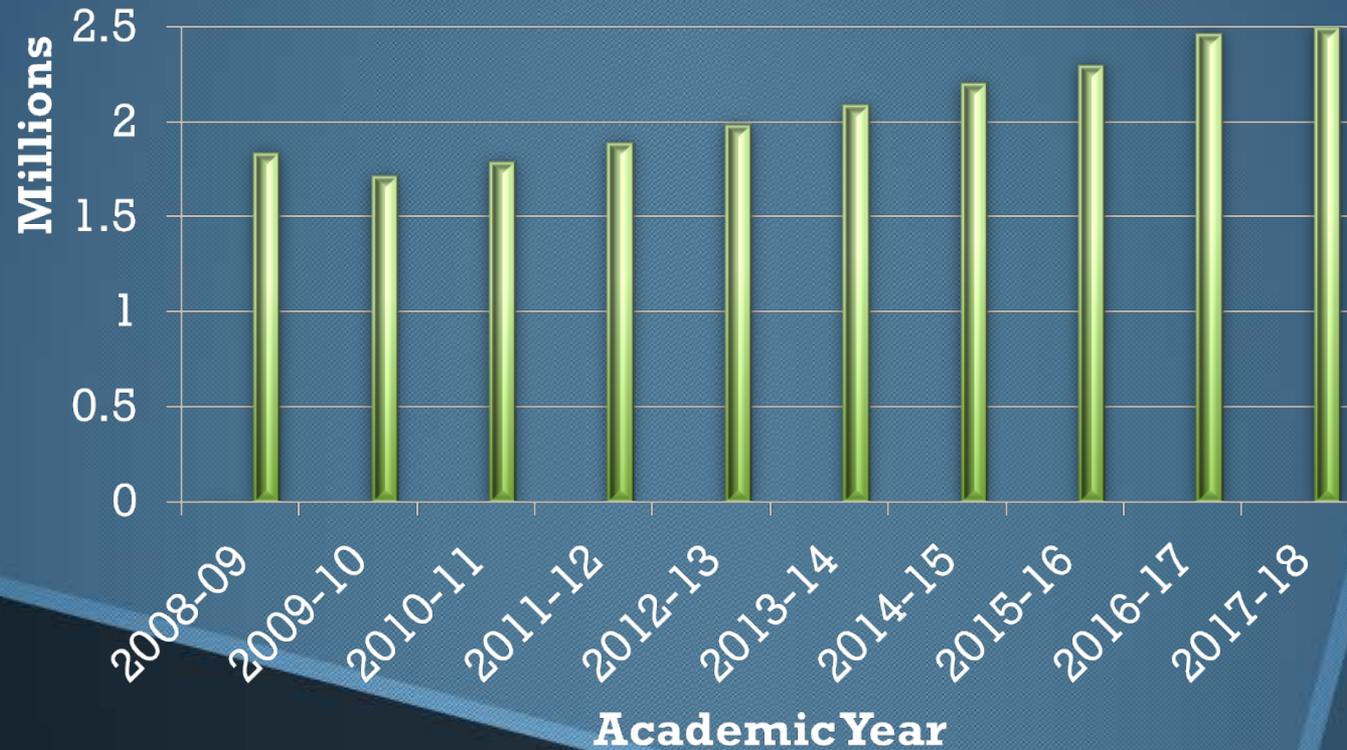
**Breakdown of 3%
Foundation Private Gifts
Shepherd FY2018 Revenue
Budget \$1.5m**

- Student Scholarships
- Program Support
- Faculty Excellence



10 Years of Foundation Funding Support

Total Support



A Look to the Future

Three Year Fund Raising Strategic Plan: Objective, Strategies and Metrics

Shepherd University Foundation Objective:

“To foster a growing, creative philanthropic culture within the Shepherd University sphere of influence by increasing the participation and generosity of alumni, friends, businesses, and foundations. ”

Focus on Targeted Campaigns

| | |
|--|--------------------|
| Student Athletic Performance Center (3 YRS)..... | \$2,000,000 |
| All-Steinway Campaign (5 YRS) | ...\$1,000,000 |
| Women’s Basketball 50 th Anniversary (5 YRS) .. | \$50,000 |
| Theater Major (4 YRS) | . \$440,000 |
| New Comprehensive Campaign |\$30,000,000 |

Ongoing Annual Giving Programs

| | |
|---------------------|--------------|
| WISH | .\$100,000 |
| Shepherd Fund | \$60,000 |
| President’s Club |\$60,000 |
| Scarborough Society | ..\$40,000 |
| Musical Showcase | . ..\$25,000 |

Support for ongoing programs such as Gridiron, AA Sustaining Membership, McMurrin Society, Women for Shepherd University, College of Business, Athletics, Byrd Center and more.

Major Cost Savings Initiatives for FY2018 and FY2019 to Sustain Reductions

Energy

- Conservation
 - FY2018 \$375K
- Renewable Energy
 - Potential Savings FY2019 TBD

Operational Efficiencies

- Early Learning Center
 - FY2018 \$90K
- Martinsburg Center
 - FY2018 \$100K
- Contractor Savings
 - FY2018 \$124K
- Vacancy Savings
 - FY2018 \$675K - \$725K
- VOIP
 - FY2019 \$100K

Outsourcing

- Bookstore
 - FY2018 \$100K
- Dining Services
 - Potential Net Revenue Increase
 - FY2019 \$300K
- Mail and Printing Services
 - Potential Savings FY2019 TBD

Cost Sharing

- CATF (for Example)
 - Current Institutional Support Calculated at \$325,000



All-Faculty Meeting September 25, 2017



OUR TASK from the SU-Board of Governors

RESOLVED FURTHER, That the Shepherd University Board of Governors directs the President to implement steps to complete a comprehensive review, in appropriate consultation with faculty and staff, of the academic and administrative structures of the University to improve efficiencies and effectiveness in the operations and management of the University, and to bring recommendations to the Board not later than **May 1, 2018**.



Academic Program Evaluation Metrics



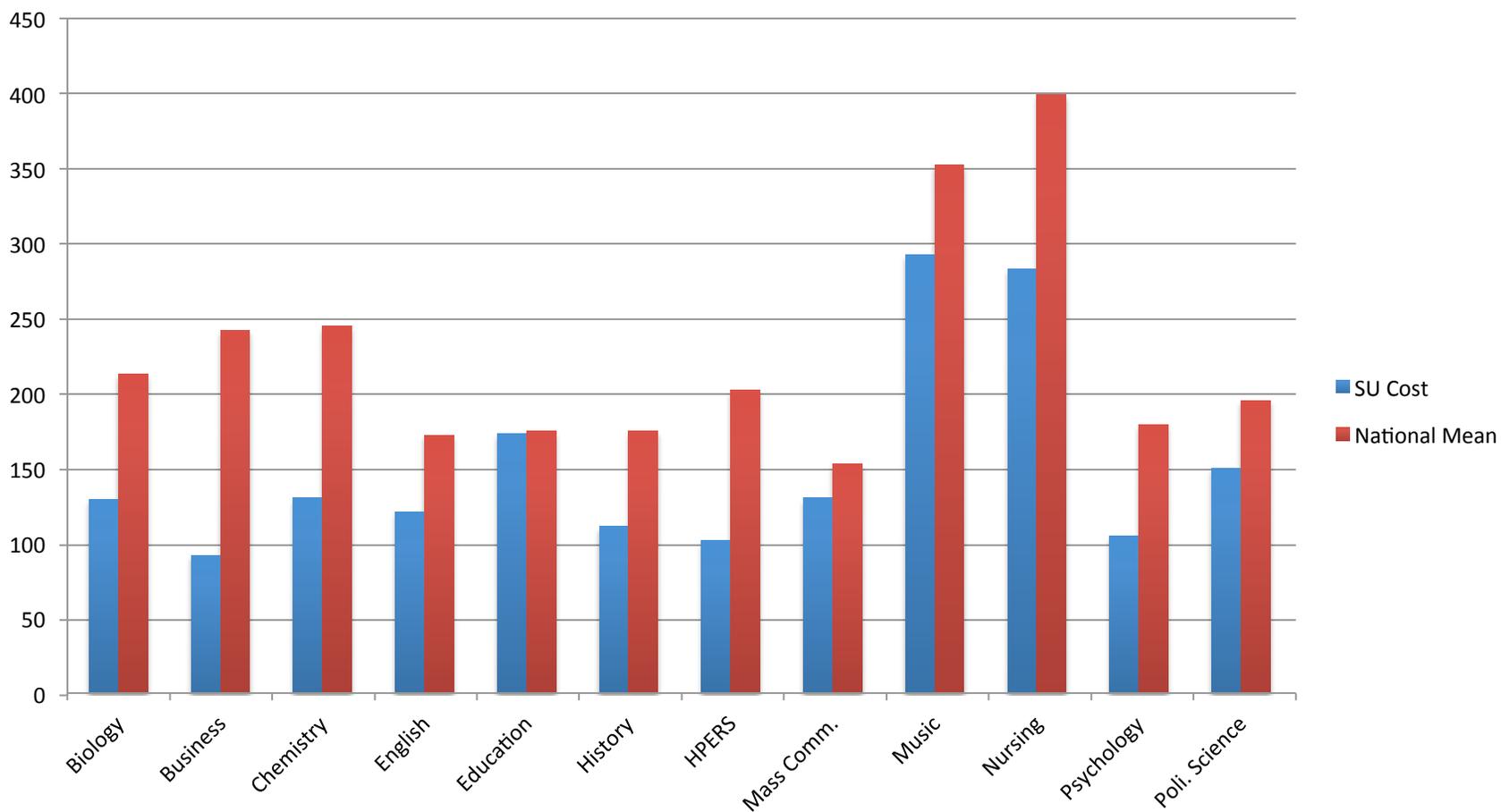
Delaware Cost Study

- Ideal tool for benchmarking instructional costs, research, and public service; expenditures at the academic discipline level
- Assists institutional data and unit alignment;
- Assists in identifying cost distortions;
- Ideal for program reviews and accreditation;
- Ideal for establishing new program or department projections.



Delaware Cost Study

Comparison of Instructional Expenditure per SCH (Sample programs)



Using data to determine usage of faculty

CREDIT HOUR: Revenue Generation

| | FY 2015 | FY 2016 | FY2017 |
|------------------|--------------|--------------|--------------|
| SCH | 97,805.5 | 92,297 | 87,199 |
| Net Tuition | \$19,524,283 | \$17,850,092 | \$15,856,687 |
| Avg. Credit Hour | \$199.62 | \$193.40 | \$181.84 |



Initiatives to Overcome Finance Challenges

Resource Savings

- Budget Reductions to Right Size Enterprise (\$3M), combined with new revenue initiatives
- Academic Program Metrics (increased financial data in the review process)
- Outsourcing of Additional Services (Bookstore, 2018 • Dining Services, 2019)
- Energy Conservation
- Elimination of ALL Nonessential Administrative Travel
- Review of ALL New Position Postings (vacancy savings)
- “Sweeping” of ALL Departmental Capital Expenditures
- Significant Reduction of Capital Projects to Preserve Cash (contractor savings)
- Evaluating Academic and Administrative Org. Structures
- Operational Efficiencies
- Measuring Departmental ROI Contribution
 - Early Learning Center 2018 (closure)
 - Martinsburg Center 2018 (reduction of footprint)



Reductions in the Administrative Structure

- Elimination of the VP for Advancement
- Vacancy in the VP for Administration
- Vacancies in dean positions (3)
- Vacancy in the role of Associate Provost

The VP for Administration and the three dean positions are vacant and under review as to possible permanent administrative organizational changes.



OUR TASK:

Adjustments to the Academic Structure

- Use the previous resources to examine productivity of current academic programs and adjustments to the organizational structure to better align resources, while at the same time benefitting from economic savings;
- As a point of information, 10-13 vacancies occur on an annual basis. See [position request template](#) for providing justification for retention of faculty positions.
- Typical annual savings are in the range of \$300K or more.



TIMELINE

Adjustments to the Academic Structure

- EARLY OCTOBER 2017: Taskforce Formed.
 - Mid-Late OCTOBER 2017: Taskforce Meets.
 - ONGOING: Feedback is solicited from constituent groups-faculty, staff, students.
 - Taskforce meets 1-2X monthly (in person).
- FEB./MARCH 2018: Proposal is vetted by Deans' Council and Executive Leadership Team.
- APRIL 2018: Proposal is presented to the Spring Assembly.
 - MAY 2018: Proposal for adjustments to the academic structure presented to the BoG for approval.



What can we do to help?

- Class Size: Average class size down from 19 to 15:1.
 - *Action*: Examine low-enrolled courses and use of adjuncts.
- Class Times: 90% of courses are offered at standard times (8-4).
 - Are classes being offered at convenient times for our students?
- Instructional Delivery Models:
 - Hybrid, online, part-of-term;
 - Support increased training in online course formats;
 - Increased usage of SAKAI.



Next Steps

- Continue to analyze programs for ways to enhance operational efficiency.
- The entire campus community plays a role in the academic restructuring process and overarching institutional issues. Formation of a task force to develop possible scenarios.
- We must use data to inform decision making, realizing that closing a program does not necessarily have short-term savings, but rather informs our long-term plan for financial sustainability.



Boyer Model of Scholarship

| Type of Scholarship | Purpose | Outcomes |
|---------------------|--|---|
| Discovery | Build new knowledge through traditional research. | <ul style="list-style-type: none">•Peer-reviewed publications.•Creating infrastructure for future studies.•Producing/performing creative work in the discipline. |
| Integration | Interpret the use of knowledge across disciplines. | <ul style="list-style-type: none">•Comprehensive lit. review.•Textbook for use in multiple disciplines.•Collaborations to design & deliver a core course. |
| Application | Aid society and professions in addressing problems. | <ul style="list-style-type: none">•Consultant work.•Leadership roles in professional organizations.•Advising students leaders. |
| Teaching | Study teaching models and practices to achieve optimal learning. | <ul style="list-style-type: none">•Mentoring graduate students.•Developing testing materials.•Designing and implementing a program-level assessment program.•Advancing learning theory through classroom research. |

Faculty Qualifications and Workload Policies

- Examine how faculty loads are determined.
- Define more specifically in offerings outside of a 3-credit course how load is calculated (internships, co-ops, clinical experiences, etc.).
- As a possibility, develop criteria for various types of faculty, i.e. Research, Instructional, Clinical (already defined in most cases).



Be a part of the process!

- Sign-up for a task force.
- <http://www.shepherd.edu/taskforce/>
- Taskforces are chaired by the provost and one faculty member elected by the group.
- A minimum of one representative from each college, with a preference for two members.
- One faculty senate representative.
- One representative from Deans' Council.



Appendix G: Financial Information

FY2018 Operating Scenario
Cash Flow Projection - 5 Years
(Dollars in Thousands)

| | AUDITED | Projection | ACTUAL | Change | Budget | FY19 | FY20 | FY21 | FY22 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| | FY16 | FY17 | FY17 | | FY18 | | | | |
| Tuition and Fees - Net | 17,850 | 17,292 | 17,574 | 282 | 16,915 | 17,710 | 18,541 | 19,409 | 20,316 |
| Federal Grants and Contracts | 1,198 | 1,457 | 1,179 | (278) | 1,500 | 1,500 | 1,500 | 1,500 | 1,500 |
| State and Local Grants and Contracts | 4,325 | 3,970 | 4,478 | 508 | 4,165 | 4,165 | 4,165 | 4,165 | 4,165 |
| Private Grants and Contracts | 32 | 20 | 27 | 7 | 20 | 20 | 20 | 20 | 20 |
| Sales and Services of Educational Activities | 46 | 15 | 50 | 35 | 20 | 20 | 20 | 20 | 20 |
| Auxiliary Enterprises - net | 16,820 | 15,619 | 16,081 | 462 | 15,250 | 14,573 | 15,301 | 16,066 | 16,869 |
| State Appropriations | 9,438 | 9,361 | 9,361 | - | 9,361 | 9,361 | 9,361 | 9,361 | 9,361 |
| Gifts | 1,259 | 1,240 | 1,512 | 272 | 1,500 | 1,240 | 1,240 | 1,240 | 1,240 |
| Nonoperating federal revenue | 5,084 | 5,400 | 4,786 | (614) | 5,400 | 5,400 | 5,400 | 5,400 | 5,400 |
| Investment Income | 61 | 33 | 136 | 103 | 35 | 35 | 35 | 35 | 35 |
| Other Operating Revenues | 537 | 491 | 651 | 160 | 529 | 524 | 524 | 526 | 526 |
| TOTAL OPERATING REVENUES | 56,650 | 54,898 | 55,835 | 937 | 54,695 | 54,550 | 56,105 | 57,740 | 59,450 |
| Instruction | 17,162 | 18,378 | 17,873 | (505) | 17,700 | 16,433 | 16,221 | 16,610 | 16,027 |
| Academic Support | 3,247 | 3,239 | 3,226 | (13) | 3,340 | 3,033 | 2,994 | 3,065 | 2,958 |
| Student Services | 3,468 | 3,433 | 3,487 | 54 | 3,715 | 3,419 | 3,375 | 3,456 | 3,334 |
| Scholarships & Fellowships | 2,279 | 2,078 | 3,033 | 955 | 2,500 | 2,625 | 2,750 | 2,875 | 3,000 |
| Operations and Maintenance | 5,434 | 5,010 | 4,852 | (158) | 4,410 | 4,443 | 4,386 | 4,491 | 4,333 |
| Institutional Support | 6,316 | 6,393 | 6,362 | (31) | 5,989 | 5,655 | 5,582 | 5,715 | 5,515 |
| Research | 252 | 184 | 228 | 44 | 245 | 245 | 245 | 245 | 245 |
| Public Service | 233 | 252 | 244 | (8) | 240 | 240 | 240 | 240 | 240 |
| Auxiliary Expenses | 12,812 | 12,842 | 12,712 | (130) | 12,560 | 11,924 | 12,903 | 13,919 | 14,974 |
| Total Core Operating Expenses | 51,203 | 51,809 | 52,017 | 208 | 50,699 | 48,017 | 48,696 | 50,616 | 50,626 |
| Interest on capital asset related debt | 1,935 | 2,039 | 2,192 | 153 | 1,435 | 1,441 | 1,321 | 1,255 | 1,625 |
| Other | 263 | 332 | 212 | (120) | 475 | 475 | 475 | 475 | 475 |
| Depreciation Expense | 6,930 | 7,250 | 6,718 | (532) | 6,750 | 6,750 | 6,750 | 6,750 | 6,750 |
| Other Post Employment Benefits (OPEB) expense | 593 | 648 | 306 | (342) | 645 | 648 | 648 | 648 | 648 |
| TOTAL OPERATING EXPENSES | 60,924 | 62,078 | 61,445 | (633) | 60,004 | 57,330 | 57,890 | 59,745 | 60,125 |
| Increase (Decrease) in Net Assets | (4,274) | (7,180) | (5,610) | (1,570) | (5,309) | (2,780) | (1,785) | (2,005) | (674) |
| Depreciation | 6,930 | 7,250 | 6,718 | 532 | 6,750 | 6,750 | 6,750 | 6,750 | 6,750 |
| gasb 68 | - | - | - | - | - | - | - | - | - |
| OPEB | 593 | 648 | 306 | 342 | 645 | 648 | 648 | 648 | 648 |
| Capital Expenditures | (2,185) | (2,575) | (2,707) | 132 | (800) | (800) | (800) | (800) | (800) |
| Department Capital Expenditures | | | | | (500) | (500) | (500) | (500) | (500) |
| HEPC Loan for Sara Cree Demo | | 675 | 675 | - | (150) | (150) | (150) | (150) | (75) |
| Bond and Lease Principal Payments & amortization | (1,556) | (1,461) | (1,279) | (182) | (1,770) | (1,828) | (1,884) | (1,822) | (3,252) |
| Changes in balance sheet accounts | (1,127) | (1,250) | 123 | (1,373) | (1,250) | (1,250) | (1,250) | (1,250) | (1,250) |
| Increase (Decrease) in Cash | (1,619) | (3,893) | (1,774) | (2,119) | (2,384) | 90 | 1,029 | 871 | 847 |
| Ending Cash | 16,260 | 12,367 | 14,577 | 2,210 | 12,193 | 12,283 | 13,312 | 14,183 | 15,030 |
| Days Cash | 116 | 87 | 102 | 15 | 88 | 93 | 100 | 102 | 108 |

Shepherd University
Budget to Actual
(Dollars in Thousands)

| | Budget <u>FY17</u> | Audited <u>FY17</u> | FY 17 Budget to Actual FY 17 | Budget <u>FY18</u> | FY 18 Budget to Actual FY 17 |
|---|-----------------------|------------------------|---------------------------------|-----------------------|---------------------------------|
| Tuition and Fees - Net | 19,655 | 17,574 | (2,081) | 16,915 | (659) |
| Federal Grants and Contracts | 1,457 | 1,179 | (278) | 1,500 | 321 |
| State and Local Grants and Contracts | 4,408 | 4,478 | 70 | 4,165 | (313) |
| Private Grants and Contracts | 20 | 27 | 7 | 20 | (7) |
| Sales and Services of Educational Activities | 15 | 50 | 35 | 20 | (30) |
| Auxiliary Enterprises - net | 18,285 | 16,081 | (2,204) | 15,250 | (831) |
| State Appropriations | 9,552 | 9,361 | (191) | 9,361 | - |
| Gifts | 1,240 | 1,512 | 272 | 1,500 | (12) |
| Nonoperating federal revenue | 5,400 | 4,786 | (614) | 5,400 | 614 |
| Investment Income | 33 | 136 | 103 | 35 | (101) |
| Other Operating Revenues | <u>617</u> | <u>651</u> | <u>34</u> | <u>529</u> | <u>(122)</u> |
| TOTAL OPERATING REVENUES | 60,682 | 55,835 | (4,847) | 54,695 | (1,140) |
| | | | | | |
| Instruction | 18,553 | 17,873 | (680) | 17,700 | (173) |
| Academic Support | 3,424 | 3,226 | (198) | 3,340 | 114 |
| Student Services | 3,860 | 3,487 | (373) | 3,715 | 228 |
| Scholarships & Fellowships | 3,079 | 3,033 | (46) | 2,500 | (533) |
| Operations and Maintenance | 5,016 | 4,852 | (164) | 4,410 | (442) |
| Institutional Support | 6,384 | 6,362 | (22) | 5,989 | (373) |
| Research | 244 | 228 | (16) | 245 | 17 |
| Public Service | 239 | 244 | 5 | 240 | (4) |
| Auxiliary Expenses | <u>13,140</u> | <u>12,712</u> | <u>(428)</u> | <u>12,560</u> | <u>(152)</u> |
| Total Core Operating Expenses | 53,939 | 52,017 | (1,922) | 50,699 | (1,318) |
| Interest on capital asset related debt | 1,876 | 2,192 | 316 | 1,435 | (757) |
| Other | 331 | 212 | (119) | 475 | 263 |
| Depreciation Expense | 7,472 | 6,718 | (754) | 7,250 | 532 |
| Other Post Employment Benefits (OPEB) expense | <u>648</u> | <u>306</u> | <u>(342)</u> | <u>645</u> | <u>339</u> |
| TOTAL OPERATING EXPENSES | 64,266 | 61,445 | (2,821) | 60,504 | (941) |
| | | | | | |
| Increase (Decrease) in Net Assets | <u>(3,584)</u> | <u>(5,610)</u> | <u>(2,026)</u> | <u>(5,809)</u> | <u>(199)</u> |
| | | | | | |
| Increase (Decrease) in Cash | 91 | (1,774) | (1,865) | (2,384) | (610) |
| | | | | | |
| Ending Cash | <u>16,351</u> | <u>14,577</u> | <u>(1,774)</u> | <u>12,193</u> | <u>(2,384)</u> |
| | | | | | |
| Days Cash | 111 | 102 | (9) | 88 | (14) |

FY-18 First Quarter Results

Shepherd University

(Dollars in Thousands)

| | Audited | Budget | 1st Qtr | | 1st Qtr | Projection | FY 18 Budget |
|---|----------------|----------------|---------------|--------------|---------------|----------------|-----------------|
| | <u>FY17</u> | <u>FY18</u> | <u>FY 17</u> | | <u>FY18</u> | <u>FY18</u> | <u>Variance</u> |
| Tuition and Fees - Net | 17,574 | 16,915 | 9,315 | 53.0% | 7,865 | 14,838 | (2,077) |
| Federal Grants and Contracts | 1,179 | 1,500 | 312 | 26.5% | 292 | 1,103 | (397) |
| State and Local Grants and Contracts | 4,478 | 4,165 | 1,582 | 35.3% | 1,603 | 4,537 | 372 |
| Private Grants and Contracts | 27 | 20 | - | 0.0% | - | - | (20) |
| Sales and Services of Educational Activities | 50 | 20 | 11 | 22.0% | - | - | (20) |
| Auxiliary Enterprises - net | 16,081 | 15,250 | 7,669 | 47.7% | 6,980 | 14,636 | (614) |
| State Appropriations | 9,361 | 9,361 | 2,388 | 25.5% | 2,340 | 9,361 | - |
| Gifts | 1,512 | 1,500 | 422 | 27.9% | 501 | 1,795 | 295 |
| Nonoperating federal revenue | 4,786 | 5,400 | 2,351 | 49.1% | 2,516 | 5,122 | (278) |
| Investment Income | 136 | 35 | 17 | 12.5% | 30 | 240 | 205 |
| Other Operating Revenues | <u>651</u> | <u>529</u> | <u>221</u> | <u>33.9%</u> | <u>256</u> | <u>754</u> | <u>225</u> |
| TOTAL OPERATING REVENUES | 55,835 | 54,695 | 24,288 | 43.5% | 22,383 | 52,388 | (2,307) |
| Instruction | 17,873 | 17,700 | 3,193 | 17.9% | 3,294 | 18,438 | 738 |
| Academic Support | 3,226 | 3,340 | 935 | 29.0% | 893 | 3,081 | (259) |
| Student Services | 3,487 | 3,715 | 862 | 24.7% | 814 | 3,293 | (422) |
| Scholarships & Fellowships | 3,033 | 2,500 | 680 | 22.4% | 48 | 2,500 | - |
| Operations and Maintenance | 4,852 | 4,410 | 1,083 | 22.3% | 985 | 4,413 | 3 |
| Institutional Support | 6,362 | 5,989 | 1,520 | 23.9% | 1,662 | 6,956 | 967 |
| Research | 228 | 245 | 49 | 21.5% | 46 | 214 | (31) |
| Public Service | 244 | 240 | 74 | 30.3% | 70 | 231 | (9) |
| Auxiliary Expenses | <u>12,712</u> | <u>12,560</u> | <u>3,097</u> | <u>24.4%</u> | <u>3,125</u> | <u>12,827</u> | <u>267</u> |
| Total Core Operating Expenses | 52,017 | 50,699 | 11,493 | 22.1% | 10,937 | 51,953 | 1,254 |
| Interest on capital asset related debt | 2,192 | 1,435 | 469 | 21.4% | 363 | 1,435 | - |
| Other | 212 | 475 | 72 | 34.0% | 61 | 180 | (295) |
| Depreciation Expense | 6,718 | 7,250 | 1,733 | 25.8% | 1,657 | 7,250 | - |
| Other Post Employment Benefits (OPEB) expense | <u>306</u> | <u>645</u> | <u>54</u> | <u>17.6%</u> | <u>119</u> | <u>674</u> | <u>29</u> |
| TOTAL OPERATING EXPENSES | 61,445 | 60,504 | 13,821 | 22.5% | 13,137 | 61,492 | 988 |
| Increase (Decrease) in Net Assets | <u>(5,610)</u> | <u>(5,809)</u> | <u>10,467</u> | -186.6% | <u>9,246</u> | <u>(9,105)</u> | <u>(3,296)</u> |

Credit Hour to Revenue Generation

| | FY 2015 | FY 2016 | FY2017 |
|--------------------------------|--------------|--------------|--------------|
| SCH | 97,805.5 | 92,297 | 87,199 |
| Net Tuition | \$19,524,283 | \$17,850,092 | \$15,856,687 |
| Avg. Revenue Credit Hour | \$199.62 | \$193.40 | \$181.84 |

Shepherd University

| Composite Financial Index (CFI) | FY 2016 Data | FY 2016 Without OPEB/Pension Increase Data | FY 2017 Data | FY 2017 Without OPEB/Pension Increase Data |
|---|-----------------|--|-----------------|--|
| Primary Reserve Ratio Calculation | | | | |
| Institution unrestricted net position | \$170,199 | \$170,199 | -\$2,231,269 | -\$2,231,269 |
| Institution expendable restricted net position | 280,512 | 280,512 | 441,929 | 441,929 |
| Total | \$450,711 | \$450,711 | (\$1,789,340) | -\$1,789,340 |
| Institution operating expenses | \$59,002,203 | \$59,002,203 | \$58,432,404 | \$58,432,404 |
| Institution nonoperating expenses | 1,974,703 | 1,974,703 | 2,215,200 | 2,215,200 |
| Elimination of inter-entity amounts | | | | |
| Total | \$60,976,906 | \$60,976,906 | \$60,647,604 | \$60,647,604 |
| Primary reserve ratio | 0.007 | 0.007 | -0.030 | -0.030 |
| Divided by relevant value | | | | |
| 0.133 | 0.06 | 0.06 | -0.22 | -0.22 |
| Weight Factor | 0.35 | 0.35 | 0.35 | 0.35 |
| Score | 0.02 | 0.02 | -0.08 | -0.08 |

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Net Operating Revenue Ratio Calculation | | | | |
| Institution operating income (loss) | - | - | - | - |
| | \$18,194,517 | -\$18,194,517 | \$19,239,791 | -\$19,239,791 |
| Institution net nonoperating revenues | 13,920,504 | 13,920,504 | 13,630,206 | 13,630,206 |
| Total | -\$4,274,013 | -\$4,274,013 | -\$5,609,585 | -\$5,609,585 |
| Institution operating revenues | \$40,807,686 | \$40,807,686 | \$39,192,613 | \$39,192,613 |
| Institution nonoperating revenues | 15,895,207 | 15,895,207 | 15,845,406 | 15,845,406 |
| Total | \$56,702,893 | \$56,702,893 | \$55,038,019 | \$55,038,019 |
| Net Operating Revenue Ratio | -0.075 | -0.075 | -0.102 | -0.102 |
| Divided by relevant value 1.3% | -4.00 | -4.00 | -4.00 | -4.00 |
| Weight Factor | 0.10 | 0.10 | 0.10 | 0.10 |
| Score | -0.40 | -0.40 | -0.40 | -0.40 |
| Return on net position Ratio Calculation | | | | |
| Change in net position | -\$4,274,013 | -\$4,274,013 | -\$5,609,585 | -\$5,609,585 |
| Total net position | \$89,825,309 | \$89,825,309 | \$85,551,296 | \$85,551,296 |
| Return on net position Ratio | -0.048 | -0.048 | -0.066 | -0.066 |
| Divided by relevant value | -2.38 | -2.38 | -3.28 | -3.28 |

| | | | | |
|--|--------------|--------------|---------------|---------------|
| 2.0% | | | | |
| Weight Factor | 0.20 | 0.20 | 0.20 | 0.20 |
| Score | -0.48 | -0.48 | -0.66 | -0.66 |
| Viability Ratio Calculation | | | | |
| Expendable net position (from Primary Reserve Numerator) | \$450,711 | \$450,711 | -\$1,789,340 | -\$1,789,340 |
| Institution long-term debt (total project related debt) | \$41,615,460 | \$41,615,460 | \$40,976,353 | \$40,976,353 |
| Viability Ratio | 0.011 | 0.011 | -0.044 | -0.044 |
| Divided by relevant value | | | | |
| 0.417 | 0.03 | 0.03 | -0.10 | -0.10 |
| Weight Factor | 0.35 | 0.35 | 0.35 | 0.35 |
| Score | 0.01 | 0.01 | -0.04 | -0.04 |
| Total Composite Financial Indicator Score (CFI) | -0.85 | -0.85 | -1.17 | -1.17 |

| SU ADJUNCT BUDGET-FY-18 | Sum of Adopted Budget Amount For Period 14 |
|-----------------------------------|---|
| Academic Support Center | 25,725.00 |
| Accounting | 3,545.00 |
| Anthropology | 2,955.00 |
| Art Department | 93,110.00 |
| Biology | 42,000.00 |
| BSN Degree | 35,400.00 |
| Business and Administration | 75,720.00 |
| CAEP-Accreditation Educator Prep | - |
| Center for Teaching and Learning | 5,000.00 |
| Chemistry | 6,370.00 |
| Communications | 43,320.00 |
| Computer and Information Sci | 12,210.00 |
| CSDA-College Student | |
| Devel/Admin | 9,750.00 |
| Dept of Social Work | 3,940.00 |
| Division of Continuing Education | 8,680.00 |
| Doctorate of Nursing Practitioner | 2,450.00 |
| Economics | 28,310.00 |
| Education - Elementary | 33,725.00 |
| English | 72,785.00 |
| Environmental Studies | 29,270.00 |
| Family and Consumer Sciences | 36,970.00 |
| General Academic Instruction | - |
| Health, Phys Ed and Recreation | 104,800.00 |
| History | 500.00 |
| Mathematics | 52,030.00 |
| Modern Languages | 15,755.00 |
| Music Department | 122,735.00 |
| Music Fees | 69,280.00 |
| PartTime Faculty | 4,200.00 |
| Physics | - |
| Picket - Organized Activity | 10,000.00 |
| Political Sciences | 10,800.00 |
| Psychology | 64,425.00 |
| Shepherd Degree - C & I Program | 3,610.00 |
| Shepherd Degree - MAT Program | 3,825.00 |
| Shepherd Degree - MBA Program | 61,475.00 |
| Sociology and Geography | 69,680.00 |
| Summer School | 400.00 |
| Theatre | 12,185.00 |
| Grand Total | 1,176,935.00 |

Appendix H: Shepherd University FY'17 Institutional Audit

Shepherd University

Financial Statements as of and for the Years Ended
June 30, 2017 and 2016, and Independent Auditors'
Reports

SHEPHERD UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

To the Governing Board
Shepherd University
Shepherdstown, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Shepherd University (the University) (a component unit of the State of West Virginia), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Shepherd University Foundation, Incorporated (the Foundation), a discretely presented component unit of the University, which represents 100% of the assets, revenues and net assets of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Governing Board
Shepherd University

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our report and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10 and the Schedule of Proportionate Share of Net Pension Liability and Contributions on page 65, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 13, 2017

Shepherd University

Management Discussion and Analysis

Fiscal Years 2017 and 2016

About Shepherd University

Shepherd University (the “University”) is a state-supported institution within the West Virginia system of higher education. The University was founded in 1871. It offers Bachelor of Arts, Bachelor of Fine Arts, and Bachelor of Science degrees in a wide range of fields, encompassing the liberal arts, business administration, teacher education, the social and natural sciences, and other career oriented areas. Graduate programs include the Master of Arts in Teaching, Master of Arts in Curriculum and Instruction, Master of Business Administration, the Master of Arts in College Student Development and Administration, and the Master of Music and Music Education. The University began its doctoral program in Nursing Practice in fall of 2015. The University is accredited by The Higher Learning Commission of the North Central Association.

Overview of the Financial Statements and Financial Analysis

This discussion will emphasize significant changes reflected in the fiscal year 2017 data compared to the financial statements presented for fiscal year 2016. There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. This discussion and analysis of the University’s financial statements provides an overview of its financial activities for the year and its required supplemental information.

Statement of Net Position

The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflow of resources, liabilities (current and noncurrent), deferred inflow of resources and net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) of the University as of June 30, 2017, and 2016. The difference between current and noncurrent assets and liabilities are discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors and lending institutions. Finally, the Statement of Net Position provides a picture of net position and the availability of carry over funds for use by the University in future years.

Components of net position are divided into three major categories. The first category, net investment in capital assets, provides the institution’s equity in property, plant, and equipment owned by the institution, net of any accumulated depreciation and related debts. The second asset category is restricted, which is divided into two categories, nonexpendable and expendable. Shepherd University does not currently have nonexpendable restricted resources since all funds of this nature are directed to the Shepherd University Foundation. The corpus of nonexpendable restricted resources would be available only for investment purposes. Expendable restricted resources are available for expenditure by the institution but must be spent

for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position. Unrestricted net position is available for any lawful purpose of the institution.

Condensed Schedules of Net Position

(In thousands)

| | June 30 | | |
|---|-----------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Assets: | | | |
| Cash | \$ 14,566 | \$ 16,260 | \$ 17,879 |
| Other Current Assets | 1,603 | 1,938 | 1,456 |
| Noncurrent Assets | 123,315 | 127,425 | 132,102 |
| Total Assets | 139,484 | 145,623 | 151,437 |
| Total Deferred Outflows of Resources | 87 | 54 | 43 |
| Total Assets and Deferred Outflow of Resources | 139,571 | 145,677 | 151,480 |
| Liabilities: | | | |
| Current Liabilities | 7,950 | 7,718 | 8,160 |
| Noncurrent Liabilities | 51,484 | 52,120 | 53,260 |
| Total Liabilities | 59,434 | 59,838 | 61,420 |
| Total Deferred Inflows of Resources | 195 | 287 | 235 |
| Total Liabilities and Deferred Inflows of Resources | 59,629 | 60,125 | 61,655 |
| Net Position: | | | |
| Net Investment in Capital Assets | 81,731 | 85,100 | 88,289 |
| Restricted - Expendable | 442 | 281 | 322 |
| Unrestricted | (2,231) | 170 | 1,214 |
| Total Net Position | \$ 79,942 | \$ 85,551 | \$ 89,825 |

Assets

Total Assets decreased approximately 4.18 percent to \$139.6 million compared to \$145.6 million for 2016 compared to a decline of 3.87 percent, \$5.8 million from 2015 to 2016. However, within current assets, cash decreased by \$1.69 million from the previous year. This continued the trend of from 2015 to 2016 of cash decline of \$1.6 million. The decrease in cash is primarily due to the Operational Expenses exceeding Revenues. The continuing decline in student enrollments has resulted in a decline in Tuition & Fee revenues in spite of a 5% Tuition & Fee increase in 2017.

The majority of non-current assets are comprised of capital assets. These assets are reported net of accumulated depreciation. The University's annual investment in capital projects and equipment can significantly impact the value of non-current assets from year to year. The University again deferred any

large capital projects in 2017 that would have offset accumulated depreciation. Non-current assets decreased by \$4.11 million compared to 2016 continuing the trend from 2015 to 2016 which declined \$4.7 million.

The net result of fiscal year 2017 activities resulted in a \$6.1 million decrease in total assets.

Deferred Outflows of Resources:

There was a 61.1% increase in Deferred Outflows from FY 2016 to FY 2017. Deferred outflows of resources are the consumption of net position by the University that is applicable to future years. In 2017, the University had deferred outflows of resources related to pensions of \$87,680 as a direct result of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pension*. This deferred outflow of resources directly relate to the required contributions the University has made on behalf of employees enrolled in the defined benefit pension plan.

Liabilities:

Liabilities include but are not limited to accounts payable, accrued liabilities, unearned revenues, bond payable and other post-employment benefits (OPEB) liability. Total Liabilities stayed relatively flat, decreasing 0.67%, \$404,000, from 2016 to 2017 while they declined 2.48%, \$1.5 million from 2015 to 2016.

Significant changes include:

- A decrease in Accounts payable of \$319,333 from 2016 to 2017 due to the reduction in non-personnel spending and an increased use of the PCard.
- An increase in Accrued Liabilities of \$260,000 due primarily to an increase in accrued payroll due to an increase in salary and benefits as of fiscal year-end.
- An increase in the OPEB liability of \$306,344 due to an updated actuarial study by the state. The state has established the West Virginia Retirees Health Benefit Trust Fund which will be used to eliminate the liability over time.
- A decrease in bonds payable of \$1,172,000 and a decrease in Capital Lease Obligations of \$142,000 resulting from principal payments. There was also an increase in our note payable of \$675,000 resulting from an interest free note from the Commission for demolition of a building.

Deferred Inflows of Resources:

Deferred inflows of resources are the acquisitions of net position by the University that are applicable to future years. In 2017, the University had deferred inflows of resources related to pensions of \$195,219, as a direct result of the implementation of GASB Statement No. 68.

Net Position

From 2016 to 2017 total net position decreased by \$5.6 million. Unrestricted net position overall decreased significantly by \$2.4 million as a result of the implementation of GASB No. 68 to record the unfunded pension liabilities and the continuing decline in operating results due to the enrollment declines and decrease in State appropriations. This continued the trend from 2014 to 2015 in which there was a decline in net position of \$4.3 million.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received and expenses paid by the institution, both operating and non-operating, and any other revenues, expenses, gains, and losses received or spent by the University.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Revenues received for which goods and services are not provided are reported as non-operating revenues. For example, State appropriations are non-operating because they are provided by the State to the institution without the State directly receiving commensurate goods and services for those revenues.

Condensed Schedules of Revenues, Expenses, and Changes in Net Position

(In thousands)

| | Years Ended June 30, | | |
|--|----------------------|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Operating Revenues | \$ 39,192 | \$ 40,808 | \$ 43,174 |
| Operating Expenses | <u>58,432</u> | <u>59,002</u> | <u>59,427</u> |
| Operating Loss | (19,240) | (18,194) | (16,253) |
| Nonoperating Revenues - Net | <u>13,630</u> | <u>13,920</u> | <u>14,683</u> |
| Loss before Other Revenues, Expenses, Gains or Losses | (5,610) | (4,274) | (1,570) |
| Capital and Bond Proceeds from State | <u>-</u> | <u>-</u> | <u>1</u> |
| Increase (Decrease) in Net Position | (5,610) | (4,274) | (1,569) |
| Net Position - Beginning of Year | 85,551 | 89,825 | 92,089 |
| Cummulative effect of change in accounting principle | <u>-</u> | <u>-</u> | <u>(695)</u> |
| Net Position - Beginning of Year, restated | <u>85,551</u> | <u>89,825</u> | <u>91,394</u> |
| Net Position - End of Year | <u>\$ 79,941</u> | <u>\$ 85,551</u> | <u>\$ 89,825</u> |

Operating Revenues:

Operating revenues consist of student tuition and fees, contracts and grants, interest on student loans receivable, sales and services of educational activities, auxiliary enterprise revenue and other operating revenues. Total operating revenues for 2017 decreased by \$1.6 million or 4 percent compared to the 5.5%, \$2.4 million decline from 2015 to 2016.

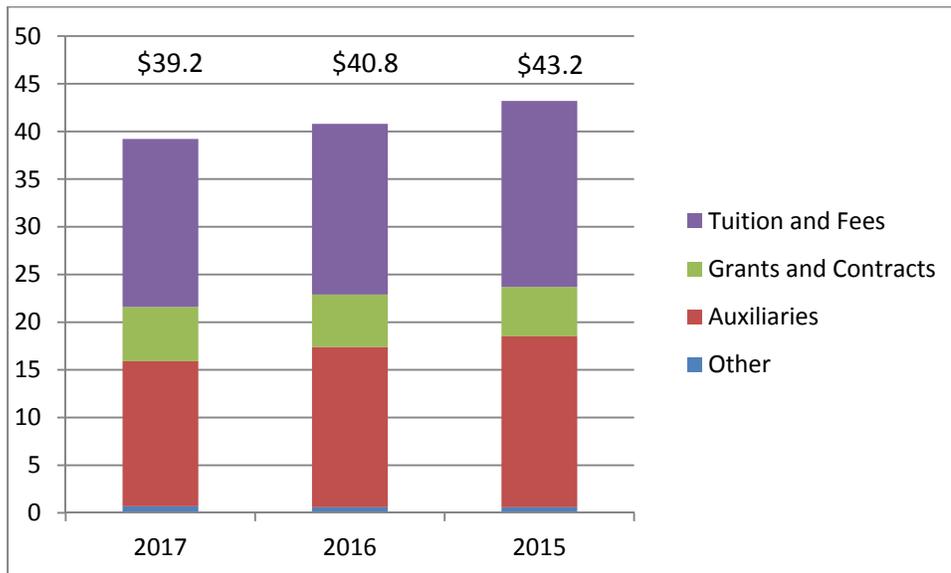
During fiscal year 2017, student tuition and fees revenue decreased from 2016 by \$276,000 or 1.5 percent due to a combination of a 5.0 percent tuition increase and a continuing enrollment shortfall. Overall, student tuition and fees as a percentage of total operating revenues increased from 43.7 percent to 44.8 percent.

Grants and contracts comprise approximately 14.4 percent of the operating revenues and total \$5.7 million in 2017. This is a \$129,000 increase from 2016, which is a result of an increase in federal grants to \$541,000.

Auxiliary Enterprise Revenue, which includes resources generated by the operation of the bookstore, wellness center, dining services and residence halls, experienced a decrease of \$1,609,021 or 9.6 percent in 2017. The decrease is attributed to the enrollment shortfall experience throughout the year. This continues the declining trend from 2015 to 2016 of 8.57%, \$1.7 million.

Operating Revenues – FY 2017-2015

(In millions)



Operating Expenses:

Overall, 2017 operating expenses again remained relatively flat when compared to 2016, decreasing slightly by \$570,000 compared to the relatively flat decrease of \$425,000 from 2015 to 2016.

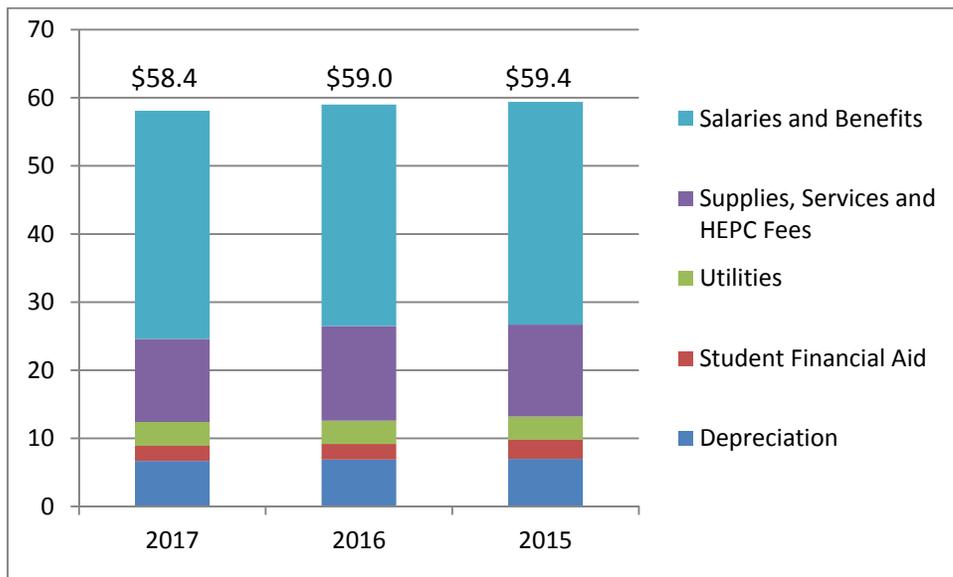
Salaries and benefits represent 57.6 percent of the total 2017 operating expenses, a 3.2% increase over 2016. Employee compensation, including benefits, increased by \$1.0 million compared to 2016. This was the result of the lifting of the previous year’s hiring freeze, the full year impact of the previous mid-year 2% across the

board salary increase, salary equity adjustments and the filling of prior year administrative vacancies. This gain in salaries and benefits was offset by reductions in Supplies and other services, \$1.4 million, Student Financial Aid, \$116,000 and Depreciation expense, \$212,000 and Fees assessed by the Commission, \$17,000. There was a slight increase in Utilities, \$100,000, year-over-year due to the construction of the new residence hall project.

The University continued to implement University wide cost containment strategies to offset fixed cost increases for 2017.

Operating Expenses – FY 2017-2015

(In millions)



Non-operating Revenues (Expenses)

Net Nonoperating Revenues slightly decreased by \$290,000, 2% in 2017.

Interest Expense increased \$256,000 due to the refinancing of the 2005 and 2007 Bonds. Gifts increased \$252,000 while PELL decreased \$297,000.

The net result of operating and non-operating revenues and expenses was a loss of approximately \$5.6 million.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. The

fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Cash inflows from operating activities include tuition and fees, auxiliary enterprise charges, and contracts and grants. Major cash outlays in operating activities include payments to and on behalf of employees of \$32.7 million and payments to suppliers of \$13 million. Net cash used for operating activities increased by \$1.4 million from 2017 to 2016 primarily due to the increase in salaries and benefits. The continuing decline in enrollment resulted in the reduction in Student Tuition & Fees and Auxiliary Revenues of nearly \$2 million dollars. Payments to Suppliers & Utilities also decreased by \$652,000. In addition, Contract & Grant revenues increased by \$316,000 over 2016.

State appropriations and Federal Pell grants and Direct Loans are the primary sources of non-capital financing activities. Generally Accepted Accounting Principles require that the University reflect this State revenue as non-operating revenue even though the University's budget depends on this to continue the current level of operations. There is a slight decrease of \$77,000 due to a mid-year rescission in state appropriations. Due to the continuing decline in student enrollments PELL declined \$297,000. Gift receipts are up about \$252,000 over 2016.

Capital financing activities represent funds that were used to purchase or add value to capital assets. Even though as in 2016, the University did not undertake any substantial capital projects for 2017, the 2005 and 2007 bonds were refinanced to take advantage of reduced interest rates. Capital asset purchases were kept to a minimum, with a \$209,000 reduction over 2016. A five year no-interest loan from HEPC for \$750,000 was secured to help with the Sara Cree building demolition in 2016.

Overall cash and cash equivalents at 2017 year-end decreased \$1.7 million.

Condensed Consolidated Schedules of Cash Flows

(In thousands)

| | Years Ended June 30, | | |
|---|----------------------|------------------|------------------|
| | 2017 | 2016 | 2015 |
| Net cash (used in) provided by: | | | |
| Operating activities | \$ (12,413) | \$ (11,049) | \$ (8,641) |
| Noncapital financing activities | 15,610 | 15,688 | 16,986 |
| Capital and related financing activities | (5,007) | (6,320) | (6,700) |
| Investing activities | <u>117</u> | <u>61</u> | <u>21</u> |
| Increase (decrease) in Cash | <u>(1,693)</u> | <u>(1,620)</u> | <u>1,666</u> |
| Cash and cash equivalents - beginning of year | <u>16,259</u> | <u>17,879</u> | <u>16,213</u> |
| Cash and cash equivalents - end of year | <u>\$ 14,566</u> | <u>\$ 16,259</u> | <u>\$ 17,879</u> |

Economic Outlook

Current and foreseeable economic conditions continue to place pressure on Shepherd's financial capabilities. Federal financial aid requirements have increased the standards for student assistance eligibility. As such, the number of students eligible to continue receiving financial aid has decreased and continues to adversely affect enrollment. This continued to be a challenge going into 2017 and will continue for the foreseeable future.

Due to the declining State of West Virginia revenues, Shepherd University's state appropriation continues to be reduced. This reduction in State investment was accounted for in building the University's FY18 operating budget. Although Shepherd's reliance upon state investment is among the lowest in the state, continued dis-investment by the state in higher education will cause the University to continue to examine existing resources, reallocate or reinvest as necessary and enhancement of new revenue opportunities.

Shepherd continues to develop and offer new market-driven programs. The first full year of implementation for the new degree programs in Data Analytics and Global Studies occurred in 2017 and Engineering Science and Contemporary Theater Studies were finalized for starting in Fall 2017.

The University continues to focus on enhancing its enrollment through increased retention by establishing a Retention Interventions Team (RIT) giving every undergraduate a dedicated staff advocate. Rigorous efforts are being made to maximize every opportunity to improve student success to increase retention of existing students. Attracting more international students to Shepherd is also a strategy the University is employing to grow enrollment and revenue. As a third enrollment and revenue growth strategy the University is planning for improved on-campus housing options for our students.

The Shepherd University Advancement Office in partnership with the Shepherd University Foundation has increased efforts to raise funds to provide sustaining support for academic, scholarship, cultural and athletic programs; faculty and staff development; campus renewal and beautification; and other department programs and initiatives. Outreach to alumni and regional business leaders continues, not only for financial assistance but for ongoing assessment of existing academic programs and development of new programmatic initiatives.

Strategies for setting tuition rates will continue to be thoughtful and thorough to balance student affordability and the need for increased revenue. Because of the continuing enrollment declines, the focus in the upcoming years will be to control costs to students and attracting more residential and out-of-state students.

The University staff and Board of Governors will continue these efforts and implement new strategies and initiatives to sustain programs and activities, plan for future challenges and growth, and strengthen the institution's financial position.

Contacting The University's Financial Management

This financial report is designed to provide a general overview of the University's finances and to demonstrate the University's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University's Vice President for Finance / Chief Financial Officer at (304) 876-5287, or by mail at:

Shepherd University
W. Anthony Major, Jr.
Vice President for Finance / Chief Financial Officer
P.O. Box 5000
Shepherdstown, WV 25443-5000

SHEPHERD UNIVERSITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 14,565,622 | \$ 16,259,698 |
| Accounts receivable — net | 1,080,786 | 1,238,418 |
| Due from Commission | 13,037 | 42,941 |
| Loans to students — current portion | 100,091 | 100,091 |
| Inventories | <u>409,110</u> | <u>557,019</u> |
| Total current assets | <u>16,168,646</u> | <u>18,198,167</u> |
| NONCURRENT ASSETS: | | |
| Other Receivable | 254,640 | 306,858 |
| Loans to students — net of allowance of \$462,518 and \$434,318 in 2017 and 2016, respectively | 353,088 | 401,897 |
| Capital assets — net | <u>122,707,404</u> | <u>126,716,045</u> |
| Total noncurrent assets | <u>123,315,132</u> | <u>127,424,800</u> |
| TOTAL ASSETS | <u>139,483,778</u> | <u>145,622,967</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES: | | |
| Deferred outflows related to pensions | <u>87,680</u> | <u>53,708</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES | <u>\$ 139,571,458</u> | <u>\$ 145,676,675</u> |

(Continued)

SHEPHERD UNIVERSITY

STATEMENTS OF NET POSITION AS OF JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| LIABILITIES, DEFERRED INFLOWS AND NET POSITION | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 1,188,980 | \$ 1,508,313 |
| Accrued liabilities | 3,096,493 | 2,836,010 |
| Compensated absences — current portion | 782,163 | 768,650 |
| Unearned revenues | 815,126 | 869,099 |
| Deposits held in custody for others | 147,722 | 138,594 |
| Bonds payable — current portion | 1,625,183 | 1,455,000 |
| Note payable and capital lease obligations — current portion | <u>294,850</u> | <u>142,462</u> |
| Total current liabilities | <u>7,950,517</u> | <u>7,718,128</u> |
| NONCURRENT LIABILITIES: | | |
| Advances from federal sponsors | 498,861 | 509,471 |
| Compensated absences | 407,363 | 440,979 |
| Other postemployment benefits liability | 11,130,356 | 10,824,012 |
| Net pension liability | 391,112 | 327,328 |
| Bonds payable, net of current portion | 38,209,097 | 39,550,925 |
| Note payable and capital lease obligations, net of current portion | <u>847,223</u> | <u>467,073</u> |
| Total noncurrent liabilities | <u>51,484,012</u> | <u>52,119,788</u> |
| Total liabilities | <u>59,434,529</u> | <u>59,837,916</u> |
| DEFERRED INFLOW OF RESOURCES: | | |
| Deferred inflows related to pensions | <u>195,219</u> | <u>287,463</u> |
| NET POSITION: | | |
| Net Investment in capital assets | <u>81,731,051</u> | <u>85,100,585</u> |
| Restricted — expendable: | | |
| Loans | 94,361 | 95,672 |
| Other restricted | <u>347,568</u> | <u>184,840</u> |
| Total restricted - expendable | <u>441,929</u> | <u>280,512</u> |
| Unrestricted | <u>(2,231,269)</u> | <u>170,199</u> |
| Total net position | <u>79,941,711</u> | <u>85,551,296</u> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION | <u>\$ 139,571,459</u> | <u>\$ 145,676,675</u> |

See notes to financial statements.

(Concluded)

SHEPHERD UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|-------------------------|-------------------------|
| OPERATING REVENUES: | | |
| Student tuition and fees — net of scholarship allowance of \$10,990,322 and \$11,028,449 in 2017 and 2016, respectively | \$ 17,574,478 | \$ 17,850,092 |
| Contracts and grants: | | |
| Federal | 1,739,058 | 1,197,769 |
| State | 3,918,735 | 4,324,949 |
| Private | 26,694 | 31,664 |
| Interest on student loans receivable | 18,951 | 14,776 |
| Sales and services of educational activities | 50,491 | 45,516 |
| Auxiliary enterprise revenue — net of scholarship allowance of \$869,902 and \$908,379 in 2017 and 2016, respectively | 15,210,786 | 16,819,807 |
| Other operating revenues | <u>653,420</u> | <u>523,113</u> |
| Total operating revenues | <u>39,192,613</u> | <u>40,807,686</u> |
| OPERATING EXPENSES: | | |
| Salaries and wages | 27,063,149 | 26,177,277 |
| Benefits | 6,464,841 | 6,302,581 |
| Supplies and other services | 12,250,664 | 13,624,775 |
| Utilities | 3,511,955 | 3,412,297 |
| Student financial aid — scholarships and fellowships | 2,164,214 | 2,279,367 |
| Depreciation | 6,718,282 | 6,929,902 |
| Fees assessed by the Commission for operations | <u>259,299</u> | <u>276,004</u> |
| Total operating expenses | <u>58,432,404</u> | <u>59,002,203</u> |
| OPERATING LOSS | <u>(19,239,791)</u> | <u>(18,194,517)</u> |

(Continued)

SHEPHERD UNIVERSITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|----------------------|----------------------|
| NONOPERATING REVENUES (EXPENSES): | | |
| State appropriations | \$ 9,360,954 | \$ 9,438,077 |
| Payments on behalf of the University | 69,507 | 52,512 |
| Federal Pell grants | 4,786,341 | 5,083,829 |
| Investment income | 116,798 | 61,318 |
| Interest expense | (2,191,770) | (1,935,326) |
| Fees assessed by the Commission for debt service | (18,520) | (37,820) |
| Gifts | 1,511,806 | 1,259,448 |
| Gain (loss) on disposal of equipment | (4,910) | 23 |
| Other | <u>-</u> | <u>(1,557)</u> |
| Net nonoperating revenues | <u>13,630,206</u> | <u>13,920,504</u> |
| DECREASE IN NET POSITION | <u>(5,609,585)</u> | <u>(4,274,013)</u> |
| NET POSITION — Beginning of year | <u>85,551,296</u> | <u>89,825,309</u> |
| NET POSITION — End of year | <u>\$ 79,941,711</u> | <u>\$ 85,551,296</u> |
| See notes to financial statements. | | (Concluded) |

SHEPHERD UNIVERSITY

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|----------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Student tuition and fees | \$ 17,439,909 | \$ 17,849,251 |
| Contracts and grants | 5,761,579 | 5,445,769 |
| Payments to and on behalf of employees | (32,704,325) | (31,941,569) |
| Payments to suppliers | (12,958,429) | (13,716,158) |
| Payments to utilities | (3,521,305) | (3,415,361) |
| Payments for scholarships and fellowships | (2,163,011) | (2,279,367) |
| Loans issued to students | (52,000) | (144,104) |
| Collection of loans to students | 119,760 | 90,940 |
| Sales and service of educational activities | 50,492 | 45,516 |
| Auxiliary enterprise charges | 15,219,914 | 16,769,398 |
| Fees assessed by the Commission | (259,299) | (276,004) |
| Other receipts — net | <u>653,420</u> | <u>523,113</u> |
| Net cash used in operating activities | <u>(12,413,295)</u> | <u>(11,048,576)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| State appropriations | 9,360,954 | 9,438,077 |
| Federal Pell grants | 4,786,341 | 5,083,829 |
| Gifts | 1,511,806 | 1,259,448 |
| Federal student loan program — direct lending receipts | 18,146,795 | 19,764,104 |
| Federal student loan program — direct lending payments | <u>(18,195,803)</u> | <u>(19,857,528)</u> |
| Net cash provided by noncapital financing activities | <u>15,610,093</u> | <u>15,687,930</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | |
| Capital note and bond proceeds from the State | 750,000 | - |
| Interest paid on capital debt and leases | (2,191,770) | (1,935,326) |
| Purchases of capital assets | (2,608,018) | (2,817,020) |
| Bond and lease proceeds | 35,282,000 | - |
| Principal paid on capital debt and leases | (36,221,364) | (1,530,114) |
| Withdrawals from (deposits to) noncurrent cash and cash equivalents | - | - |
| Fees assessed by the Commission | <u>(18,520)</u> | <u>(37,820)</u> |
| Net cash used in capital financing activities | <u>(5,007,672)</u> | <u>(6,320,280)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Interest on investments | <u>116,798</u> | <u>61,318</u> |
| Net cash provided by investing activities | <u>116,798</u> | <u>61,318</u> |
| DECREASE IN CASH AND CASH EQUIVALENTS | (1,694,076) | (1,619,608) |
| CASH AND CASH EQUIVALENTS — Beginning of year | <u>16,259,698</u> | <u>17,879,306</u> |
| CASH AND CASH EQUIVALENTS — End of year | <u>\$ 14,565,622</u> | <u>\$ 16,259,698</u> |

(Continued)

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|---|------------------------|------------------------|
| RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | | |
| Operating loss | \$ (19,239,791) | \$ (18,194,517) |
| Adjustments to reconcile net operating loss to net cash used in operating activities: | | |
| Depreciation expense | 6,718,282 | 6,929,902 |
| Net accretion of premiums/discounts on bonds payable | (449,743) | (25,627) |
| Effect of changes in operating Assets and Liabilities: | | |
| Accounts receivables — net | 206,640 | (469,823) |
| Other receivable | 52,218 | - |
| Prepaid expense | - | 57,902 |
| Loans to students — net | 48,809 | (67,940) |
| Due from the Commission | 29,904 | (25,031) |
| Inventories | 147,909 | 47,876 |
| Accounts payable | (425,868) | (173,747) |
| Accrued liabilities | 260,484 | 270,836 |
| Compensated absences | (20,104) | (6,381) |
| Other postemployment benefits liability | 306,344 | 592,687 |
| Net pension liability | 7,075 | (27,374) |
| Deferred revenue | (53,973) | 95,260 |
| Deposits held in custody for others | 9,128 | (50,409) |
| Advances from federal sponsors | (10,609) | (2,190) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>\$ (12,413,295)</u> | <u>\$ (11,048,576)</u> |
| NONCASH TRANSACTIONS | | |
| Property additions in accounts payable | \$ 106,535 | \$ (630,128) |

See notes to financial statements.

(Concluded)

SHEPHERD UNIVERSITY

SHEPHERD UNIVERSITY FOUNDATION, INCORPORATED AND SUPPORTING ORGANIZATION A COMPONENT UNIT OF SHEPHERD UNIVERSITY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2017 AND 2016

| | 2017 | 2016 |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 8,632,553 | \$ 23,098,204 |
| Pledges receivable (net of present value adjustment) | 3,584,513 | 3,198,673 |
| Other receivables | 837 | 187 |
| Accrued interest receivable | 21,019 | 32,829 |
| Prepaid expenses | 1,582 | 1,582 |
| Investments | 23,025,064 | 21,523,684 |
| Interest in life estate | 352,032 | 335,035 |
| Construction in Progress | 18,927,071 | 2,001,552 |
| Equipment, net | <u>5,055</u> | <u>6,132</u> |
| Total Assets | <u>\$ 54,549,726</u> | <u>\$ 50,197,878</u> |
| LIABILITIES | | |
| Accounts payable | \$ 1,747,003 | \$ 1,049,505 |
| Retainage payable | 805,935 | 54,895 |
| Accrued payroll | - | 11,866 |
| Accrued interest | 113,748 | 15,619 |
| Custodial liabilities | 1,163,036 | 1,574,435 |
| Gift annuities payable | 122,146 | 134,983 |
| Loans payable | <u>22,176,789</u> | <u>21,817,422</u> |
| Total Liabilities | <u>\$ 26,128,657</u> | <u>\$ 24,658,725</u> |
| NET ASSETS | | |
| Unrestricted | \$ (6,230,161) | \$ (6,772,981) |
| Temporarily restricted | 8,703,956 | 7,079,385 |
| Permanently restricted | <u>25,947,274</u> | <u>25,232,749</u> |
| Total Net Assets | <u>\$ 28,421,069</u> | <u>\$ 25,539,153</u> |
| Total Liabilities and Net Assets | <u>\$ 54,549,726</u> | <u>\$ 50,197,878</u> |

See notes to financial statements.

SHEPHERD UNIVERSITY

**SHEPHERD UNIVERSITY FOUNDATION, INCORPORATED
AND SUPPORTING ORGANIZATION
A COMPONENT UNIT OF SHEPHERD UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|--|------------------|--------------------|
| CHANGES IN UNRESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Other revenue | \$ 26,720 | \$ 23,311 |
| Interest and dividends | 47,161 | - |
| Net realized and unrealized gains on investments | 1,594,140 | (1,472,419) |
| Transfers | (110,400) | (52,414) |
| Net assets released from restrictions | <u>1,864,385</u> | <u>1,585,938</u> |
| Total Revenue and Other Support | <u>3,422,006</u> | <u>84,416</u> |
| EXPENSES | | |
| Program services: | | |
| Scholarships and awards | 1,757,190 | 1,509,129 |
| College support | 107,195 | 76,809 |
| General and administrative: | | |
| Salaries | 344,110 | 333,748 |
| Investment management fees | 104,369 | 127,948 |
| Printing and reproduction costs | 28,694 | 30,593 |
| Payroll taxes and benefits | 57,551 | 51,440 |
| Depreciation | 7,084 | 6,509 |
| Interest | 359,367 | 21,485 |
| Administrative expense | 2,102 | 2,162 |
| Rent | 12,600 | 12,600 |
| Office supplies and postage | 7,954 | 9,798 |
| Insurance | 11,247 | 6,499 |
| Changes in gift annuities | 9,024 | 9,935 |
| Professional fees | 32,578 | 51,653 |
| Staff training | 150 | 263 |
| Program development | 30,744 | 30,199 |
| Telephone | 2,241 | 2,621 |
| Technology | 3,635 | 2,407 |
| Bad debt expense | - | 3,000 |
| Miscellaneous | <u>1,351</u> | <u>727</u> |
| Total Expenses | <u>2,879,186</u> | <u>2,289,525</u> |
| Change In Unrestricted Net Assets | <u>542,820</u> | <u>(2,205,109)</u> |

(Continued)

SHEPHERD UNIVERSITY

**SHEPHERD UNIVERSITY FOUNDATION, INCORPORATED
AND SUPPORTING ORGANIZATION
A COMPONENT UNIT OF SHEPHERD UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

| | 2017 | 2016 |
|---|----------------------|----------------------|
| CHANGES IN TEMPORARILY RESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Cash contributions | \$ 2,194,774 | \$ 1,092,075 |
| Stock contributions | 464,310 | 12,177 |
| Other non-cash contributions | 75,813 | 6,125 |
| Other revenue | 27,553 | 10,613 |
| Interest and dividends | 506,208 | 588,215 |
| Net realized and unrealized gains on investments | 114,510 | 142,083 |
| Transfers | 105,788 | 76,653 |
| Net assets released from restrictions | <u>(1,864,385)</u> | <u>(1,585,938)</u> |
| Change in Temporarily Restricted Net Assets | <u>1,624,571</u> | <u>342,003</u> |
| CHANGES IN PERMANENTLY RESTRICTED NET ASSETS | | |
| SUPPORT AND REVENUE | | |
| Cash contributions | 573,276 | 670,709 |
| Stock contributions | 97,951 | 6,611 |
| Other non-cash contributions | 16,997 | 16,454 |
| Interest and dividends | 21,689 | 25,748 |
| Transfers | <u>4,612</u> | <u>(24,239)</u> |
| Change in Permanently Restricted Net Assets | <u>714,525</u> | <u>695,283</u> |
| Decrease in Net Assets | <u>2,881,916</u> | <u>(1,167,823)</u> |
| NET ASSETS - Beginning of year | <u>25,539,153</u> | <u>26,706,976</u> |
| NET ASSETS - End of year | <u>\$ 28,421,069</u> | <u>\$ 25,539,153</u> |

(Concluded)

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

1. ORGANIZATION

Shepherd University (the “University”) is governed by the Shepherd University Board of Governors (the “Board”). The Board was established by Senate Bill 653 (S.B. 653).

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the University under its jurisdiction; the duty to develop a master plan for the institution; the power to prescribe the specific functions and the University’s budget request; the duty to review at least every five years all academic programs offered at the University; and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the “Commission”), which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by Governmental Accounting Standards Board standards (GASB). The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University’s assets, liabilities, deferred inflows and outflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

Reporting Entity — The University is a component unit of the State of West Virginia (the “State”), and an operating unit of the West Virginia Higher Education Fund and represents separate funds of the State that are not included in the State’s general fund. The University is a separate entity which, along with all the State institutions of higher education, the Commission (which includes West Virginia Network for Educational Telecomputing (WVNET)), and West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State’s comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the University, including its blended component unit, the Shepherd University Research Corporation (the “Research Corporation”), a nonprofit, nonstock corporation. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University’s ability to significantly influence operations and accountability for fiscal matters of the Research Corporation.

The audited financial statements of Shepherd University Foundation, Incorporated (the Foundation) are discretely presented here with the University’s financial statements for the fiscal years ended June 30, 2016 and 2015, in accordance with GASB as a benefit/burden relationship exists between the University and the Foundation. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Notes 14 and 19).

Financial Statement Presentation — GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented to focus on the University as a whole. The University's net position is classified into three categories according to external donor restrictions or availability of assets for satisfaction of the University's obligations. The University's components of net position are classified as follows:

Net Investment in Capital Assets — This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included.

Restricted — Expendable — This includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

The West Virginia State Legislature (the "State Legislature"), as a regulatory body outside the reporting entity, has restricted the use of certain funds by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education*, of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

Restricted — Nonexpendable — This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University does not have any restricted nonexpendable component of net position at June 30, 2017 or 2016.

Unrestricted — This represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting — For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's basic financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expenses when materials or services are received. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents — For purposes of the statements of net position, the University considers all highly liquid investments with an original maturity of three months or less at acquisition to be cash and cash equivalents.

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, and by

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the University may invest in. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of those annual reports can be obtained from the following address: 1900 Kanawha Blvd., E. Room E-122, Charleston, WV 25305 or <http://wvbt.com>.

Allowance for Doubtful Accounts — It is the University's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectability experienced by the University on such balances, and such other factors which, in the University's judgment, require consideration in estimating doubtful accounts.

Inventories — Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

Noncurrent Cash, Cash Equivalents, and Investments — Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments and long-term loans to students, or to maintain sinking or reserve funds, (2) to purchase capital or other noncurrent assets or settle long-term liabilities, and (3) permanently restricted components of net position, are classified as noncurrent assets in the accompanying statements of net position.

Capital Assets — Capital assets include property, plant, and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair market value at the date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and infrastructure, 20 years for land improvements and library books, and 3 to 10 years for furniture and equipment. The University capitalizes all purchases of library books using group depreciation and uses a capitalization threshold of \$1,000 for other capital assets.

Unearned Revenue — Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenue, including items such as tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

Net Pension Liability — For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported in the TRS financial statements, which can be found at <https://www.wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ. (See Note 13).

Deferred Outflows of Resources – Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. As of June 30, 2017 and 2016, the University had deferred outflows of resources related to pensions of \$87,680 and \$53,708, respectively (see Note 13).

Deferred Inflows of Resources - Acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2017 and 2016, the University had deferred inflows of resources related to pensions of \$195,219 and \$287,463, respectively (see Note 13).

Compensated Absences and Other Postemployment Benefits (OPEBs) — GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State of West Virginia. Details regarding this plan and its stand-alone financial statements can be obtained by contacting the West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston, WV 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1 1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired on July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple employer cost-sharing plans approved by the State.

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3 1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

insurance for one year of family coverage. The same hire date mentioned above also applies to coverage for faculty employees. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense in the statements of revenues, expenses, and changes in net position.

Risk Management — The State’s Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the University and its employees. Such coverage may be provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the University or other participants in BRIM’s insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University’s actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the University and the University’s ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in the PEIA and third-party insurers, the University has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurer, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Classification of Revenues — The University has classified its revenues according to the following criteria:

Operating Revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, local, and nongovernmental operating grants and contracts; and (4) sales and services of educational activities.

Nonoperating Revenues — Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, federal Pell grants, and investment income, and sale of capital assets (including natural resources).

Other Revenues — Other revenues consist primarily of capital grants and gifts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Components of Net Position — The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available. Generally, the University attempts to utilize restricted resources first when practicable.

Federal Financial Assistance Programs — The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and unsubsidized loans directly to students, through entities like the University. Direct student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In 2017 and 2016, the University received and disbursed approximately \$19 million under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense in the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the federal Pell Grant, Supplemental Educational Opportunity Grant, SMART Grant, College Work Study programs Grant, and Academic Competitiveness Grant. The activity of these programs is recorded in the accompanying financial statements. In 2017 and 2016, the University received and disbursed \$4,966,732 and \$5,266,767, respectively, under these federal student aid programs.

Scholarship Allowances — Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid, such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending, is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

Government Grants and Contracts — Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Income Taxes — The University is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Flows — Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for the purpose of the statements of cash flows.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain reclassifications have been made to the prior year presentation to conform to the current year presentation. The reclassifications did not affect net position or changes thereon.

Newly Adopted Statements Issued by the Governmental Accounting Standards Board — The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The University has determined that Statement No. 80 does not apply to its component units and has no effect on its financial statements.

The GASB has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The University has determined it has no irrevocable split-interest agreements.

The GASB has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The adoption of this standard had no effect on the University's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board — The GASB has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The University has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2017 and 2016 was as follows:

| | <u>2017</u> | | |
|-----------------|----------------------|-------------------|----------------------|
| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
| State Treasurer | \$ 13,621,799 | \$ - | \$ 13,621,799 |
| Bank | <u>943,105</u> | <u>718</u> | <u>943,823</u> |
| | <u>\$ 14,564,904</u> | <u>\$ 718</u> | <u>\$ 14,565,622</u> |
| | <u>2016</u> | | |
| | <u>Current</u> | <u>Noncurrent</u> | <u>Total</u> |
| State Treasurer | \$ 15,616,053 | \$ - | \$ 15,616,053 |
| Bank | <u>643,645</u> | <u>-</u> | <u>643,645</u> |
| | <u>\$ 16,259,698</u> | <u>\$ -</u> | <u>\$ 16,259,698</u> |

Cash and cash equivalents with the State Treasurer included \$80,346 in 2017 and \$24,100 in 2016 of restricted cash for grants.

The combined carrying amount of cash in bank at June 30, 2017 and 2016 was \$943,823 and \$643,645 as compared with the combined bank balance of \$971,571 and \$707,993, respectively.

The difference is primarily caused by outstanding checks and items in transit. The bank balances are covered by federal depository insurance up to specified amounts. At June 30, 2017 and 2016, the University was exposed to custodial credit risk of \$462,482 and \$152,505, respectively for amounts that are uninsured and uncollateralized.

Amounts with the State Treasurer as of June 30, 2017 and 2016, are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool and the WV Short Term Bond Pool. There was \$727,027 in 2017 and \$776,729 in 2016 of unrestricted cash held for investment.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor’s rating of the University’s portion of the investment pools as of June 30:

| <u>External Pool</u> | <u>2017</u> | | <u>2016</u> | |
|----------------------------|--|-----------------------------------|--|-----------------------------------|
| | <u>Carrying Value</u> <u>(in Thousands)</u> | <u>S & P</u> <u>Rating</u> | <u>Carrying Value</u> <u>(in Thousands)</u> | <u>S & P</u> <u>Rating</u> |
| WV Money Market | \$ 12,604,639 | AAAm | \$ 14,497,452 | AAAm |
| WV Government Money Market | \$ - | AAAm | \$ - | AAAm |
| WV Short Term Bond | \$ 290,133 | Not Rated | \$ 341,872 | Not Rated |

3. CASH AND CASH EQUIVALENTS (CONTINUED)

A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/ liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

| External Pool | 2017 | | 2016 | |
|-----------------|-----------------------------------|---------------|-----------------------------------|---------------|
| | Carrying Amount (in thousands) | WAM (days) | Carrying Amount (in thousands) | WAM (days) |
| WV Money Market | \$ 12,604,639 | 52 | \$ 14,497,452 | 52 |

The following table provides information on the effective duration for the WV Short Term Bond Pool:

| External Pool | 2017 | | 2016 | |
|--------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | Carrying Value (in thousands) | Effective Duration (days) | Carrying Value (in thousands) | Effective Duration (days) |
| WV Short Term Bond | \$ 290,133 | 358 | 341,872 | 358 |

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI’s Consolidated Fund’s investment pools or accounts is exposed to these risks as described below.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement. The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Interest rate risk is the risk that changes the interest rates will adversely affect the fair value of an investment. The University’s investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund’s total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University has no securities with foreign currency risk.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 and 2016, are as follows:

| | 2017 | 2016 |
|--|---------------------|---------------------|
| Student tuition and fees — net of allowance for doubtful accounts of \$582,896 and \$474,019 in 2017 and 2016, respectively | \$ 520,820 | \$ 495,329 |
| Grants and contracts receivable | 401,639 | 371,084 |
| Other | <u>158,327</u> | <u>372,005</u> |
| | <u>\$ 1,080,786</u> | <u>\$ 1,238,418</u> |

5. CAPITAL ASSETS

Summary of capital assets transactions for the University as of June 30, 2017 and 2016, are as follows:

| | 2017 | | | |
|--|-----------------------|-----------------------|-------------------|-----------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,120,925 | \$ - | \$ - | \$ 1,120,925 |
| Construction in progress | <u>260,305</u> | <u>1,619,234</u> | <u>536,354</u> | <u>1,343,185</u> |
| Total capital assets not being depreciated | <u>1,381,230</u> | <u>1,619,234</u> | <u>536,354</u> | <u>2,464,110</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 4,215,388 | 297,102 | - | 4,512,490 |
| Land improvements - leased | 1,825,416 | - | - | 1,825,416 |
| Infrastructure | 14,667,151 | 1,425 | - | 14,668,576 |
| Buildings | 171,002,227 | 218,996 | - | 171,221,223 |
| Equipment | 14,239,179 | 1,056,586 | 142,733 | 15,153,032 |
| Library books | <u>4,013,134</u> | <u>57,562</u> | <u>-</u> | <u>4,070,696</u> |
| Total capital assets being depreciated | <u>209,962,495</u> | <u>1,631,671</u> | <u>142,733</u> | <u>211,451,433</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,516,327 | 315,760 | - | 1,832,087 |
| Land improvements - leased | 658,563 | 121,694 | - | 780,257 |
| Infrastructure | 6,809,968 | 687,872 | - | 7,497,840 |
| Buildings | 62,258,454 | 4,316,396 | - | 66,574,850 |
| Equipment | 9,860,689 | 1,190,696 | 137,823 | 10,913,562 |
| Library books | <u>3,523,679</u> | <u>85,864</u> | <u>-</u> | <u>3,609,543</u> |
| Total accumulated depreciation | <u>84,627,680</u> | <u>6,718,282</u> | <u>137,823</u> | <u>91,208,139</u> |
| Capital assets being depreciated - net | <u>125,334,815</u> | <u>(5,086,611)</u> | <u>4,910</u> | <u>120,243,294</u> |
| Total Capital Assets | <u>\$ 126,716,045</u> | <u>\$ (3,467,377)</u> | <u>\$ 541,264</u> | <u>\$ 122,707,404</u> |

5. CAPITAL ASSETS (CONTINUED)

| | 2016 | | | Ending Balance |
|--|------------------------------|-----------------------|---------------------|---------------------------|
| | Beginning Balance | Additions | Reductions | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 1,120,925 | \$ - | \$ - | \$ 1,120,925 |
| Construction in progress | <u>845,388</u> | <u>1,174,966</u> | <u>1,760,049</u> | <u>260,305</u> |
| Total capital assets not being depreciated | <u>1,966,313</u> | <u>1,174,966</u> | <u>1,760,049</u> | <u>1,381,230</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 4,116,383 | 99,005 | - | 4,215,388 |
| Land improvements - leased | 1,825,416 | - | - | 1,825,416 |
| Infrastructure | 14,559,185 | 107,966 | - | 14,667,151 |
| Buildings | 169,517,417 | 1,484,810 | - | 171,002,227 |
| Equipment | 13,413,035 | 1,018,461 | 192,317 | 14,239,179 |
| Library books | <u>3,952,391</u> | <u>60,743</u> | <u></u> | <u>4,013,134</u> |
| Total capital assets being depreciated | <u>207,383,827</u> | <u>2,770,985</u> | <u>192,317</u> | <u>209,962,495</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | 1,219,279 | 297,048 | - | 1,516,327 |
| Land improvements - leased | 536,869 | 121,694 | - | 658,563 |
| Infrastructure | 6,128,468 | 681,500 | - | 6,809,968 |
| Buildings | 57,758,656 | 4,499,798 | - | 62,258,454 |
| Equipment | 8,823,001 | 1,229,460 | 191,772 | 9,860,689 |
| Library books | <u>3,423,278</u> | <u>100,401</u> | <u></u> | <u>3,523,679</u> |
| Total accumulated depreciation | <u>77,889,551</u> | <u>6,929,901</u> | <u>191,772</u> | <u>84,627,680</u> |
| Capital assets being depreciated - net | <u>129,494,276</u> | <u>(4,158,916)</u> | <u>545</u> | <u>125,334,815</u> |
| Total Capital Assets | <u>\$ 131,460,589</u> | <u>\$ (2,983,950)</u> | <u>\$ 1,760,594</u> | <u>\$ 126,716,045</u> |

The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

At June 30, 2017, the University had no significant outstanding contractual commitments for property, plant, and equipment.

6. LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the University for the years ended June 30, 2017 and 2016 are as follows:

| | 2017 | | | | |
|---|------------------------------|----------------------|----------------------|---------------------------|----------------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Bonds, note and capital leases: | | | | | |
| Bonds payable | \$ 40,520,000 | \$ 35,282,000 | \$ 36,003,902 | \$ 39,798,098 | \$ 1,625,183 |
| Bond premium/discount | 485,925 | 85,480 | 535,223 | 36,182 | - |
| Note payable | - | 750,000 | 75,000 | 675,000 | 150,000 |
| Capital lease obligations | 609,535 | - | 142,462 | 467,073 | 144,850 |
| Total bonds, note and capital leases | <u>41,615,460</u> | <u>36,117,480</u> | <u>36,756,587</u> | <u>40,976,353</u> | <u>1,920,033</u> |
| Other long-term liabilities: | | | | | |
| Advances from federal sponsors | 509,471 | - | 10,610 | 498,861 | - |
| Compensated absences | 1,209,629 | 131,699 | 151,802 | 1,189,526 | 782,163 |
| Other postemployment benefits liability | 10,824,012 | 306,344 | - | 11,130,356 | - |
| Total other long-term liabilities | <u>12,543,112</u> | <u>438,043</u> | <u>162,412</u> | <u>12,818,743</u> | <u>782,163</u> |
| Total long-term liabilities | <u>\$ 54,158,572</u> | <u>\$ 36,555,523</u> | <u>\$ 36,918,999</u> | <u>\$ 53,795,096</u> | <u>\$ 2,702,196</u> |

| | 2016 | | | | |
|---|------------------------------|-------------------|---------------------|---------------------------|----------------------------|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| Bonds and capital leases: | | | | | |
| Bonds payable | \$ 41,910,000 | \$ - | \$ 1,390,000 | \$ 40,520,000 | \$ 1,455,000 |
| Bond premium/discount | 511,552 | 4,008 | 29,635 | 485,925 | - |
| Capital lease obligations | 749,649 | - | 140,114 | 609,535 | 142,462 |
| Total bonds and capital leases | <u>43,171,201</u> | <u>4,008</u> | <u>1,559,749</u> | <u>41,615,460</u> | <u>1,597,462</u> |
| Other long-term liabilities: | | | | | |
| Advances from federal sponsors | 511,662 | - | 2,191 | 509,471 | - |
| Compensated absences | 1,216,010 | - | 6,381 | 1,209,629 | 768,650 |
| Other postemployment benefits liability | 10,231,325 | 592,687 | - | 10,824,012 | - |
| Total other long-term liabilities | <u>11,958,997</u> | <u>592,687</u> | <u>8,572</u> | <u>12,543,112</u> | <u>768,650</u> |
| Total long-term liabilities | <u>\$ 55,130,198</u> | <u>\$ 596,695</u> | <u>\$ 1,568,321</u> | <u>\$ 54,158,572</u> | <u>\$ 2,366,112</u> |

7. LEASES AND NOTE PAYABLE

In September 2016, the University received an interest free loan from the West Virginia Higher Education Policy Commission in the amount of \$750,000 for the demolition of Sara Cree building. This loan is to be paid back in semi-annually payments of \$75,000 for the next 5 years.

Future annual payments on capital leases and note payable for years subsequent to June 30, 2017, are as follows:

| Years Ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|---------------------|------------------|---------------------|
| 2018 | 294,850 | 6,667 | 301,517 |
| 2019 | 297,277 | 4,240 | 301,517 |
| 2020 | 299,746 | 1,772 | 301,518 |
| 2021 | 175,200 | 52 | 175,252 |
| 2022 | <u>75,000</u> | <u>-</u> | <u>75,000</u> |
| Total | <u>\$ 1,142,073</u> | <u>\$ 12,731</u> | <u>\$ 1,154,804</u> |

The net book value of capital assets held under the capital lease as of June 30, 2017 and 2016, was \$1,045,158 and \$1,166,852, net of accumulated depreciation of \$780,258 and \$658,564, respectively.

8. BONDS PAYABLE

Bonds payable as of June 30, 2017 and 2016, consisted of the following:

| | Interest Rate | Annual Principal Installment Due | <u>Principal Amount Outstanding</u> | |
|---|------------------|--|---|----------------------|
| | | | 2017 | 2016 |
| Residence Facilities Revenue Bonds, due through 2035 | 5.00% | \$605,000–1,450,000 | \$ - | \$ 18,435,000 |
| Wellness Center Facilities Revenue Bonds, due through 2037 | 4.00%–5.0% | \$470,000–1,170,000 | - | 16,250,000 |
| Refunding Revenue Bonds, due through 2033 | 3.0% - 4.375% | \$390,000–460,000 | 5,455,000 | 5,835,000 |
| Refunding Revenue Bonds, due through 2037 | 3.65% | \$1,235,183–2,367,878 | <u>34,343,098</u> | <u>-</u> |
| | | | 39,798,098 | 40,520,000 |
| Discount | | | - | (85,480) |
| Premium | | | <u>36,182</u> | <u>571,405</u> |
| | | | <u>\$ 39,834,280</u> | <u>\$ 41,005,925</u> |

8. BONDS PAYABLE (CONTINUED)

The Bonds are special obligations of the Board and are secured and payable from fees assessed to students of the University held under the Indenture. The Bonds shall not be deemed to be general obligations or a debt of the State within the meaning of the Constitution of the State and the credit or taxing power of the State or the University shall not be pledged therefore. The University will maintain and collect fees from all students enrolled in the University to pay debt service.

Residence Facilities Revenue Bonds — In May 2005, \$22,925,000 of revenue bonds (Shepherd University Residence Facilities Projects (the “Project”)) Series 2005 (the “Bonds”) were sold. The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended and the Bonds are secured pursuant to the Indenture and Security Agreement dated as of May 24, 2005, by and between the Board and the trustee. The Bonds were issued to finance the costs of planning, design, acquisition, construction, and equipping of a 300-bed apartment style residence complex on the West Campus of the University; fund capitalized interest on the Series 2005 Bonds to January 1, 2007; refund the Issuer’s \$1,865,000 University Facilities Revenue Notes, Series 2004A, which were issued to finance temporarily a portion of the costs of planning, design, acquisition, construction, and equipping of certain renovations and improvements to Shaw Hall, Thacher Hall, and other capital renovations and improvements to the University’s residence facilities pending issuance of the Series 2005 Bonds; pay the costs of issuance of the Series 2005 Bonds.

The Bonds maturing on and after June 1, 2017, are subject to redemption prior to maturity, at the option of the Board, in whole at any time or in part on any interest payment date, at par, plus accrued interest to the date fixed for redemption.

Beginning in the Fall 2006 semester, rental fees from the new facilities are used to operate the facility and with other sources of revenues identified in the pledge, pay debt service. Fees shall at all times be sufficient to provide pledged revenues each fiscal year. The fees shall at all times be sufficient to provide pledged revenues, when combined with other monies legally available to be used for such purpose, each fiscal year equal to at least 100% of maximum annual debt service. During the years ended June 30, 2017 and 2016, net revenues when combined with other monies legally available for payment of debt service were in excess of the maximum annual debt service.

Wellness Center Revenue Bonds — In October 2007, \$20,090,000 of revenue bonds (Shepherd University Wellness Center Projects (the “Project”) Series 2007 (the “Bonds”) were sold. The Bonds were issued under the authority contained in Chapter 18, Article 23 of the Code of West Virginia, 1931, as amended and the Bonds are secured pursuant to the Indenture and Security Agreement dated as of October 30, 2007, by and between the Board and the Trustee. The Bonds were issued to finance the costs of planning, design, acquisition, construction, and equipping of a new wellness center on the University’s campus and other capital improvements for use by the University.

The Bonds maturing on and after June 1, 2022, are subject to redemption prior to maturity on or after December 1, 2017, at the option of the Board, in whole at any time or in part on any interest payment date, at par, plus accrued interest to the date fixed for redemption.

Beginning in the Fall 2008 semester, student fees and revenues collected from the new facilities are used to operate the facility, and with other sources of revenues identified in the pledge, pay debt service. Gross operating revenues shall at all times be sufficient to provide pledged revenues each fiscal year. The fees shall at all times be sufficient to provide pledged revenues, when combined with other monies legally available to be used for such purpose, each fiscal year equal to at least 100% of maximum annual debt service. During the years ended June 30, 2017 and 2016, gross revenues when combined with other

8. BONDS PAYABLE (CONTINUED)

monies legally available for payment of debt service were in excess of the maximum annual debt service.

Refunding Revenue Bonds – On December 2, 2013, the University issued \$6.7 million in General Obligation Bonds with an average interest rate of 3.69% to advance refund \$7.1 million of outstanding 2003 and 2004 series bonds with an average interest rate of 4.27%.

On March 8, 2017, the University issued \$35.3 million in General Obligation Bonds with a fixed interest rate of 3.65% to advance refund \$35.3 million of outstanding 2005 and 2007 revenue bonds with an average interest rate of 4.5% and to pay the cost of issuance. As a result, both 2005 and 2007 revenue bonds are considered to be defeased and the liability for both of those bonds has been removed from the state of net position.

The advance refunding resulted in a net gain between the reacquisition price and the net carrying amount of old debt of \$82,013. The difference, reported in the accompanying financial statements as a deduction of bonds payable, is being charged to operations during 2017. The University completed the refunding to reduce its total debt service payments over the next 20 years by \$4.2 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$3.3 million.

Summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2017, are as follows:

| Years Ending June 30 | 2013 | | 2017 | | Total | |
|-------------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2018 | \$ 390,000 | \$ 185,963 | \$ 1,235,183 | \$ 1,343,394 | 1,625,183 | 1,529,357 |
| 2019 | 400,000 | 174,262 | 1,280,678 | 1,293,993 | 1,680,678 | 1,468,255 |
| 2020 | 410,000 | 165,862 | 1,324,732 | 1,245,898 | 1,734,732 | 1,411,760 |
| 2021 | 420,000 | 153,563 | 1,376,643 | 1,189,788 | 1,796,643 | 1,343,351 |
| 2022 | 435,000 | 140,962 | 1,427,349 | 1,134,729 | 1,862,349 | 1,275,691 |
| 2023-2027 | 1,645,000 | 516,831 | 7,962,328 | 4,776,972 | 9,607,328 | 5,293,803 |
| 2028-2032 | 1,430,000 | 257,332 | 9,540,324 | 3,063,457 | 10,970,324 | 3,320,789 |
| 2033-2037 | <u>325,000</u> | <u>14,219</u> | <u>10,195,861</u> | <u>1,010,488</u> | <u>10,520,861</u> | <u>1,024,707</u> |
| Total | <u>\$ 5,455,000</u> | <u>\$ 1,608,994</u> | <u>\$ 34,343,098</u> | <u>\$ 15,058,719</u> | <u>\$ 39,798,098</u> | <u>\$ 16,667,713</u> |

9. OTHER POSTEMPLOYMENT BENEFITS

OPEB costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. At June 30, 2017, 2016, and 2015 the noncurrent liability related to OPEB costs was \$11,130,356, \$10,824,012, and \$10,231,325, respectively. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,049,643 and \$743,299, respectively, during 2017. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,317,499 and \$724,812, respectively, during 2016. The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,358,046 and \$786,855, respectively, during 2015. As of and for the years ended June 30, 2017, 2016, and 2015, there were 37, 39, and 32 retirees receiving these benefits, respectively. The University does not have a current plan in place to fund the OPEB liability; however, the State has dedicated funds to be transferred into Retiree Health Benefit Trust Fund to commence at a future date.

10. STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education, and the University receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of the State government. Those mandates affect all aspects of the University’s operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State’s universities and colleges, including certain facilities of the University. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the University and College Systems (the “Boards”). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The tuition and registration fees of the members of the former State University System are generally pledged as collateral for the Commission’s bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligations of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002.

Debt service assessed for the years ending June 30, 2017 and 2016, are as follows:

| | 2017 | 2016 |
|-------|------------------|------------------|
| Other | <u>\$ 18,520</u> | <u>\$ 37,820</u> |

11. UNRESTRICTED COMPONENTS OF NET POSITION

The University did not have any board designated unrestricted components of net position as of June 30, 2017 or 2016.

| | 2017 | 2016 |
|---|-----------------------|---------------------|
| Total unrestricted net position before OPEB and net pension liability | \$ 9,290,199 | \$ 11,321,539 |
| Less Net pension liability | (391,112) | (327,328) |
| Less OPEB liability | <u>(11,130,356)</u> | <u>(10,824,012)</u> |
| Total unrestricted component of net position | <u>\$ (2,231,269)</u> | <u>\$ 170,199</u> |

12. DEFINED CONTRIBUTION PLANS

Substantially, all full-time employees of the University participate in either the West Virginia Teachers' retirement System (TRS), the Teachers' Insurance and Annuities Association — College Retirement Equities Fund (TIAA-CREF), or Great West Retirement Services (the "Great West"). Previously, upon full-time employment, all employees were required to make an irrevocable selection between the TRS and TIAA-CREF. Effective July 1, 1991, the TRS was closed to new participants. Current participants in the TRS are permitted to make a one-time election to cease their participation in that plan and commence contributions to the West Virginia Teachers' Defined Contribution Plan. Contributions to and participation in the West Virginia Teachers' Defined Contribution Plan by University employees have not been significant to date.

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the Great West basic retirement plan. New hires have the choice of either plan. As of June 30, 2017 and 2016, only one employee has elected this plan.

The TIAA-CREF and Great West are defined contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF which are not matched by the University.

The total contributions that the University was required to contribute to the TIAA-CREF for the years ended June 30, 2017, 2016, and 2015, were \$2,622,058, \$2,505,942, and \$2,533,604, respectively, which consisted of equal contributions from the University and covered employees in 2017, 2016, and 2015 of \$1,312,206, \$1,252,971, and \$1,266,802, respectively.

The total contributions that the University was required to contribute to the Great West for the years ended June 30, 2017, 2016, and 2015, were \$96,788, \$117,204, and \$136,838, respectively, which consisted of equal contributions from the University and the covered employee in 2017, 2016, and 2015 of \$48,394, \$58,602, and \$68,419, respectively.

12. DEFINED CONTRIBUTION PLANS (CONTINUED)

The University's total payroll for the years ended June 30, 2017 and 2016 was \$27,063,149 and \$26,177,277, respectively, and total covered employees' salaries in TIAA-CREF and Great West were, \$21,870,099 and \$806,569 in 2017, and \$20,882,851 and \$976,697 in 2016, respectively.

13. DEFINED BENEFIT PENSION PLAN

Some employees of the University are enrolled in a defined benefit pension plan, the West Virginia Teachers' Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal years ended June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------|-------------|
| Net Pension Liability | \$ 391,112 | \$ 327,328 |
| Deferred Outflows of Resources | \$ 87,680 | \$ 53,708 |
| Deferred Inflows of Resources | \$ 195,219 | \$ 287,463 |
| Revenues | \$ 69,507 | \$ 52,512 |
| Pension Expense | \$ (28,111) | \$ (27,374) |
| Contributions Made by Shepherd | \$ 34,322 | \$ 35,215 |

TRS

Plan Description

TRS is a multiple employer defined benefit cost sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the TRS website at <https://www.wvretirement.com/Publications.html#CAFR>

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service.

13. **DEFINED BENEFIT PENSION PLAN (CONTINUED)**

A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. The University's proportionate share attributable to this special funding subsidy was \$66,128 and \$49,119 as of June 30, 2016 and 2015, respectively.

The University's contributions to TRS for the years ended June 30, 2017, 2016, and 2015, were approximately \$34,322, \$35,215, and \$42,953, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of June 30, 2015 and rolled forward to June 30, 2016. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method and period: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.

13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 2.2%.
- Discount rate of 7.50%
- Mortality rates based on RP-2000 Mortality Tables.
- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%
- *Ad hoc* cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2005 to June 30, 2010. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS’ target asset allocation as of June 30, 2016, are summarized below.

| Asset Class | Long-term Expected Real Rate of Return | Target Allocation |
|-------------------------|--|-------------------|
| US Equity | 7.0% | 27.5% |
| International Equity | 7.7% | 27.5% |
| Core Fixed Income | 2.7% | 7.5% |
| High Yield Fixed Income | 5.5% | 7.5% |
| Real Estate | 5.6% | 10.0% |
| Private Equity | 9.4% | 10.0% |
| Hedge Funds | 4.7% | 10.0% |

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS’ investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan’s fiduciary net position, a municipal bond rate of 3.66% is to be used to discount the benefit payments not covered by the plan’s fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2016.

13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2017 and 2016 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| Net Pension Liability as of June 30, 2017 | \$ 494,764 | \$ 391,112 | \$ 302,477 |
| Net Pension Liability as of June 30, 2016 | \$ 424,353 | \$ 327,328 | \$ 244,016 |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The TRS net pension liability was measured as of June 30, 2016 and 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to the measurement date June 30, 2016.

The University's proportionate share of the TRS net pension liability as of June 30, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Recognized University Net Pension Liability | \$ 391,112 | \$ 327,328 |
| University's proportionate share of net pension liability due to special funding situation | <u>744,964</u> | <u>692,199</u> |
| Total University Proportionate Share of TRS Net Pension Liability | <u>\$ 1,136,076</u> | <u>\$ 1,019,527</u> |

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2016 and 2015. Employer contributions are recognized when due. At June 30, 2016 and 2015, the University's proportion was 0.009516% and 0.009446%, respectively.

13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The University recognized TRS pension expense for the years ended June 30, 2017 and 2016 as follows:

| | 2017 | 2016 |
|--|--------------------|--------------------|
| University's porportionate share of TRS expense | \$ (94,239) | \$ (79,886) |
| Pension expense attributable to special funding from a non-employer contributing entity | <u>66,128</u> | <u>52,512</u> |
| Total TRS pension expense | <u>\$ (28,111)</u> | <u>\$ (27,374)</u> |

The University also recognized revenue of \$69,507 and \$52,512 for support provided by the State for years ended June 30, 2017 and 2016, respectively.

At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

| | 2017 | 2016 |
|---|-------------------|-------------------|
| Deferred Outflows of Resources | | |
| Changes in Proportion and difference between employer contributions and proportinate share of contributions | \$ 53,358 | \$ 18,493 |
| Contributions after the measurment date | <u>34,322</u> | <u>35,215</u> |
| Total Deferred Outflows of Resources | <u>\$ 87,680</u> | <u>\$ 53,708</u> |
| Deferred Inflows of Resources | | |
| Changes in Proportion and difference between employer contributions and proportinate share of contributions | \$ 179,242 | \$ 252,321 |
| Net difference between projected and actual investment earnings | 13,693 | 32,308 |
| Differences between expected and actual experience | <u>2,284</u> | <u>2,834</u> |
| Total Deferred Inflows of Resources | <u>\$ 195,219</u> | <u>\$ 287,463</u> |

13. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The University will recognize the 2017 pension contributions of \$34,322 as a reduction of the TRS net pension liability in the year ended June 30, 2018. Other 2017 amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

| Fiscal Year Ended | Amortization |
|-------------------|---------------------|
| June 30, 2018 | \$ (51,869) |
| June 30, 2019 | (51,869) |
| June 30, 2020 | (37,417) |
| June 30, 2021 | (4,801) |
| June 30, 2022 | <u>4,095</u> |
| | <u>\$ (141,861)</u> |

Payables to the pension plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2017 and 2016.

14. FOUNDATION

The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose “... to aid, strengthen, and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations...” Oversight of the Foundation is the responsibility of its separate and independently elected Board of Directors, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University’s financial statements in accordance with GASB.

Based on the Foundation’s audited financial statements as of June 30, 2017 and 2016, the Foundation’s net assets (including unrealized gains) totaled \$28,421,069 and \$25,539,153, respectively. Complete financial statements of the Foundation can be obtained from The Shepherd University Foundation, Incorporated, P.O. Box 3210, Shepherdstown, West Virginia 25443-3210.

During the years ended June 30, 2017 and 2016, the Foundation contributed \$1,442,908 and \$1,226,523, respectively, to the University for scholarships and awards.

15. AFFILIATED ORGANIZATION

The University has separately incorporated an affiliated organization, the Alumni Association and Friends of Shepherd University. Oversight responsibility for this entity rests with an independent board and management not otherwise affiliated with the University, and a benefit/burden relationship does not exist between them and the University. Therefore, their operations are not listed as a component unit of the University.

16. COMMITMENTS AND CONTINGENCIES

Leases

The University executed an operating lease agreement for the Martinsburg Center campus at 261 Aikens Center, Martinsburg, West Virginia in 2014. The lease agreement includes scheduled rent increases over the term of the lease, which will be recognized on a straight-line basis over the term of the lease. The lease expires June 2023. Rental expense under the operating lease was \$239,577 and \$229,260 for the years ended June 30, 2017 and 2016, respectively. The rent expense is included in supplies and other services (Instruction) in the accompanying statements of revenues, expenses, and changes in net position. Starting July 2017, the University will be reducing the amount of square footage they will be leasing at the Martinsburg Center from 15,811 square feet to 7,346, thus causing future rent expense to be reduced.

Future minimum payments under noncancellable operating leases are as follows at June 30:

| | Leases |
|------------------------------|-------------------|
| 2018 | \$ 109,716 |
| 2019 | 109,716 |
| 2020 | 109,716 |
| 2021 | 109,716 |
| 2022 | 109,716 |
| 2023 | <u>109,716</u> |
| Total minimum lease payments | <u>\$ 658,296</u> |

Claims

The nature of the educational industry is such that, from time to time, claims will be presented against the University on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the University would not have a significant financial impact on the financial position of the University.

Federal Contracts

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a significant financial impact on the University's financial position.

Arbitrage

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities as of June 30, 2017 or 2016.

16. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Building Codes

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

Risk Management

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The University carries commercial insurance to insure against major loss related to these risks. The University also carries commercial insurance for employee health, long-term disability, life, and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage. There have been no significant reductions in insurance coverage or any settled claims that have exceeded the amount of the coverage in any of the past three years.

17. SUBSEQUENT EVENTS

Potomac Place - The University opened the doors to a new 300 bed residence hall at the start of the Fall 2017 semester. The new hall was funded with a public/private partnership with the Shepherd University Foundation Supporting Organization, a component unit of Shepherd University Foundation. The debt service for the construction cost will be repaid with rents from the students. The project was completed on-time and on-budget and was at nearly 100% occupancy as of the end of September.

18. SEGMENT INFORMATION

Condensed statements of net position as of June 30, 2017 and 2016:

| | Residence Facilities Projects Revenue Bonds 2005 | | Wellness Center Revenue Bonds 2007 | | Refunding Revenue Bonds 2013 | | Refunding Revenue Bonds 2017 | |
|------------------------------------|---|------------|---------------------------------------|------------|---------------------------------|-----------|---------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets: | | | | | | | | |
| Current assets | - | 9,299,008 | - | 1,127,070 | 3,151,934 | 2,164,653 | 10,382,390 | - |
| Noncurrent assets | - | 20,598,476 | - | 16,526,844 | 7,190,214 | 6,480,049 | 36,430,690 | - |
| Total assets | - | 29,897,484 | - | 17,653,914 | 10,342,148 | 8,644,702 | 46,813,080 | - |
| Liabilities: | | | | | | | | |
| Current liabilities | - | 1,608,289 | - | 614,791 | 852,143 | 609,087 | 1,851,295 | - |
| Noncurrent liabilities | - | 18,362,284 | - | 15,694,520 | 5,101,182 | 5,494,120 | 33,107,916 | - |
| Total liabilities | - | 19,970,573 | - | 16,309,311 | 5,953,325 | 6,103,207 | 34,959,211 | - |
| Net position: | | | | | | | | |
| Net investment in capital assets | - | 1,605,114 | - | 360,181 | 1,699,030 | 605,928 | 2,064,547 | - |
| Restricted: | | | | | | | | |
| Unrestricted | - | 8,321,797 | - | 984,422 | 2,689,793 | 1,935,567 | 9,789,322 | - |
| Total net position | - | 9,926,911 | - | 1,344,603 | 4,388,823 | 2,541,495 | 11,853,869 | - |
| Total net position and liabilities | - | 29,897,484 | - | 17,653,914 | 10,342,148 | 8,644,702 | 46,813,080 | - |

Condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016:

| | Residence Facilities Projects Revenue Bonds 2005 | | Wellness Center Revenue Bonds 2007 | | Refunding Revenue Bonds 2013 | | Refunding Revenue Bonds 2017 | |
|-----------------------------------|---|---------------|---------------------------------------|--------------|---------------------------------|--------------|---------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Operating: | | | | | | | | |
| Operating revenues | \$ 10,339,039 | \$ 15,081,892 | \$ 1,893,495 | \$ 2,489,314 | \$ 2,580,379 | \$ 2,785,113 | \$ 4,077,511 | \$ - |
| Operating expenses | (8,982,484) | (13,008,065) | (1,481,967) | (1,767,102) | (637,379) | (778,318) | (3,608,594) | - |
| Net operating income | 1,356,555 | 2,073,827 | 411,528 | 722,212 | 1,943,000 | 2,006,795 | 468,917 | - |
| Nonoperating: | | | | | | | | |
| Nonoperating revenues | 111,797 | 88,139 | 6,113 | 3,983 | 119,136 | 6,536 | 11,856,504 | - |
| Nonoperating expenses | (11,395,263) | (959,508) | (1,762,244) | (768,418) | (214,808) | (232,491) | (471,552) | - |
| Net nonoperating loss | (11,283,466) | (871,369) | (1,756,131) | (764,435) | (95,672) | (225,955) | 11,384,952 | - |
| Increase (decrease) in net assets | (9,926,911) | 1,202,458 | (1,344,603) | (42,223) | 1,847,328 | 1,780,840 | 11,853,869 | - |
| Net position — beginning of year | 9,926,911 | 8,724,453 | 1,344,603 | 1,386,826 | 2,541,495 | 760,655 | - | - |
| Net position — end of year | \$ - | \$ 9,926,911 | \$ - | \$ 1,344,603 | \$ 4,388,823 | \$ 2,541,495 | \$ 11,853,869 | \$ - |

Condensed statements of cash flows for the years ended June 30, 2017 and 2016:

| | Residence Facilities Projects Revenue Bonds 2005 | | Wellness Center Revenue Bonds 2007 | | Refunding Revenue Bonds 2013 | | Refunding Revenue Bonds 2013 | |
|---|---|--------------|---------------------------------------|--------------|---------------------------------|--------------|---------------------------------|------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Net cash provided by (used in) operating activities | \$ 1,437,378 | \$ 3,073,192 | \$ 870,108 | \$ 1,202,713 | \$ 2,337,895 | \$ 2,403,161 | \$ 769,162 | \$ - |
| Net cash used in capital and related financing | (10,145,214) | (2,882,409) | (1,308,994) | (1,158,647) | (1,356,177) | (1,857,010) | 8,900,772 | - |
| Net cash provided by (used in) investing activities | - | - | - | - | - | - | - | - |
| Increase (decrease) in cash and cash equivalents | (8,707,836) | 190,783 | (438,886) | 44,066 | 981,718 | 546,151 | 9,669,934 | - |
| Cash and cash equivalents — beginning of year | 8,707,836 | 8,517,053 | 438,886 | 394,820 | 1,899,477 | 1,353,326 | - | - |
| Cash and cash equivalents — end of year | \$ - | \$ 8,707,836 | \$ - | \$ 438,886 | \$ 2,881,195 | \$ 1,899,477 | \$ 9,669,934 | \$ - |

19. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2017 and 2016, the following represents operating expenses within both natural and functional classifications:

| 2017 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by the Commission | Total |
|--|--------------------------|---------------------|--------------------------------------|---------------------|------------------------------------|---------------------|--|----------------------|
| Instruction | \$ 13,297,675 | \$ 2,791,375 | \$ 1,779,090 | \$ 4,678 | \$ - | \$ - | \$ - | \$ 17,872,818 |
| Research | 155,973 | 17,055 | 54,825 | - | - | - | - | 227,853 |
| Public service | 149,035 | 27,063 | 68,235 | - | - | - | - | 244,333 |
| Academic support | 1,981,476 | 393,871 | 850,643 | 495 | - | - | - | 3,226,485 |
| Student services | 2,212,557 | 526,498 | 747,064 | 1,240 | - | - | - | 3,487,359 |
| General institutional support | 3,224,702 | 1,218,830 | 2,224,556 | 203 | - | - | - | 6,668,291 |
| Operations and maintenance of plant | 1,539,158 | 423,118 | 868,363 | 2,021,325 | - | - | - | 4,851,964 |
| Student financial aid | - | - | - | - | 2,164,214 | - | - | 2,164,214 |
| Auxiliary enterprises | 4,502,573 | 1,067,031 | 5,657,888 | 1,484,014 | - | - | - | 12,711,506 |
| Depreciation | - | - | - | - | - | 6,718,282 | - | 6,718,282 |
| Other | - | - | - | - | - | - | 259,299 | 259,299 |
| Total | \$ 27,063,149 | \$ 6,464,841 | \$ 12,250,664 | \$ 3,511,955 | \$ 2,164,214 | \$ 6,718,282 | \$ 259,299 | \$ 58,432,404 |

| 2016 | Salaries and Wages | Benefits | Supplies and Other Services | Utilities | Scholarships and Fellowships | Depreciation | Fees Assessed by the Commission | Total |
|--|--------------------------|---------------------|--------------------------------------|---------------------|------------------------------------|---------------------|--|----------------------|
| Instruction | \$ 12,905,994 | \$ 2,838,306 | \$ 1,700,635 | \$ 3,053 | \$ - | \$ - | \$ - | \$ 17,447,988 |
| Research | 167,675 | 15,708 | 68,684 | - | - | - | - | 252,067 |
| Public service | 139,215 | 29,061 | 67,229 | 89 | - | - | - | 235,594 |
| Academic support | 1,950,869 | 442,935 | 899,090 | 1,245 | - | - | - | 3,294,139 |
| Student services | 2,142,532 | 530,786 | 845,817 | 1,031 | - | - | - | 3,520,166 |
| General institutional support | 2,821,864 | 912,701 | 2,659,368 | 442 | - | - | - | 6,394,375 |
| Operations and maintenance of plant | 1,585,385 | 460,190 | 1,466,405 | 1,961,571 | - | - | - | 5,473,551 |
| Student financial aid | - | - | - | - | 2,279,367 | - | - | 2,279,367 |
| Auxiliary enterprises | 4,463,743 | 1,072,894 | 5,917,547 | 1,444,866 | - | - | - | 12,899,050 |
| Depreciation | - | - | - | - | - | 6,929,902 | - | 6,929,902 |
| Other | - | - | - | - | - | - | 276,004 | 276,004 |
| Total | \$ 26,177,277 | \$ 6,302,581 | \$ 13,624,775 | \$ 3,412,297 | \$ 2,279,367 | \$ 6,929,902 | \$ 276,004 | \$ 59,002,203 |

20. COMPONENT UNIT'S DISCLOSURES

The notes taken directly from the audited financial statements of the Foundation are as follows:

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Summary of Significant Accounting Policies

Reporting Principles

The consolidated financial statements include Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization (collectively referred to as the Foundation). Shepherd University Foundation, Inc. shares a common governing board with and has an ongoing economic interest in the Shepherd University Foundation Supporting Organization (Supporting Organization). As a result, these entities are financially interrelated and consolidation is required under accounting principles generally accepted in the United States. All significant intercompany balances and transactions have been eliminated.

Organization and Nature of Operations

The Shepherd University Foundation, Inc., and the Shepherd University Foundation Supporting Organization are nonprofit organizations incorporated in the state of West Virginia and headquartered in Shepherdstown, West Virginia. The primary purpose of the Shepherd University Foundation, Inc. is to provide assistance and support for the students, facilities and programs of Shepherd University. The primary purpose of the Shepherd University Foundation Supporting Organization is to provide financial support and other supporting services to the Shepherd University Foundation, Inc.

Basis of Accounting

The consolidated financial statements of the Shepherd University Foundation, Inc. and Supporting Organization are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Restrictions relate to many different scholarships and to construction of fixed assets.

Note 1 Summary of Significant Accounting Policies (Continued)

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Restrictions are to provide assistance and support for the students, facilities and programs of Shepherd University.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Custodial accounts representing funds held by the Foundation on behalf of Shepherd University and/or departments of the University are reported as custodial liabilities. The Foundation is responsible for the management and administration of these funds.

Investments

The Foundation accounts for its investments in accordance with generally accepted accounting principles (GAAP). Under GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets.

Pledges Receivable

Pledges are recorded as revenue when received. It is the Foundation's policy to evaluate individual pledges annually to determine collectability. Pledges deemed uncollectible are written off as part of the change in net assets in the year such determination is made. The present value adjustment for pledges receivable is calculated by determining the present value of the future contributions expected to be received, using a discount rate of 6%.

Property and Equipment

Purchased assets are recorded at cost. Donated assets retained by the Foundation are recorded at their current or appraised value at the date they are donated. Expenditures of \$300 or more and having a useful life greater than one year are capitalized. Assets no longer in use are retired. Maintenance and repairs are expensed as incurred. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

| | Years |
|---------------------------|-------|
| Equipment | 3-7 |
| Building and improvements | 40 |

Note 1 Summary of Significant Accounting Policies (Continued)

Loan Origination Costs

In June 2016, the Shepherd University Foundation Supporting Organization incurred loan origination costs of \$589,063 associated with obtaining financing. These costs are being amortized using the straight-line method over the life of the related debt, which is 19 months and 20 days.

During the year ended June 30, 2017, the Foundation adopted the provisions of Accounting Standards Update 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03) that was issued by the Financial Accounting Standards Board (FASB) in April 2015. Under this new accounting standard, the Foundation has retrospectively presented all loan origination costs as a direct deduction from loans payable. Amortization of the loan costs is included as a component of interest expense. The effects of the retrospective application of the accounting change on the year ended June 30, 2016 is to decrease total assets and loans payable by \$567,578 and reclassify \$21,485 of amortization to interest expense on the Consolidated Statement of Activities.

Advertising

Advertising costs are expensed as incurred and amounted to \$3,890 and \$4,785 for the years ended June 30, 2017 and 2016, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. Non-cash contributions received that are retained or passed through to Shepherd University are recorded at their current or appraised value at the date they are contributed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon management's judgment and past experience.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 Summary of Significant Accounting Policies (Continued)

Tax Exempt Status

The Internal Revenue Service has determined that the Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization are organizations described in Section 501(c)(3) of the Internal Revenue Code and are therefore exempt from federal income tax.

The Foundation follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Foundation's policy is to charge penalties and interest to income tax expense as incurred. The Foundation's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

Concentrations of Credit Risk

In the course of conducting its activities the Foundation encourages alumni, local businesses and the general public to support its purposes by regularly soliciting contributions. Many of the contributors pledge their support over several years in the form of pledges. Pledges that are legally enforceable represent extensions of credit by the Foundation to its donors.

Statement of Cash Flows

For purposes of presenting cash flow information, the Foundation has defined cash equivalents as highly liquid debt instruments with original maturities of three months or less.

Risks

The Foundation's investment portfolio contains government obligations, fixed income bonds, and equity securities. Such investments are exposed to various risks, such as market and credit risk. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risk in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

The Foundation places its demand deposits with local banks. At times such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management considers this to be a normal business risk.

Reclassifications

Certain reclassifications of amounts previously reported have been made in the accompanying financial statements in order to make them conform to the classifications used for the year ended June 30, 2017.

Note 2 Pledges Receivable

Pledges receivable represent amounts due to the Foundation for legally enforceable pledges. These pledges are payable in full or in part through June 30, 2023.

Pledges receivable as of June 30, 2017 and 2016 consist of temporarily and permanently restricted net assets. These unconditional promises to give are scheduled to be received by the Foundation over the next several years, and are considered to be fully collectible.

| | 2017 | 2016 |
|-------------------------------------|---------------------|---------------------|
| Receivable in less than one year | \$ 616,020 | \$ 437,683 |
| Receivable in one to five years | 3,129,560 | 2,307,500 |
| Receivable over five years | <u>356,000</u> | <u>1,056,000</u> |
| Total Pledges Receivable | 4,101,580 | 3,801,183 |
| Less: discount to net present value | <u>(517,067)</u> | <u>(602,510)</u> |
| Net pledges receivable | <u>\$ 3,584,513</u> | <u>\$ 3,198,673</u> |

Note 3 Investments

The Foundation maintains investment securities with various brokerage companies. The Foundation also holds investments in real estate, certificates of deposit, and some common stock that are not invested with brokerage companies.

Investment securities at June 30, 2017 and 2016 are composed of the following:

| Description | Cost | Market |
|---------------------------|----------------------|----------------------|
| <u>2017</u> | | |
| Certificates of deposit | \$ 681,356 | \$ 681,356 |
| Government Securities | 1,162,828 | 1,155,049 |
| Corporate bonds and notes | 1,080,102 | 1,079,045 |
| Mutual funds | 15,840,529 | 17,913,439 |
| Stocks | <u>1,698,406</u> | <u>2,083,416</u> |
| Investment Securities | <u>\$ 20,463,221</u> | <u>\$ 22,912,305</u> |
| <u>2016</u> | | |
| Certificates of deposit | \$ 778,988 | \$ 778,988 |
| Government Securities | 2,181,513 | 2,290,350 |
| Corporate bonds and notes | 1,836,911 | 1,837,558 |
| Mutual funds | 14,249,625 | 14,832,667 |
| Stocks | <u>1,584,218</u> | <u>1,667,357</u> |
| Investment Securities | <u>\$ 20,631,255</u> | <u>\$ 21,406,920</u> |

Note 3 Investments (Continued)

At June 30, 2017 and 2016, there was \$1,575,313 and \$1,379,005, respectively, of cash and cash equivalents held in the brokerage accounts available to be invested by the Foundation.

The investment in real estate is included in investments at net book value on the consolidated statement of financial position due to not having a readily available market value. Investment in real estate is comprised of the following:

| Description | Cost | Accumulated Depreciation | Net Book Value |
|--------------------|-------------------|-------------------------------------|---------------------------|
| 2017 | | | |
| Land | \$ 40,000 | \$ - | \$ 40,000 |
| Building | <u>160,202</u> | <u>87,443</u> | <u>72,759</u> |
| | <u>\$ 200,202</u> | <u>\$ 87,443</u> | <u>\$ 112,759</u> |
| 2016 | | | |
| Land | \$ 40,000 | \$ - | \$ 40,000 |
| Building | <u>160,202</u> | <u>83,438</u> | <u>76,764</u> |
| | <u>\$ 200,202</u> | <u>\$ 83,438</u> | <u>\$ 116,764</u> |

Depreciation expense related to investment in real estate amounted to \$4,005 for years ended June 30, 2017 and 2016.

The following is a summary of the Foundation's investments at June 30, 2017 and 2016:

| Description | 2017 | 2016 |
|-----------------------|----------------------|----------------------|
| Investment securities | \$ 22,912,305 | \$ 21,406,920 |
| Real estate | <u>112,759</u> | <u>116,764</u> |
| | <u>\$ 23,025,064</u> | <u>\$ 21,523,684</u> |

The risks of economic uncertainty and market volatility underscore the level of investment risk associated with the Foundation's investments.

Note 4 Interest in Life Estate

During the year ended June 30, 2013, a donor established a life estate giving a remainder interest in a residential property to the Foundation, while retaining a life interest in the property. A life estate agreement is an arrangement whereby the donor transfers property to a charity while retaining the right to occupy and otherwise enjoy the full use of the property for the donor's choice of a term of years or the lifetime of the donor. The present commitment value of the property is based on the individual's life expectancy, which provides for a contribution value based upon the fact the donor is making a present commitment to a future charitable gift. The value of the property is based upon a third-party appraisal value at the date of transfer of \$447,500, discounted by the present value of the fair market rental value of the

Note 4 Interest in Life Estate (Continued)

property at the time of the transfer of \$1,700 per month. The present value was calculated based upon the life expectancy of the donor as determined by the Social Security Life Expectancy tables and a 3.25% rate of return per the American Council on Gift Annuities. Assets held in life estates at June 30, 2017 and 2016 were \$352,032 and \$335,035, respectively, and are reported at the calculated present value on the Foundation's consolidated statement of financial position. Changes in the present value of the life estate will be reflected as changes in permanently restricted net assets in the Foundation's consolidated statement of activities.

Note 5 Student Housing Facility Project and Construction in Progress

During 2016, the Shepherd University Foundation Supporting Organization began the design and construction of a new student housing facility on the Shepherd University campus. The Supporting Organization received interim financing for the project in the form of bond anticipation notes issued by the West Virginia Economic Development Authority. The Supporting Organization has received a rural development loan commitment for a 40-year permanent loan from the United States Department of Agriculture that will retire the West Virginia bond anticipation notes at the completion of construction and upon obtaining an occupancy permit. The Supporting Organization will own the building and associated equipment and furnishings and has entered into a ground lease with Shepherd University. The ground lease began in June 2016 and will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd University. The ground lease agreement requires annual rental payments due 30 days after the receipt of the Supporting Organization's audited financial statements. Rental payments will equal the net available cash flow generated from the student housing facility project.

In June 2016, the Supporting Organization entered into a management agreement with Shepherd University. The management agreement appointed Shepherd University as the Supporting Organization's exclusive agent for the construction, operation, management and maintenance of the student housing facility project.

Construction in progress reported on the consolidated statements of financial position at June 30, 2017 and 2016 of \$18,927,071 and \$2,001,552, respectively, represent costs incurred related to the construction of the student housing facility project and capitalized interest associated with the financing of the project during the construction period. No depreciation will be recognized on these costs until the construction is complete and the building is placed into service. The building was placed into service in August 2017.

Note 6 Equipment

Equipment consists of the following:

| | <u>2016</u> | <u>2015</u> |
|----------------------------|-----------------|-----------------|
| Office equipment (at cost) | \$ 18,970 | \$ 28,115 |
| Accumulated depreciation | <u>(12,838)</u> | <u>(22,606)</u> |
| Net book value | <u>\$ 6,132</u> | <u>\$ 5,509</u> |

Depreciation expense related to equipment was \$3,079 and \$2,504 for the years ended June 30, 2017 and 2016, respectively.

Note 7 Custodial Liabilities

Generally accepted accounting principles establish standards for transactions in which a foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the foundation must account for the transfer of such assets as a liability. The liability has been established at the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

The gross receipts and disbursements for the custodial accounts, and the interest earned and gains on investments for the custodial accounts for the years ended June 30, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Custodial receipts | \$ 200,870 | \$ 195,815 |
| Custodial payments | (615,343) | (641,630) |
| Interest and gains on investments | <u>3,074</u> | <u>8,159</u> |
| Net (decrease) in custodial liabilities | <u>\$ (411,399)</u> | <u>\$ (437,656)</u> |

Note 8 Gift Annuities

Gift annuities are recognized at fair value when received, and the corresponding liabilities are recorded using the present value of future cash flows expected to be paid to the donors and are being amortized over the expected lives of the donors.

The liability associated with gift annuities payable amounted to \$122,146 and \$134,983 for the years ended June 30, 2017 and 2016, respectively.

Note 9 Loans Payable

As disclosed in Note 5, in June 2016 the Shepherd University Foundation Supporting Organization obtained interim financing for their student housing facility project through bond anticipation notes issued by the West Virginia Economic Development Authority. The Shepherd University Foundation Supporting Organization borrowed \$22,035,000 under Series 2016A bond anticipation notes with an interest rate of 1.20% and \$350,000 of Series 2016B taxable bond anticipation notes with an interest rate of 2.45%. The loans mature on February 1, 2018 and require semi-annual interest only payments on August 1 and February 1 of each loan year. On February 1, 2018, all outstanding interest and principal is required to be repaid. The loans are secured by a leasehold deed of trust on the student housing facility project. The carrying value of the collateral was \$18,927,071 and \$2,001,552 at June 30, 2017 and 2016, respectively. Total interest capitalized during the construction period of the student housing facility project amounted to \$273,301 and \$15,619 for the years ended June 30, 2017 and 2016, respectively.

Note 9 Loans Payable (Continued)

The balance of loans payable, net of loan costs, at June 30, 2017 and 2016 is as follows:

| | 2017 | 2016 |
|-------------------------------------|----------------------|----------------------|
| WVEDA Series 2016A Bond | \$ 22,035,000 | \$ 22,035,000 |
| WVEDA Series 2016B Taxable Bond | <u>350,000</u> | <u>350,000</u> |
| | 22,385,000 | 22,385,000 |
| Less loan costs, net of accumulated | <u>(208,211)</u> | <u>(567,578)</u> |
| | <u>\$ 22,176,789</u> | <u>\$ 21,817,422</u> |

Amortization of loan costs charged to interest expense for the years ended June 30, 2017 and 2016 was \$359,367 and \$21,485, respectively.

The Shepherd University Foundation Supporting Organization has a loan commitment agreement for up to \$22,735,000 with the United States Department of Agriculture (USDA). At the completion of the student housing facility project construction and receipt of occupancy permit, the USDA will provide permanent financing for the project under a 40-year term loan and will pay off the outstanding balance of the West Virginia bond anticipation notes.

Note 10 Employee Pension Plan

The Foundation participates in the TIAA - CREF retirement plan. The Foundation contributes to the plan based on a dollar for dollar match of the contributions of full time employees up to 6%. The cost recognized during the years ended June 30, 2017 and 2016 was \$13,959 and \$10,002, respectively.

Note 11 Conditional Promises to Give

In the normal course of operations, the Foundation has been notified as being designated to receive various deferred gifts from alumni and friends in support of Shepherd University that are not recorded in the consolidated financial statements because of their contingent nature. However, the Foundation facilitates and monitors deferred gifts through the use of Memorandums of Understanding detailing the donor's intent and stipulations for administration of the gift for such items as bequests, charitable remainder trusts and insurance policies.

Note 12 Related Party

The Foundation is a component unit of Shepherd University (University). The Foundation utilizes space owned by the University but does not pay rent. In-kind revenue and expense of \$12,600 has been recorded for the use of this space for the years ended June 30, 2017 and 2016, respectively.

As disclosed in Note 5, the Shepherd University Foundation Supporting Organization has entered into a ground lease agreement and management agreement with the University as part of the student housing facilities project.

Note 13 Fair Value Measurements

Accounting Standards Codification (ASC) 820, Fair Value Measurements, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Represented by quoted prices that are available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, and mortgage products and exchange traded equities.
- Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states and political subdivisions and certain corporate, asset backed securities and swap agreements.
- Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement includes the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and private investments in public entities.

Note 13 Fair Value Measurements (Continued)

Fair value of assets measured on a recurring basis at June 30, 2017 and 2016 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------|----------------------|---|--|--|
| 2017 | | | | |
| Pledges Receivable | \$ 3,584,513 | \$ - | \$ - | \$ 3,584,513 |
| Government Securities | | | | |
| US Treasuries | 732,198 | 732,198 | - | - |
| Agency Securities | 173,134 | - | 173,134 | - |
| Municipal Bonds | 66,673 | - | 66,673 | - |
| Mortgage Pools | 183,044 | - | 183,044 | - |
| Corporate Bonds | 1,079,045 | - | 1,079,045 | - |
| Mutual Funds | | | | |
| US Large Cap | 3,027,044 | 3,027,044 | - | - |
| US Small and Mid-Cap | 2,462,992 | 2,462,992 | - | - |
| International Equity | 4,254,144 | 4,254,144 | - | - |
| International Fixed Income | 706,242 | 706,242 | - | - |
| High-Yield Bond | 332,067 | 332,067 | - | - |
| REIT's | 585,485 | 585,485 | - | - |
| Commodities | 1,050,260 | 1,050,260 | - | - |
| Equity Energy | 231,026 | 231,026 | - | - |
| Hedged Equity | 1,780,464 | 1,780,464 | - | - |
| Master Limited Partnerships | 880,465 | 880,465 | - | - |
| Diversified Alternatives | 1,909,353 | 987,079 | - | 922,274 |
| Managed Futures | 693,897 | 693,897 | - | - |
| Stocks | | | | |
| US Small and Mid-Cap | 1,157,888 | 1,157,888 | - | - |
| International Equity | 925,528 | 925,528 | - | - |
| | <u>\$ 25,815,462</u> | <u>\$ 19,806,779</u> | <u>\$ 1,501,896</u> | <u>\$ 4,506,787</u> |

Note 13 Fair Value Measurements (Continued)

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------|----------------------|---|--|--|
| 2016 | | | | |
| Pledges Receivable | \$ 3,198,673 | \$ - | \$ - | \$ 3,198,673 |
| Government Securities | | | | |
| US Treasuries | 1,442,955 | 1,442,955 | - | - |
| Agency Securities | 458,949 | - | 458,949 | - |
| Municipal Bonds | 104,862 | - | 104,862 | - |
| Mortgage Pools | 283,584 | - | 283,584 | - |
| Corporate Bonds | 1,837,558 | - | 1,837,558 | - |
| Mutual Funds | | | | |
| US Large Cap | 2,627,463 | 2,627,463 | - | - |
| US Small and Mid-Cap | 2,192,162 | 2,192,162 | - | - |
| International Equity | 2,445,613 | 2,445,613 | - | - |
| International Fixed Income | 679,410 | 679,410 | - | - |
| High-Yield Bond | 304,883 | 304,883 | - | - |
| REIT's | 604,750 | 604,750 | - | - |
| Commodities | 374,857 | 374,857 | - | - |
| Equity Energy | 236,971 | 236,971 | - | - |
| Hedged Equity | 1,586,680 | 1,586,680 | - | - |
| Master Limited Partnerships | 882,155 | 882,155 | - | - |
| Diversified Alternatives | 2,091,381 | 864,152 | - | 1,227,229 |
| Managed Futures | 806,342 | 806,342 | - | - |
| Stocks | | | | |
| US Small and Mid-Cap | 909,927 | 909,927 | - | - |
| International Equity | 757,430 | 757,430 | - | - |
| | <u>\$ 23,826,605</u> | <u>\$ 16,715,750</u> | <u>\$ 2,684,953</u> | <u>\$ 4,425,902</u> |

The fair values of Shepherd University Foundation's assets are measured using different techniques. The fair value for pledges receivable is determined by calculating the present value of the pledges expected to be received, using a discount rate of 6%. The fair value measurement for investments is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy. The fair value measurement of the Foundation's Level 3 investments above have been determined based on the net asset values of the underlying fund investments.

Note 13 Fair Value Measurements (Continued)

Total realized (loss) for the investments noted above that is included in the change in net assets at June 30, 2017 and 2016 was (\$55,517) and (\$1,088,208) respectively. The unrealized gain (loss) for the investments noted above that is included in the change in net assets at June 30, 2017 and 2016 was \$1,764,167 and (\$242,128) respectively.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) consist of pledges receivable and funds invested in SkyBridge Multi-Advisor Series G (SkyBridge Fund) and Ironwood Institutional Multi-Strategy Fund, LLC (Ironwood Fund), which are speculative funds of funds. The changes in Level 3 assets are as follows for the years ended June 30, 2017 and 2016:

| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | | |
|--------------------------------|--|-----------------------|----------------------|---------------------|
| | Pledges Receivable | SkyBridge Fund | Ironwood Fund | Total |
| Fair Value as of July 1, 2016 | \$ 3,198,673 | \$ 367,139 | \$ 860,090 | \$ 4,425,902 |
| New pledges | 902,500 | - | - | 902,500 |
| Payments received | (601,937) | - | - | (601,937) |
| Change in valuation | 85,277 | - | - | 85,277 |
| Purchase of funds | - | 5,573 | 13,246 | 18,819 |
| Sale of funds | - | (389,990) | - | (389,990) |
| Realized (loss) | - | (23,583) | - | (23,583) |
| Unrealized gain | - | 40,861 | 48,938 | 89,799 |
| Fair Value as of June 30, 2017 | <u>\$ 3,584,513</u> | <u>\$ -</u> | <u>\$ 922,274</u> | <u>\$ 4,506,787</u> |
| | | | | |
| Fair Value as of July 1, 2015 | \$ 3,318,446 | - | \$ 886,706 | \$ 4,205,152 |
| Pledges written off | (3,000) | - | - | (3,000) |
| Payments received | (297,526) | - | - | (297,526) |
| Change in valuation | 180,753 | - | - | 180,753 |
| Purchase of funds | - | 408,000 | 22,774 | 430,774 |
| Unrealized (loss) | - | (40,861) | (49,390) | (90,251) |
| Fair Value as of June 30, 2016 | <u>\$ 3,198,673</u> | <u>\$ 367,139</u> | <u>\$ 860,090</u> | <u>\$ 4,425,902</u> |

The amount of total gains (losses) included in the changes in net assets related to Level 3 assets for the years ending June 30, 2017 and 2016 was \$66,216 and \$(90,251), respectively.

Note 14 Endowments

The Foundation's endowments consist of individual funds established to provide investment income for the Foundation's operations. The endowments include donor-restricted endowment funds. Net assets associated with endowment funds, including funds designated by the Foundation to function as endowments, are classified and reported as permanently restricted net assets based on the donor-imposed restrictions. The classification is based on the board's interpretation of West Virginia's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor-restrictions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

The Shepherd University Foundation's Directors make an annual determination of the level of funding that will be provided by the Foundation's investments. The policy of the Foundation's Directors is to determine the amount of the annual income distribution based on the investment portfolio's total return for the previous fiscal year. Any undistributed investment income as well as all gains and losses and unrestricted contributions are added to unrestricted net assets.

The endowments are invested consistent with an investment policy statement that is monitored by the Foundation's Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds in the endowment are primarily invested in U.S. Government Securities and managed equity funds with several investment managers using an investment philosophy that maintains equities in the range of 77% to 87% of the total fund, real estate in the range of 0% to 9%, commodities in the range of 3% to 13%, fixed income securities in the range of 12% to 22%, and cash in the range of 0% to 6%.

Note 14 Endowments (Continued)

Endowment net assets consisted of donor permanently restricted endowment funds of \$25,947,274 and \$25,232,749 as of June 30, 2017 and 2016, respectively. The investment income derived from the endowment funds is primarily restricted to providing scholarships for students.

The changes in endowment net assets for the years ended June 30, 2017 and 2016 were as follows:

| | | |
|--|----|-------------------|
| Endowment Net Assets at June 30, 2015 | \$ | 24,537,466 |
| Investment income | | 25,748 |
| Contributions | | 693,774 |
| Transfers | | <u>(24,239)</u> |
| Endowment Nets Assets at June 30, 2016 | \$ | 25,232,749 |
| Investment income | | 21,689 |
| Contributions | | 688,224 |
| Transfers | | <u>4,612</u> |
| Endowment Nets Assets at June 30, 2017 | \$ | <u>25,947,274</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation's accounting records do not contain the information necessary to determine the portion of the unrestricted net asset deficit that is attributable to endowment funds and the balance of deficiencies of this nature was not able to be determined as of June 30, 2017 and 2016.

Note 15 Unrestricted Net Asset Deficit

The Foundation records all realized and unrealized gains and losses to unrestricted net assets as they are incurred. The unrestricted net asset deficit of the Foundation is primarily the result of cumulative unrealized and realized losses not being allocated as a reduction to temporarily restricted net assets as well scholarship disbursements from funds in excess of the actual unrealized and realized investment earnings of prior years. In order to reduce the deficit and generate positive unrestricted net assets, the Foundation will need to generate gains on their investments for consecutive years, reduce the level of annual fund disbursements, or generate revenues from another outside source. The balance of the unrestricted net asset deficit was \$(6,230,161) and \$(6,772,981) for the years ended June 30, 2017 and 2016, respectively.

Note 16 Subsequent Events

The Foundation has evaluated events and transactions subsequent to June 30, 2017 through August 31, 2017, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that have occurred subsequent to June 30, 2017 and through August 31, 2017, that require recognition or disclosure in the financial statements.

SHEPHERD UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS

Schedule of Proportionate Share of TRS Net Pension Liability

| Measurement Date | University's Proportionate Share as a percentage of Net Pension Liability | University's Proportionate Share | State's Proportionate Share | Total Proportionate Share | University's Covered Employee Payroll | University's Proportionate Share as a percentage of Covered Payroll | University's Plan Fiduciary Net Position as a percentage of Total Pension Liability |
|------------------|---|----------------------------------|-----------------------------|---------------------------|---------------------------------------|---|---|
| June 30, 2014 | 0.01302% | \$ 449,352 | \$ 1,015,266 | \$ 1,464,618 | \$ 486,027 | 92.45412% | 65.95% |
| June 30, 2015 | 0.00945% | \$ 327,328 | \$ 692,199 | \$ 1,019,527 | \$ 375,501 | 87.17101% | 66.25% |
| June 30, 2016 | 0.00952% | \$ 391,112 | \$ 744,964 | \$ 1,136,076 | \$ 478,614 | 81.71763% | 66.25% |

Schedule of Employer Contributions

| Measurement Date | Actuarially Determined Contribution | Actual Contribution | Contribution Deficiency (Excess) | Covered Payroll | Actual Contributions as a percentage of Covered Payroll |
|------------------|-------------------------------------|---------------------|----------------------------------|-----------------|---|
| June 30, 2014 | \$ 59,257 | \$ 59,998 | \$ (741) | \$ 486,027 | 12.34458% |
| June 30, 2015 | \$ 42,953 | \$ 42,953 | \$ (0) | \$ 375,501 | 11.43885% |
| June 30, 2016 | \$ 36,894 | \$ 36,894 | \$ - | \$ 478,614 | 7.70851% |

Notes to Required Supplementary Information

For the Year Ended June 30, 2017

There are no factors that affect trends in the amounts reported, such as change of benefits terms or assumptions. With only one year reported in the required supplementary information, there is no additional information to include in notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Governors
Shepherd University
Shepherdstown, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Shepherd University (the University), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 13, 2017. Our report includes a reference to other auditors who audited the financial statements of Shepherd University Foundation, Inc., as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Shepherd University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
October 13, 2017

Appendix I: Quarterly Financial Reports to the SU Board of Governors 2016-present

QUARTERLY FINANCIAL REPORT: FY2017

Mr. Tony Major, Vice President for Finance, will present the quarterly financial report.

Included are three reports for the fourth quarter of FY2017. 1) Statement of Net Assets, 2) Budget to Actual Report, and 3) State of Revenues Expenses and Other changes which shows a year-to-year comparison with FY2016.

Highlights when comparing FY2017 with FY2016 include:

- A 4.0%, \$1.662 million, decrease in Total Operating Revenues
- A 0.5%, \$324,000, decrease in Total Operating Expenses
- A 2.1%, \$287,000 decrease in Total Non-Operating Revenues and Expenses
- A decrease in Net Assets of \$5.610 million
- A 10.36%, \$1.682 million, decrease in Cash and Cash Equivalents

STATEMENT OF NET ASSETS

Assets

Total assets decreased 4.22% to \$139.5 million. Significant changes in assets from the prior year include a decrease in Cash, Accounts Receivable and Inventories and a decrease in Capital Assets net of accumulated depreciation.

Cash and Cash Equivalents – At the end of the fourth quarter, the University had sufficient cash and other resources on hand to meet operating and capital requirements. Cash balances have decreased from FY2016 to FY2017 by 10.36% to \$14.6 million primarily due to the continued spending exceeding revenues. While expenditures were below budget, the decline in enrollment resulted in reduced collection of Tuition and Fees and Auxiliary Enterprises revenue resulting in a use of cash. A mid-year rescission in the University's State Appropriation of \$191,000 was also a contributing factor.

Accounts Receivable – Accounts Receivable decreased \$188,000. The majority of Accounts Receivable is associated with student balances. There was \$250,000 in FY2016 in reimbursements due from the new residence hall, Potomac Place.

Capital Assets Net – Capital Assets are presented net of Accumulated Depreciation and decreased \$4.0 million to \$122.7 million. Additions to Capital Assets during FY2017 include:

- Stadium Pavilion
- Human Resource Building Improvements
- Sara Cree Demolition (Construction in Progress)

This is offset by an increase in Accumulated Depreciation of \$6.7 million.

Liabilities

Total Liabilities decreased slightly, 0.68% to \$59.4 million. Significant changes include increases in Accrued Liabilities, Other Post Employee Benefits (*OPEB*) and Long Term Debt Obligation to the Commission with decreases in Accounts Payable and Deferred Revenue and Leases and Bonds Payables.

Accounts Payable – Accounts Payable decreased from \$1.5 million to \$1.2 million. This is a result of the continuing reduction of non-personnel expenses and increased use of the State PCard.

Accrued Liabilities – Accrued Liabilities increased 9.2%, \$261,000, due primarily to an increase in accrued payroll, due to an increase in salary and benefits as of year-end.

OPEB, Non-Current – OPEB increased 2.83%, \$306,000, in accordance with an actuarial study conducted by the State.

Bonds and Leases Payable – Bonds and Leases Payable decreased \$1.2 million, resulting from bond and lease premium payments consisting of more principal.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES

Operating Revenues

Total Operating Revenues are down 4.0%, \$1.662 million, from FY2016.

Tuition and Fee Revenue declined 1.5%, \$276,000, even with a 5% increase in Tuition and Fee charges for 2017.

Revenue generated from the operation of Auxiliary Enterprises is \$16.1 million, down 9.3%, \$1.647 million, from \$17.7 million last fiscal year.

Operating Expenses

Year-to-year Total Operating Expenses are relatively flat with a 0.5%, \$324,000 decrease. Instruction functional expense is up \$711,000, 4.1%, mainly due to increases in salaries and benefits. The continuing decline in student enrollments has resulted in a 4.9%, \$155,000 decrease in Scholarship and Fellowship expenses. Operations and Maintenance also has a significant decline, 10.7%, \$582,000 when compared year-over-year.

Non-Operating Revenues and Expenses

Total Non-Operating Revenues and Expenses are down slightly year-over-year 2.1%, \$287,000.

Gifts, at \$1.5 million, are 20.1%, \$253,000, above FY2016 actuals. This revenue is generated by contributions from the Foundation. The majority is in the form of student scholarships.

Other Revenues, Expenses, Gains or Losses

Expenses for OPEB are down over last year, 48.4%, \$287,000.

Overall, at the end of the fourth quarter, total Net Assets are \$79.9 million compared to \$85.5 million last year, down 4.18%. The change is primarily driven by the declining enrollments and continued expenditures exceeding revenues.

Table 1

Shepherd University
Statement of Net Assets
As of June 30, 2017
(Dollars in Thousands)

| | Actual 6/30/17 | As of 6/30/16 | % Change |
|--|-------------------|------------------|----------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 14,560 | 16,242 | -10.36% |
| Accounts receivable net | 679 | 867 | -21.68% |
| Grants and contracts receivable, net | 403 | 371 | 8.63% |
| Due from the Commission | - | 43 | -100.00% |
| Inventories | 409 | 557 | -26.57% |
| Loans Receivable | 100 | 100 | 0.00% |
| Other assets | - | - | n/a |
| Total Current assets | 16,151 | 18,180 | -11.16% |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 1 | - | n/a |
| Investments | - | - | n/a |
| Loans receivable, net | 353 | 402 | -12.19% |
| Capital assets net | 122,707 | 126,716 | -3.16% |
| Other Noncurrent assets | 254 | 307 | -17.3% |
| Total Noncurrent assets | 123,315 | 127,425 | -3.23% |
| TOTAL ASSETS | \$139,466 | \$145,605 | -4.22% |
| Total Deferred Outflows of Resources (GASB 68) | \$106 | \$54 | 96.30% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$139,572 | \$145,659 | -4.18% |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,189 | 1,508 | -21.15% |
| Accrued liabilities | 3,097 | 2,836 | 9.20% |
| Due to the Commission | - | - | n/a |
| Due to other State agencies | - | - | n/a |
| Deferred revenue | 815 | 869 | -6.21% |
| Long-term liabilities - current portion | 2,702 | 2,366 | 14.20% |
| Total Current liabilities | 7,803 | 7,579 | 2.96% |
| Noncurrent liabilities: | | | |
| Advances from federal sponsors | 499 | 510 | -2.16% |
| Deposits | 148 | 139 | 6.47% |
| Other post employment benefits | 11,130 | 10,824 | 2.83% |
| Compensated absences | 407 | 441 | -7.71% |
| Net pension liability | 391 | 327 | 19.57% |
| Debt obligation due Commission | 525 | - | n/a |
| Leases Payable | 322 | 467 | -31.05% |
| Bonds Payable | 38,209 | 39,551 | -3.39% |
| Total Noncurrent liabilities | 51,631 | 52,259 | -1.20% |
| TOTAL LIABILITIES | 59,434 | 59,838 | -0.68% |
| Total Deferred Inflows of Resources (GASB 68) | 214 | 288 | -25.69% |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 59,648 | 60,126 | -0.79% |
| NET ASSETS | 79,924 | 85,533 | -6.56% |
| TOTAL LIABILITIES AND NET ASSETS | \$139,572 | \$145,659 | -4.18% |

Table 2

Shepherd University
Budget to Actual Report
FY17 - For the Year Ending June 30, 2017
(Dollars in Thousands)

| | Annual Budget | YTD Actual | \$ Variance | % Budget |
|---|------------------|----------------|----------------|---------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$19,655 | \$17,574 | \$2,081 | 89.4% |
| Federal Grants and Contracts | 1,457 | 1,179 | 278 | 80.9% |
| State and Local Grants and Contracts | 4,408 | 4,478 | (70) | 101.6% |
| Private Grants and Contracts | 20 | 27 | (7) | 135.0% |
| Sales and Services of Educational Activities | 15 | 50 | (35) | 333.3% |
| Auxiliary Enterprises | 18,285 | 16,081 | 2,204 | 87.9% |
| Other Operating Revenues | 617 | 651 | (34) | 105.5% |
| TOTAL OPERATING REVENUES | 44,457 | 40,040 | 4,417 | 90.1% |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 18,553 | 17,873 | 680 | 96.3% |
| Academic Support | 3,424 | 3,226 | 198 | 94.2% |
| Student Services | 3,860 | 3,487 | 373 | 90.3% |
| Scholarships & Fellowships | 3,079 | 3,033 | 46 | 98.5% |
| Subtotal Primary Mission Costs | 28,916 | 27,619 | 1,297 | 95.5% |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 5,016 | 4,852 | 164 | 96.7% |
| Institutional Support | 6,384 | 6,362 | 22 | 99.7% |
| Research | 244 | 228 | 16 | 93.4% |
| Public Service | 239 | 244 | (5) | 102.1% |
| Subtotal Other Core Operating Expenses | 11,883 | 11,686 | 197 | 98.3% |
| Total Core Operating Expenses | 40,799 | 39,305 | 1,494 | 96.3% |
| Auxiliary Expenses | 13,140 | 12,712 | 428 | 96.7% |
| Depreciation Expense | 7,472 | 6,718 | 754 | 89.9% |
| Transfers and Other (Additions) Subtractions | 293 | 259 | 34 | 88.3% |
| TOTAL OPERATING EXPENSES | 61,704 | 58,994 | 2,710 | 95.6% |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,552 | 9,361 | 191 | 98.0% |
| Nonoperating federal revenue | 5,400 | 4,786 | 614 | 88.6% |
| Investment Income | 33 | 136 | (103) | 412.1% |
| Interest on capital asset related debt | (1,876) | (2,192) | 316 | 116.8% |
| Loss on disposal of equipment | - | (5) | 5 | n/a |
| Gifts | 1,240 | 1,512 | (272) | 121.9% |
| Payments on behalf of Shepherd University | - | 70 | (70) | n/a |
| Fees assessed by the Commission for interest and reserves | (38) | (18) | (20) | 47.6% |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 13,650 | 661 | 95.4% |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | (5,304) | 2,368 | 180.6% |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | 0 | (0) | n/a |
| Perkins Loan Timing | - | - | - | n/a |
| Other Post Employment Benefits (OPEB) expense | (648) | (306) | (342) | 47.2% |
| Increase (Decrease) in Net Assets | (3,584) | (5,610) | 2,026 | 156.5% |

Table 3

Shepherd University
Statement of Revenues, Expenses and Other Changes
FY17 - For the Year Ending June 30, 2017
(Dollars in Thousands)

| | Budget FY17 Annual | Year End 6/30/17 | Year End 6/30/16 | % Change | \$ Change |
|---|--------------------------|---------------------|---------------------|----------------|------------------|
| OPERATING REVENUES | | | | | |
| Tuition and Fees | 19,655 | \$17,574 | \$17,850 | -1.5% | (\$276) |
| Federal Grants and Contracts | 1,457 | 1,179 | 1,170 | 0.8% | 9 |
| State and Local Grants and Contracts | 4,408 | 4,478 | 4,353 | 2.9% | 125 |
| Private Grants and Contracts | 20 | 27 | 32 | -15.6% | (5) |
| Sales and Services of Educational Activities | 15 | 50 | 46 | 8.7% | 4 |
| Auxiliary Enterprises | 18,285 | 16,081 | 17,728 | -9.3% | (1,647) |
| Other Operating Revenues | 617 | 651 | 523 | 24.5% | 128 |
| TOTAL OPERATING REVENUES | 44,457 | 40,040 | 41,702 | -4.0% | (1,662) |
| OPERATING EXPENSES | | | | | |
| Core Operating Expenses | | | | | |
| Primary Mission Costs | | | | | |
| Instruction | 18,553 | 17,873 | 17,162 | 4.1% | 711 |
| Academic Support | 3,424 | 3,226 | 3,247 | -0.6% | (21) |
| Student Services | 3,860 | 3,487 | 3,468 | 0.5% | 19 |
| Scholarships & Fellowships | 3,079 | 3,033 | 3,188 | -4.9% | (155) |
| Subtotal Primary Mission Costs | 28,916 | 27,619 | 27,065 | 2.0% | 554 |
| Other Core Operating Expenses | | | | | |
| Operations and Maintenance | 5,016 | 4,852 | 5,434 | -10.7% | (582) |
| Institutional Support | 6,384 | 6,362 | 6,316 | 0.7% | 46 |
| Research | 244 | 228 | 252 | -9.5% | (24) |
| Public Service | 239 | 244 | 233 | 4.7% | 11 |
| Subtotal Other Core Operating Expenses | 11,883 | 11,686 | 12,235 | -4.5% | (549) |
| Total Core Operating Expenses | 40,799 | 39,305 | 39,300 | 0.0% | 5 |
| Auxiliary Expenses | 13,140 | 12,712 | 12,812 | -0.8% | (100) |
| Depreciation Expense | 7,472 | 6,718 | 6,930 | -3.1% | (212) |
| Transfers and Other (Additions) Subtractions | 293 | 259 | 276 | -6.2% | (17) |
| TOTAL OPERATING EXPENSES | 61,704 | 58,994 | 59,318 | -0.5% | (324) |
| NONOPERATING REVENUES AND EXPENSES | | | | | |
| State Appropriations | 9,552 | 9,361 | 9,438 | -0.8% | (77) |
| Nonoperating federal revenue | 5,400 | 4,786 | 5,084 | -5.9% | (298) |
| Investment Income | 33 | 136 | 76 | 78.9% | 60 |
| Interest on capital asset related debt | (1,876) | (2,192) | (1,935) | 13.3% | (257) |
| Loss on disposal of equipment | 0 | (5) | - | n/a | (5) |
| Gifts | 1,240 | 1,512 | 1,259 | 20.1% | 253 |
| Payments on behalf of Shepherd University | 0 | 70 | 53 | 32.1% | 17 |
| Fees assessed by the Commission for interest and | (38) | (18) | (38) | -52.6% | 20 |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 13,650 | 13,937 | -2.1% | (287) |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | (5,304) | (3,679) | 44.2% | (1,625) |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | | |
| Capital Grants and Gifts | - | 0 | - | n/a | 0 |
| CTC Net Assets Transfer | - | - | (2) | -100.0% | 2 |
| Other Post Employment Benefits (OPEB) expense | (648) | (306) | (593) | -48.4% | 287 |
| Increase (Decrease) in Net Assets | (3,584) | (5,610) | (4,274) | -104.2% | (\$1,336) |

Shepherd University Board of Governors
Report to the Finance and Facilities Committee
September 27, 2017
Agenda Item No. 11-b

FY2018 BUDGET REVISION

The FY2018 revised budget reflects an additional decrease in total operating expense of \$286,000 - - \$130,000 from Instruction and \$156,000 from Institutional Support.

These reductions are achieved by reducing the salary amounts in vacant position lines that were included in the original budget request. Subsequent to the budget approval, these position lines have been eliminated.

None of the other budget assumptions have been modified.

This results in a change to the decrease in net position and takes it from (\$6,085) to (\$5,809).

The following resolution is recommended for adoption by the Board:

RESOLVED, That the Shepherd University Board of Governors approves the FY2018 Budget Revision reductions in operating expenses, as presented in the agenda book of September 27, 2017.

Shepherd University
Budget to Actual
(Dollars in Thousands)

| | Budget <u>FY17</u> | Unaudited <u>FY17</u> | Budget to <u>Actual</u> | Budget <u>FY18</u> |
|---|-----------------------|--------------------------|----------------------------|-----------------------|
| Tuition and Fees - Net | 19,655 | 17,574 | (2,081) | 16,915 |
| Federal Grants and Contracts | 1,457 | 1,179 | (278) | 1,500 |
| State and Local Grants and Contracts | 4,408 | 4,478 | 70 | 4,165 |
| Private Grants and Contracts | 20 | 27 | 7 | 20 |
| Sales and Services of Educational Activities | 15 | 50 | 35 | 20 |
| Auxiliary Enterprises - net | 18,285 | 16,081 | (2,204) | 15,250 |
| State Appropriations | 9,552 | 9,361 | (191) | 9,361 |
| Gifts | 1,240 | 1,512 | 272 | 1,500 |
| Nonoperating federal revenue | 5,400 | 4,786 | (614) | 5,400 |
| Investment Income | 33 | 136 | 103 | 35 |
| Other Operating Revenues | <u>617</u> | <u>651</u> | <u>34</u> | <u>529</u> |
| TOTAL OPERATING REVENUES | 60,682 | 55,835 | (4,847) | 54,695 |
| | | | | |
| Instruction | 18,553 | 17,873 | (680) | 17,700 |
| Academic Support | 3,424 | 3,226 | (198) | 3,340 |
| Student Services | 3,860 | 3,487 | (373) | 3,715 |
| Scholarships & Fellowships | 3,079 | 3,033 | (46) | 2,500 |
| Operations and Maintenance | 5,016 | 4,852 | (164) | 4,410 |
| Institutional Support | 6,384 | 6,362 | (22) | 5,989 |
| Research | 244 | 228 | (16) | 245 |
| Public Service | 239 | 244 | 5 | 240 |
| Auxiliary Expenses | <u>13,140</u> | <u>12,712</u> | <u>(428)</u> | <u>12,560</u> |
| Total Core Operating Expenses | 53,939 | 52,017 | (1,922) | 50,699 |
| Interest on capital asset related debt | 1,876 | 2,192 | 316 | 1,435 |
| Other | 331 | 212 | (119) | 475 |
| Depreciation Expense | 7,472 | 6,718 | (754) | 7,250 |
| Other Post Employment Benefits (OPEB) expense | <u>648</u> | <u>306</u> | <u>(342)</u> | <u>645</u> |
| TOTAL OPERATING EXPENSES | 64,266 | 61,445 | (2,821) | 60,504 |
| | | | | |
| Increase (Decrease) in Net Assets | <u>(3,584)</u> | <u>(5,610)</u> | <u>(2,026)</u> | <u>(5,809)</u> |
| | | | | |
| Increase (Decrease) in Cash | 91 | (1,774) | (1,865) | (2,384) |
| | | | | |
| Ending Cash | <u>16,351</u> | <u>14,577</u> | <u>(1,774)</u> | <u>12,193</u> |
| | | | | |
| Days Cash | 111 | 102 | (9) | 88 |

QUARTERLY FINANCIAL REPORT

Mr. Tony Major, Vice President for Finance, will present the quarterly financial report.

OVERVIEW

Included are three reports for the third quarter of FY2017: 1) Statement of Net Assets; 2) Budget to Actual Report; and 3) Statement of Revenues, Expenses and Other changes which show a year-to-year comparison with FY2016 (Tables 1-3). Highlights when comparing FY2017 with FY2016 include:

- A 6.4%, \$2.490 million, decrease in Total Operating Revenues
- A 0.2%, \$96,000, increase in Total Operating Expenses
- A 3.8%, \$442,000, decrease in Total Non-Operating Revenues and Expenses
- A decrease in Net Assets of \$2.775 million
- A 14.43%, \$3.489 million, decrease in Cash and Cash Equivalents

STATEMENT OF NET ASSETS

Assets

Changes in assets from the prior year include decreases in Cash and Cash Equivalents and Net Capital Assets and increases in Accounts Receivables and Grants and Contracts.

Cash and Cash Equivalents – At the end of the third quarter, the University had sufficient cash and other resources on hand to meet operating and capital requirements. Cash balances have decreased from FY2016 to FY2017 primarily due to the continuing decline in enrollment resulting in reduced collection of tuition and fee and Auxiliary Enterprises revenue. A mid-year rescission in the University's State Appropriation of \$191,000 was also a contributing factor.

Accounts Receivable – Increase of \$133,000 due to the reclassing of student contracts from Grants and Contracts Receivable for reconciliation.

Grants and Contracts Receivable – Increase of approximately \$833,000 resulting from timelier billing of grant expenses, Snap-Ed grant in full swing and a delay in scholarship billing of \$750,000.

Capital Assets Net – Decrease of \$4.371 million attributed to the Depreciation Expense being greater than Capital Expenditures. In a continuing effort to preserve cash reserves, capital spending has been significantly reduced.

Liabilities

Total Liabilities include increases in Accounts Payable, Deferred Revenue, Debt Obligation Due Commission and decreases in Accrued Liabilities and Leases and Bond Payables resulting in nearly no change to Total Liabilities year-over-year.

Accounts Payable – An increase in spending year-to-date and timely recording of expenses has produced an increase in Accounts Payable of \$158,000.

Accrued Liabilities – Decrease of \$300,000 due to bi-weekly versus semi-monthly payroll accrual and the closing of the refinancing of the 2005 and 2007 Bonds.

Other Post-Employment Benefits Non-Current – Increased \$341,000 in accordance with an actuarial study conducted by the State.

Net Pension Liability GASB 68 – Decreased \$122,000 which reflects the promised benefits to employees for services performed, compared to the assets set aside to pay for those benefits.

Leases Payable – Decrease of \$145,000 resulting from retirement of The Football Field Turf Lease Purchase Finance Agreement in the prior year and more of the Soccer Turf Lease payment going towards principle.

Bonds Payable – Decrease of \$970,000 resulting from bond premium payments consisting of more principal and the refinancing of the 2005 and 2007 bonds.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES

Operating Revenues

The University has generated 82.3% of the projected Operating Revenue for the fiscal year. Tuition and Fees are at 83.7% of budget with Summer I and a portion of Summer III still to be recorded in FY2017. Operating revenue for FY2017 is projected to be at 87% of budget at June 30.

The year-over-year comparison of Federal Grants and Contracts reflects an increase of \$567,000.

State and local grants are at 82.3% of the budget. The majority of the revenue is generated through the receipt of State-provided scholarships.

Revenue generated from the operation of Auxiliary Enterprises is \$15.2 million, down \$1.674 million from \$16.9 million last fiscal year. Expenses from Non-Athletic operations are down \$470,000 year-over-year.

Operating Expenses

The University has expended 72.8% of budgeted Operating Expenses compared to 74.0% for the same time last year reflecting the continuing focus on reducing costs during these fiscally challenging times.

Instruction increase of \$900,000 related to the continued spending in alignment with budget and increased grant activity.

Non-Operating Revenues and Expenses

Total Non-Operating Revenues and Expenses reflect actuals at 78.7% of budget. Non-Operating Federal Revenue is at 88.6%. This line is for PELL, and the decline corresponds to the continuing decline in enrollment and a decline in eligibility.

Gifts, at \$1.169 million, are at 94.3% of budget. This revenue is generated by contributions from the Foundation. The majority is in the form of student scholarships.

Overall, at the end of the third quarter, total Net Assets are \$88.2 million compared to \$95.2 million last year. The change is primarily driven by a decrease in the University's State Appropriation, a decline in significant capital investments and declining enrollment resulting in a significant operating loss.

Table 1

Shepherd University
Statement of Net Assets
As of March 31, 2017
(Dollars in Thousands)

| | Actual 3/31/17 | As of 3/31/16 | % Change |
|--|-------------------|------------------|---------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 20,687 | 24,176 | -14.43% |
| Accounts receivable net | 822 | 689 | 19.30% |
| Grants and contracts receivable, net | 1,579 | 746 | 111.66% |
| Due from the Commission | - | - | n/a |
| Inventories | 421 | 423 | -0.47% |
| Loans Receivable | 100 | 100 | 0.00% |
| Other assets | - | 2 | -100.0% |
| Total Current assets | 23,609 | 26,136 | -9.67% |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 1 | - | n/a |
| Investments | - | - | n/a |
| Loans receivable, net | 390 | 419 | -6.92% |
| Capital assets net | 123,116 | 127,487 | -3.43% |
| Other Noncurrent assets | 281 | 307 | -8.5% |
| Total Noncurrent assets | 123,788 | 128,213 | -3.45% |
| TOTAL ASSETS | \$147,397 | \$154,349 | -4.50% |
| Total Deferred Outflows of Resources (GASB 68) | \$54 | \$43 | 25.58% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$147,451 | \$154,392 | -4.50% |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 688 | 530 | 29.81% |
| Accrued liabilities | 2,542 | 2,842 | -10.56% |
| Due to the Commission | - | - | n/a |
| Due to other State agencies | - | 9 | -100.00% |
| Deferred revenue | 266 | 128 | 107.81% |
| Long-term liabilities - current portion | 2,560 | 2,319 | 10.39% |
| Total Current liabilities | 6,056 | 5,828 | 3.91% |
| Noncurrent liabilities: | | | |
| Advances from federal sponsors | 510 | 512 | -0.39% |
| Deposits | 202 | 175 | 15.43% |
| Other post employment benefits | 11,029 | 10,688 | 3.19% |
| Compensated absences | 412 | 421 | -2.14% |
| Net pension liability | 327 | 449 | -27.17% |
| Debt obligation due Commission | 675 | - | n/a |
| Leases Payable | 360 | 505 | -28.71% |
| Bonds Payable | 39,348 | 40,318 | -2.41% |
| Total Noncurrent liabilities | 52,863 | 53,068 | -0.39% |
| TOTAL LIABILITIES | 58,919 | 58,896 | 0.04% |
| Total Deferred Inflows of Resources (GASB 68) | 288 | 235 | 22.55% |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 59,207 | 59,131 | 0.13% |
| NET ASSETS | 88,244 | 95,261 | -7.37% |
| TOTAL LIABILITIES AND NET ASSETS | \$147,451 | \$154,392 | -4.50% |

Table 2

Shepherd University
Budget to Actual Report
FY17 - For the Period from July 1, 2016 to March 31, 2017
(Dollars in Thousands)

| | Annual Budget | YTD Actual | \$ Variance | % Budget |
|---|------------------|---------------|----------------|---------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$19,655 | \$16,451 | \$3,204 | 83.7% |
| Federal Grants and Contracts | 1,457 | 890 | 567 | 61.1% |
| State and Local Grants and Contracts | 4,408 | 3,629 | 779 | 82.3% |
| Private Grants and Contracts | 20 | - | 20 | 0.0% |
| Sales and Services of Educational Activities | 15 | 37 | (22) | 246.7% |
| Auxiliary Enterprises | 18,285 | 15,185 | 3,100 | 83.0% |
| Other Operating Revenues | 617 | 384 | 233 | 62.2% |
| TOTAL OPERATING REVENUES | 44,457 | 36,576 | 7,881 | 82.3% |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 18,553 | 13,607 | 4,946 | 73.3% |
| Academic Support | 3,424 | 2,480 | 944 | 72.4% |
| Student Services | 3,860 | 2,476 | 1,384 | 64.1% |
| Scholarships & Fellowships | 3,079 | 2,418 | 661 | 78.5% |
| Subtotal Primary Mission Costs | 28,916 | 20,981 | 7,935 | 72.6% |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 5,016 | 3,368 | 1,648 | 67.1% |
| Institutional Support | 6,384 | 4,710 | 1,674 | 73.8% |
| Research | 244 | 133 | 111 | 54.5% |
| Public Service | 239 | 190 | 49 | 79.5% |
| Subtotal Other Core Operating Expenses | 11,883 | 8,401 | 3,482 | 70.7% |
| Total Core Operating Expenses | 40,799 | 29,382 | 11,417 | 72.0% |
| Auxiliary Expenses | 13,140 | 10,022 | 3,118 | 76.3% |
| Depreciation Expense | 7,472 | 5,305 | 2,167 | 71.0% |
| Transfers and Other (Additions) Subtractions | 293 | 195 | 98 | 66.5% |
| TOTAL OPERATING EXPENSES | 61,704 | 44,904 | 16,800 | 72.8% |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,552 | 6,973 | 2,579 | 73.0% |
| Nonoperating federal revenue | 5,400 | 4,786 | 614 | 88.6% |
| Investment Income | 33 | 83 | (50) | 251.5% |
| Interest on capital asset related debt | (1,876) | (1,737) | (139) | 92.6% |
| Loss on disposal of equipment | - | - | - | n/a |
| Gifts | 1,240 | 1,169 | 71 | 94.3% |
| Payments on behalf of Shepherd University | - | - | - | n/a |
| Fees assessed by the Commission for interest and reserves | (38) | (18) | (20) | 47.6% |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 11,256 | 3,055 | 78.7% |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | 2,928 | (5,864) | -99.7% |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | 0 | (0) | n/a |
| Perkins Loan Timing | - | (2) | 2 | n/a |
| Other Post Employment Benefits (OPEB) expense | (648) | (205) | (443) | 31.6% |
| Increase (Decrease) in Net Assets | (3,584) | 2,721 | (6,305) | -75.9% |

Table 3

Shepherd University
Statement of Revenues, Expenses and Other Changes
FY17 - For the Period from July 1, 2016 to March 31, 2017
(Dollars in Thousands)

| | Budget FY17 Annual | Nine Months Ended 3/31/17 | Nine Months Ended 3/31/16 | % Change | \$ Change |
|---|--------------------------|------------------------------|------------------------------|----------------|------------------|
| OPERATING REVENUES | | | | | |
| Tuition and Fees | 19,655 | \$16,451 | \$16,982 | -3.1% | (\$531) |
| Federal Grants and Contracts | 1,457 | 890 | 785 | 13.4% | 105 |
| State and Local Grants and Contracts | 4,408 | 3,629 | 3,954 | -8.2% | (325) |
| Private Grants and Contracts | 20 | - | 36 | -100.0% | (36) |
| Sales and Services of Educational Activities | 15 | 37 | 30 | 23.3% | 7 |
| Auxiliary Enterprises | 18,285 | 15,185 | 16,859 | -9.9% | (1,674) |
| Other Operating Revenues | 617 | 384 | 420 | -8.6% | (36) |
| TOTAL OPERATING REVENUES | 44,457 | 36,576 | 39,066 | -6.4% | (2,490) |
| OPERATING EXPENSES | | | | | |
| Core Operating Expenses | | | | | |
| Primary Mission Costs | | | | | |
| Instruction | 18,553 | 13,607 | 12,707 | 7.1% | 900 |
| Academic Support | 3,424 | 2,480 | 2,486 | -0.2% | (6) |
| Student Services | 3,860 | 2,476 | 2,501 | -1.0% | (25) |
| Scholarships & Fellowships | 3,079 | 2,418 | 2,652 | -8.8% | (234) |
| Subtotal Primary Mission Costs | 28,916 | 20,981 | 20,346 | 3.1% | 635 |
| Other Core Operating Expenses | | | | | |
| Operations and Maintenance | 5,016 | 3,368 | 3,653 | -7.8% | (285) |
| Institutional Support | 6,384 | 4,710 | 4,653 | 1.2% | 57 |
| Research | 244 | 133 | 182 | -26.9% | (49) |
| Public Service | 239 | 190 | 176 | 8.0% | 14 |
| Subtotal Other Core Operating Expenses | 11,883 | 8,401 | 8,664 | -3.0% | (263) |
| Total Core Operating Expenses | 40,799 | 29,382 | 29,010 | 1.3% | 372 |
| Auxiliary Expenses | 13,140 | 10,022 | 10,037 | -0.1% | (15) |
| Depreciation Expense | 7,472 | 5,305 | 5,554 | -4.5% | (249) |
| Transfers and Other (Additions) Subtractions | 293 | 195 | 207 | -5.8% | (12) |
| TOTAL OPERATING EXPENSES | 61,704 | 44,904 | 44,808 | 0.2% | 96 |
| NONOPERATING REVENUES AND EXPENSES | | | | | |
| State Appropriations | 9,552 | 6,973 | 6,980 | -0.1% | (7) |
| Nonoperating federal revenue | 5,400 | 4,786 | 5,084 | -5.9% | (298) |
| Investment Income | 33 | 83 | 40 | 107.5% | 43 |
| Interest on capital asset related debt | (1,876) | (1,737) | (1,455) | 19.4% | (282) |
| Loss on disposal of equipment | 0 | - | - | n/a | - |
| Gifts | 1,240 | 1,169 | 1,087 | 7.5% | 82 |
| Payments on behalf of Shepherd University | 0 | - | - | n/a | - |
| Fees assessed by the Commission for interest and | (38) | (18) | (38) | -52.6% | 20 |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 11,256 | 11,698 | -3.8% | (442) |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | 2,928 | 5,956 | -50.8% | (3,028) |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | | |
| Capital Grants and Gifts | - | 0 | - | n/a | 0 |
| CTC Net Assets Transfer | - | (2) | (4) | -50.0% | 2 |
| Other Post Employment Benefits (OPEB) expense | (648) | (205) | (456) | -55.0% | 251 |
| Increase (Decrease) in Net Assets | (3,584) | 2,721 | 5,496 | -155.9% | (\$2,775) |

QUARTERLY FINANCIAL REPORT

Included below are three reports for the second quarter of FY2017: 1) State of Net Assets, 2) Budget to Actual Report, and 3) Statement of Revenues, expenses and Other Changes which shows a year-to-year comparison with FY2016.

STATEMENT OF NET ASSETS

Assets and Deferred Outflows

Compared to the second quarter of FY2016, total assets and deferred outflows have decreased approximately 4.48 percent to \$160 million. This decrease is attributable to the decrease in Capital Assets and Cash and Cash Equivalents.

The decrease in Capital Assets is due to Depreciation Expense exceeding Capital Purchases. Capital Assets in the amount of \$1.2 million were purchased in the second quarter FY2017 compared to \$2.2 million purchased in second quarter FY2016.

The decrease in Cash and Cash Equivalents is a result of the continuing decline in enrollment revenue and expenses continuing substantially at the budgeted levels. Year to year expense comparisons in most categories are impacted by the 2 percent salary increases which were effective January 1, 2016.

With a full fiscal year of implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the Deferred Outflow of Resources increased \$10,000 which represents the six percent employer contribution set aside during FY2017 for a future benefit.

Liabilities and Deferred Inflows

Total liabilities decreased to \$75.5 million or 2.31 percent. Significant changes include an increase in Accounts Payable, a decrease in Deferred Revenue, an increase in Other Post-Employment Benefits (OPEB), a decrease in Net Pension Liability and an increase in Deferred Inflow of Resources and a decrease in Bonds Payable.

The increase in Accounts Payable is due to a timing difference when compared to last year.

Deferred Revenue has decreased as the State Scholarships for spring were received prior to the start of the semester last year, increasing deferred revenue.

The OPEB liability continues to increase and represents healthcare costs that may be paid on behalf of retirees.

The Net Pension Liability, a requirement of GASB 68, decreased \$122,000, 27.17 percent. This was implemented last year, and the liability is a measure of the promised benefits to employees for services performed compared to the assets set aside to pay for those benefits.

Deferred Inflow of Resources increased \$53,000 or 22.55 percent. This includes changes between employer contributions and the University's proportionate share of contributions and gains on these investments as determined by the State Retirement Board.

The Debt Obligation due Commission is the no-interest loan for the demolition of Sara Cree.

Bond Principal payments made during the fiscal year have reduced this liability by 3.76 percent to \$38.8 million.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES

Operating Revenues

The University has generated 47.0 percent, \$20.8 million of the budgeted Operating Revenue for the fiscal year.

Tuition and Fees are up slightly, 2.1 percent, \$191,000, when compared with FY2016. Even though there was 5 percent tuition and fee increase, the continuing challenges with enrollment and retention resulted in only a slight increase in those revenues. Auxiliary Enterprises had a 10.7 percent, \$1.1 million decrease, due to the significant decline in enrollment and continuing decline in on-campus residency.

Operating Expenses

Overall, the University has expended 47.3 percent, \$29.2 million, of the budgeted Total Operating Expenses. These expenses are currently 2.5 percent, \$700,000, above the prior fiscal year.

Instructional costs are at 46.4 percent of budget and up over last year due to salary and benefit increases as well as increased Federal Grant activity. Auxiliary costs are up over last year by 3.5 percent, in contrast to the significant decrease in auxiliary revenues.

Depreciation Expense is down 4.6 percent, \$169,000 as a result of the continued delay of significant capital projects to preserve cash flow.

Non-Operating Revenues and Expenses

Year-to-date actuals for Non-Operating Revenues and Expenses are \$6.9 million which is approximately 47.3 percent of the budget. Comparing this to the prior year shows a reduction of 3.4 percent, \$244,000.

State Appropriations are down \$140,000, 2.8 percent, as a result of the reduction in State support. Non-Operating Federal Revenue is down 12.6 percent, \$339,000. This is a result of a reduction of PELL awards due to the continuing decline in enrollments. Interest on Capital Assets Related Debt is down \$187,000, 19.3 percent, due to the payments going towards more principle and no new debt incurred.

There has been a significant decline in Net Assets compared to the prior year. This is a result of the continuing decline in enrollment resulting in significant reductions in Tuition and Fee and Auxiliary Revenues. The continued reduction in State support is also a contributing factor. President Hendrix has appointed a Financial Working Group consisting of the Tony Major, James Vigil, Vice President for Administration, and Dr. Ben Martz, Dean for Business School Development. This group has been charged with finding innovative ways to combat Shepherd's continuing operational deficits. These include revenue enhancements as well as reduction to expenses.

Table 1

Shepherd University
Statement of Net Assets
As of December 31, 2016
(Dollars in Thousands)

| | Actual 12/31/16 | QTD Actual 12/31/15 | % Change |
|--|--------------------|------------------------|---------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 18,520 | 21,485 | -13.80% |
| Accounts receivable net | 14,502 | 15,244 | -4.87% |
| Grants and contracts receivable, net | 944 | 370 | 155.14% |
| Due from the Commission | - | - | n a |
| Inventories | 636 | 642 | -0.93% |
| Loans Receivable | 100 | 100 | 0.00% |
| Other assets | - | 2 | -100.0% |
| Total Current assets | 34,702 | 37,843 | -8.30% |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | - | - | n a |
| Investments | - | - | n a |
| Loans receivable, net | 384 | 377 | 1.86% |
| Capital assets net | 124,398 | 128,751 | -3.38% |
| Other Noncurrent assets | 281 | 307 | -8.5% |
| Total Noncurrent assets | 125,063 | 129,435 | -3.38% |
| TOTAL ASSETS | \$159,765 | \$167,278 | -4.49% |
| Total Deferred Outflows of Resources (GASB 68) | \$53 | \$43 | 23.26% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$159,818 | \$167,321 | -4.48% |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 611 | 313 | 95.21% |
| Accrued liabilities | 2,523 | 1,852 | 36.23% |
| Due to the Commission | - | - | n a |
| Due to other State agencies | - | - | n a |
| Deferred revenue | 17,733 | 19,895 | -10.87% |
| Long-term liabilities - current portion | 2,373 | 2,267 | 4.68% |
| Total Current liabilities | 23,240 | 24,327 | -4.47% |
| Noncurrent liabilities: | | | |
| Advances from federal sponsors | 509 | 512 | -0.59% |
| Deposits | 162 | 179 | -9.50% |
| Other post employment benefits | 10,918 | 10,541 | 3.58% |
| Compensated absences | 372 | 383 | -2.87% |
| Net pension liability | 327 | 449 | -27.17% |
| Debt obligation due Commission | 750 | - | n a |
| Leases Payable | 396 | 550 | -28.00% |
| Bonds Payable | 38,810 | 40,326 | -3.76% |
| Total Noncurrent liabilities | 52,244 | 52,940 | -1.31% |
| TOTAL LIABILITIES | 75,484 | 77,267 | -2.31% |
| Total Deferred Inflows of Resources (GASB 68) | 288 | 235 | 22.55% |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 75,772 | 77,502 | -2.23% |
| NET ASSETS | 84,046 | 89,819 | -6.43% |
| TOTAL LIABILITIES AND NET ASSETS | \$159,818 | \$167,321 | -4.48% |

Table 2

Shepherd University
Budget to Actual Report
FY17 - For the Quarter Ending December 31, 2016
(Dollars in Thousands)

| | Annual Budget | YTD Actual | \$ Variance | % Budget |
|---|------------------|----------------|----------------|--------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$19,655 | \$9,299 | \$10,356 | 47.3% |
| Federal Grants and Contracts | 1,457 | 568 | 889 | 39.0% |
| State and Local Grants and Contracts | 4,408 | 2,202 | 2,206 | 50.0% |
| Private Grants and Contracts | 20 | - | 20 | 0.0% |
| Sales and Services of Educational Activities | 15 | 25 | (10) | 166.7% |
| Auxiliary Enterprises | 18,285 | 8,477 | 9,808 | 46.4% |
| Other Operating Revenues | 617 | 303 | 314 | 49.1% |
| TOTAL OPERATING REVENUES | 44,457 | 20,874 | 23,583 | 47.0% |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 18,553 | 8,609 | 9,944 | 46.4% |
| Academic Support | 3,424 | 1,736 | 1,688 | 50.7% |
| Student Services | 3,860 | 1,655 | 2,205 | 42.9% |
| Scholarships & Fellowships | 3,079 | 1,327 | 1,752 | 43.1% |
| Subtotal Primary Mission Costs | 28,916 | 13,327 | 15,589 | 46.1% |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 5,016 | 2,239 | 2,777 | 44.6% |
| Institutional Support | 6,384 | 3,197 | 3,187 | 50.1% |
| Research | 244 | 98 | 146 | 40.2% |
| Public Service | 239 | 145 | 94 | 60.7% |
| Subtotal Other Core Operating Expenses | 11,883 | 5,679 | 6,204 | 47.8% |
| Total Core Operating Expenses | 40,799 | 19,006 | 21,793 | 46.6% |
| Auxiliary Expenses | 13,140 | 6,547 | 6,593 | 49.8% |
| Depreciation Expense | 7,472 | 3,519 | 3,953 | 47.1% |
| Transfers and Other (Additions) Subtractions | 293 | 130 | 163 | 44.3% |
| TOTAL OPERATING EXPENSES | 61,704 | 29,202 | 32,502 | 47.3% |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,552 | 4,776 | 4,776 | 50.0% |
| Nonoperating federal revenue | 5,400 | 2,351 | 3,049 | 43.5% |
| Investment Income | 33 | 44 | (11) | 133.3% |
| Interest on capital asset related debt | (1,876) | (783) | (1,093) | 41.7% |
| Loss on disposal of equipment | - | - | - | n/a |
| Gifts | 1,240 | 565 | 675 | 45.6% |
| Payments on behalf of Shepherd University | - | - | - | n/a |
| Fees assessed by the Commission for interest and reserves | (38) | (9) | (29) | 23.8% |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 6,944 | 7,367 | 48.5% |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | (1,384) | (1,552) | 47.1% |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | 0 | (0) | n/a |
| CTC Net Assets Transfer | - | 3 | (3) | n/a |
| Other Post Employment Benefits (OPEB) expense | (648) | (94) | (554) | 14.5% |
| Increase (Decrease) in Net Assets | (3,584) | (1,475) | (2,109) | 41.1% |

Table 3

Shepherd University
Statement of Revenues, Expenses and Other Changes
FY17 - For the Period from July 1, 2016 to December 31, 2016
(Dollars in Thousands)

| | Budget FY17 Annual | Six Months Ended 12/31/16 | Six Months Ended 12/31/15 | % Change | \$ Change |
|---|--------------------------|------------------------------|------------------------------|----------------|------------------|
| OPERATING REVENUES | | | | | |
| Tuition and Fees | 19,655 | \$9,299 | \$9,108 | 2.1% | \$191 |
| Federal Grants and Contracts | 1,457 | 568 | 366 | 55.2% | 202 |
| State and Local Grants and Contracts | 4,408 | 2,202 | 2,288 | -3.8% | (86) |
| Private Grants and Contracts | 20 | - | 22 | -100.0% | (22) |
| Sales and Services of Educational Activities | 15 | 25 | 19 | 31.6% | 6 |
| Auxiliary Enterprises | 18,285 | 8,477 | 9,488 | -10.7% | (1,011) |
| Other Operating Revenues | 617 | 303 | 342 | -11.4% | (39) |
| TOTAL OPERATING REVENUES | 44,457 | 20,874 | 21,633 | -3.5% | (759) |
| OPERATING EXPENSES | | | | | |
| Core Operating Expenses | | | | | |
| Primary Mission Costs | | | | | |
| Instruction | 18,553 | 8,609 | 7,879 | 9.3% | 730 |
| Academic Support | 3,424 | 1,736 | 1,701 | 2.1% | 35 |
| Student Services | 3,860 | 1,655 | 1,753 | -5.6% | (98) |
| Scholarships & Fellowships | 3,079 | 1,327 | 1,390 | -4.5% | (63) |
| Subtotal Primary Mission Costs | 28,916 | 13,327 | 12,723 | 4.7% | 604 |
| Other Core Operating Expenses | | | | | |
| Operations and Maintenance | 5,016 | 2,239 | 2,281 | -1.8% | (42) |
| Institutional Support | 6,384 | 3,197 | 3,117 | 2.6% | 80 |
| Research | 244 | 98 | 113 | -13.3% | (15) |
| Public Service | 239 | 145 | 122 | 18.9% | 23 |
| Subtotal Other Core Operating Expenses | 11,883 | 5,679 | 5,633 | 0.8% | 46 |
| Total Core Operating Expenses | 40,799 | 19,006 | 18,356 | 3.5% | 650 |
| Auxiliary Expenses | 13,140 | 6,547 | 6,320 | 3.6% | 227 |
| Depreciation Expense | 7,472 | 3,519 | 3,688 | -4.6% | (169) |
| Transfers and Other (Additions) Subtractions | 293 | 130 | 138 | -5.8% | (8) |
| TOTAL OPERATING EXPENSES | 61,704 | 29,202 | 28,502 | 2.5% | 700 |
| NONOPERATING REVENUES AND EXPENSES | | | | | |
| State Appropriations | 9,552 | 4,776 | 4,916 | -2.8% | (140) |
| Nonoperating federal revenue | 5,400 | 2,351 | 2,690 | -12.6% | (339) |
| Investment Income | 33 | 44 | 18 | 144.4% | 26 |
| Interest on capital asset related debt | (1,876) | (783) | (970) | -19.3% | 187 |
| Loss on disposal of equipment | 0 | - | - | n/a | - |
| Gifts | 1,240 | 565 | 553 | 2.2% | 12 |
| Payments on behalf of Shepherd University | 0 | - | - | n/a | - |
| Fees assessed by the Commission for interest and | (38) | (9) | (19) | -52.4% | 10 |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 6,944 | 7,188 | -3.4% | (244) |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | (1,384) | 319 | -533.7% | (1,703) |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | | |
| Capital Grants and Gifts | - | 0 | - | n/a | 0 |
| CTC Net Assets Transfer | - | 3 | 1 | 200.0% | 2 |
| Other Post Employment Benefits (OPEB) expense | (648) | (94) | (309) | -69.6% | 215 |
| Increase (Decrease) in Net Assets | (3,584) | (1,475) | 11 | -403.3% | (\$1,486) |

QUARTERLY FINANCIAL REPORT: 1ST QUARTER FY2017

Mr. Scott Roach, Chair of the Audit and Finance Committee, will present the quarterly financial report.

Included are three reports for the first quarter of FY2017. 1) Statement of Net Assets, 2) Budget to Actual Report, and 3) State of Revenues Expenses and Other changes which shows a year-to-year comparison with FY2016.

Highlights when comparing first quarter FY2017 with first quarter FY2016 include:

- A 3.2%, \$633,000, decrease in Total Operating Revenues
- A 11.4%, \$327,000, increase in Instruction Expenses
- A 13.3%, \$127,000, increase in Operations and Maintenance Expenses
- A 6.3%, \$316,000 decrease in Total Non-Operating Revenues and Expenses
- A decrease in Total Net Assets of \$5.548 million
- A 7.9%, \$1.76 million, decrease in Cash and Cash Equivalents

STATEMENT OF NET ASSETS

Assets

Total Assets decreased approximately 3.61% to \$155.3 million. Significant changes in assets from the prior year include a decrease in Cash, decrease in Inventories, an increase in Accounts Receivable, an increase in Grants and Contracts Receivable and a decrease in Capital Assets, net of accumulated depreciation.

Cash and Cash Equivalents – At the end of the first quarter of FY2017, the University had sufficient cash and other resources on hand to meet operating and capital requirements. Cash balances have decreased from first quarter FY2016 to first quarter FY2017 by 7.90% to \$20.5 million due to an increase in Accounts Receivable and Grants and Contracts Receivable. In addition, the decline in enrollment has caused a decline in Tuition and Fees and Auxiliary Enterprises revenue to be collected. State Appropriations are down 2.8% resulting in a \$70,000 reduction.

Accounts Receivable – Accounts Receivable increased \$242,000. While enrollment has declined, the 5% increase in Tuition has increased student balances. Also we are giving students more time to pay their balance.

Grants and Contracts Receivable – Grants and Contracts Receivable increased by \$18,000 due to the more timely processing of grant activities.

Capital Assets Net – Capital Assets are presented net of Accumulated Depreciation and decreased \$4.284 million to \$125.9 million. In the continuing effort to preserve cash flow, the University has delayed major capital expenditures. The addition to Accumulated Depreciation for the quarter was \$1.733 million.

Liabilities

Total Liabilities decreased .66% to 59.1 million. Significant changes include an increase in Accounts Payable, an increase in Other Post-Employment Benefits (OPEB) and the addition of Debt to the Higher Education Policy Commission (HEPC) for the Sara Cree demolition. Accrued Liabilities and Leases and Bonds Payable have decreases.

Accounts Payable – Accounts Payable increased from \$1.36 million to \$1.42 million. This corresponds to the increase in non-payroll operating expenses.

Other Post-Employment Benefits, Non-Current – OPEB increased 4.69%, \$487,000, in accordance with an actuarial study conducted by the State.

Debt Obligation Due Commission – A \$750,000 non-interest loan was secured from the HEPC to assist with the demolition and remediation of Sara Cree. The first semiannual payment of \$75,000 will be due in the spring.

Bonds Payable – Bonds Payable decreased 3.61%, \$1.48 million, resulting from bond premium payments consisting of more principal.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES

Operating Revenues

The University has generated 47.4 percent, \$9.3 million, of the budgeted Tuition and Fees Revenue for the fiscal year as of the end of the first quarter FY2017. Tuition and Fees are up only 1.1%, \$102,000, even though there was a 5% tuition increase. This is due to the continuing decline in enrollment. Total Operating Revenues are down 3.2%, \$633,000, from first quarter FY2016.

The quarter-over-quarter comparison of Federal Grants and Contracts Operating Revenues reflects an increase of \$286,000 due to the timelier processing of grant activities.

State and Local Grants are down 8.7%, \$150,000, from first quarter FY2016. As the majority of the revenue is generated through the receipt of State-provided scholarships this corresponds with the enrollment decline.

Revenue generated from the operation of Auxiliary Enterprises is \$7.7 million, down 10.1%, \$860,000, from \$8.5 million from first quarter FY2016. Again as a result of the enrollment decline.

Operating Expenses

The University expended 21.5% of budgeted Operating Expenses at the end of first quarter FY2017. Primary Mission Costs for Instruction Academic Support, Student Services and Scholarships and Fellowships are under 25% of budget year-to-date at the end of the first quarter FY2017. Quarter-to-Quarter Operating Expenses are up 5.6%, \$303,000, with an increase in Instruction and Academic Support and a decrease in Student Services. The increase in Instruction and Academic support is due to the timelier processing of grant activities and salary increases in the second half of FY2016.

Other Core Operating Costs are up 3.2%, \$85,000, quarter-to-quarter with an 11.4%, \$127,000, increase in Operations and Maintenance. This increase is due to the timing of utility bills and the start of the Fall semester.

Non-operating Revenues and Expenses

Total Non-operating Revenues and Expenses are down 6.3%, \$316,000, compared to first quarter FY2016.

State Appropriations are down 2.8%, \$70,000, as a result of reduced state support for the current Fiscal Year.

Non-operating federal revenue is down 8.7%, \$224,000. This line is for PELL and corresponds to the decline in enrollment and a decline in eligibility.

Gifts, at \$422,000, are at 34.0% of budget and are 12.4%, \$60,000, below first quarter FY2016 actuals. This revenue is generated by contributions from the Foundation. The majority is in the form of student scholarships.

Other Revenues, Expenses, Gains or Losses

Expenses for OPEB are down compared to first quarter FY2016, 66.2%, \$106,000.

Overall, at the end of the first quarter, total Net Assets are \$95.9 million compared to \$101.3 million last year, down 5.35%, \$5.4 million. This change continues to be driven by a decrease in the University's state appropriation, a decline in significant capital investments and decline in enrollment.

Bond Refinancing Update

Three proposals were received to refinance Shepherd's 2005 and 2007 Bonds.

United Bank's proposal was selected and is estimated to save the University approximately \$200,000-\$250,000 in interest expense annually.

The proposal is awaiting HEPC and governor's approval. We expect to close on the refinancing by December 31, 2016.

Reduction in P-Card Liability

Procurement staff reviewed outstanding P-Cards and credit limits. Through a reduction in cards and reduction of credit limits over \$350,000 of potential liability to Shepherd University has been eliminated.

Table 1

Shepherd University
Statement of Net Assets
FY17 - For the Quarter Ending September 30, 2016
(Dollars in Thousands)

| | QTD Actual 9/30/16 | QTD Actual 9/30/15 | % Change |
|--|-----------------------|-----------------------|---------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 20,540 | 22,301 | -7.90% |
| Accounts receivable net | 1,957 | 1,715 | 14.11% |
| Grants and contracts receivable, net | 5,505 | 5,487 | 0.33% |
| Inventories | 558 | 588 | -5.10% |
| Loans Receivable | 100 | 100 | 0.00% |
| Other assets | - | 2 | -100.0% |
| Total Current assets | 28,660 | 30,193 | -5.08% |
| Noncurrent assets: | | | |
| Loans receivable, net | 411 | 402 | 2.24% |
| Capital assets net | 125,876 | 130,160 | -3.29% |
| Other Noncurrent assets | 307 | 307 | -65.3% |
| Total Noncurrent assets | 126,594 | 130,869 | -3.27% |
| TOTAL ASSETS | \$155,254 | \$161,062 | -3.61% |
| Total Deferred Outflows of Resources (GASB 68) | \$43 | \$43 | 0.00% |
| TOTAL ASSETS & DEFERRED OUTFLOWS | \$155,297 | \$161,105 | -3.61% |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,417 | 1,359 | 4.27% |
| Accrued liabilities | 2,191 | 2,253 | -2.75% |
| Due to the Commission | - | - | n/a |
| Due to other State agencies | 1 | - | n/a |
| Deferred revenue | 111 | 133 | -16.74% |
| Long-term liabilities - current portion | 2,341 | 2,262 | 3.49% |
| Total Current liabilities | 6,061 | 6,007 | 0.89% |
| Noncurrent liabilities: | | | |
| Advances from federal sponsors | 509 | 512 | -0.59% |
| Deposits | 178 | 207 | -14.01% |
| Other post employment benefits | 10,878 | 10,391 | 4.69% |
| Compensated absences | 339 | 365 | -7.12% |
| Net pension liability | 449 | 449 | 0.00% |
| Debt obligation due Commission | 750 | - | n/a |
| Leases Payable | 432 | 575 | -24.87% |
| Bonds Payable | 39,544 | 41,025 | -3.61% |
| Total Noncurrent liabilities | 53,079 | 53,524 | -0.83% |
| TOTAL LIABILITIES | 59,140 | 59,531 | -0.66% |
| Total Deferred Inflows of Resources (GASB 68) | 235 | 235 | 0.00% |
| TOTAL LIABILITIES & DEFERRED INFLOWS OF RESOURCES | 59,375 | 59,766 | -0.65% |
| NET ASSETS | 95,922 | 101,339 | -5.35% |
| TOTAL LIABILITIES AND NET ASSETS | \$155,297 | \$161,105 | -3.61% |

Table 2

Shepherd University
Budget to Actual Report
FY17 - For the Quarter Ending September 30, 2016
(Dollars in Thousands)

| | Annual Budget | YTD Actual | \$ Variance | % Budget |
|---|------------------|---------------|-----------------|----------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$19,655 | \$9,315 | \$10,340 | 47.4% |
| Federal Grants and Contracts | 1,457 | 312 | 1,145 | 21.4% |
| State and Local Grants and Contracts | 4,408 | 1,582 | 2,826 | 35.9% |
| Private Grants and Contracts | 20 | - | 20 | 0.0% |
| Sales and Services of Educational Activities | 15 | 11 | 4 | 73.3% |
| Auxiliary Enterprises | 18,285 | 7,669 | 10,616 | 41.9% |
| Other Operating Revenues | 617 | 221 | 396 | 35.8% |
| TOTAL OPERATING REVENUES | 44,457 | 19,110 | 25,347 | 43.0% |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 18,553 | 3,193 | 15,360 | 17.2% |
| Academic Support | 3,424 | 935 | 2,489 | 27.3% |
| Student Services | 3,860 | 862 | 2,998 | 22.3% |
| Scholarships & Fellowships | 3,079 | 680 | 2,399 | 22.1% |
| Subtotal Primary Mission Costs | 28,916 | 5,670 | 23,246 | 19.6% |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 5,016 | 1,083 | 3,933 | 21.6% |
| Institutional Support | 6,384 | 1,520 | 4,864 | 23.8% |
| Research | 244 | 49 | 195 | 20.1% |
| Public Service | 239 | 74 | 165 | 31.0% |
| Subtotal Other Core Operating Expenses | 11,883 | 2,726 | 9,157 | 22.9% |
| Total Core Operating Expenses | 40,799 | 8,396 | 32,403 | 20.6% |
| Auxiliary Expenses | 13,140 | 3,097 | 10,043 | 23.6% |
| Depreciation Expense | 7,472 | 1,733 | 5,739 | 23.2% |
| Transfers and Other (Additions) Subtractions | 293 | 65 | 228 | 22.2% |
| TOTAL OPERATING EXPENSES | 61,704 | 13,291 | 48,413 | 21.5% |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,552 | 2,388 | 7,164 | 25.0% |
| Nonoperating federal revenue | 5,400 | 2,351 | 3,049 | 43.5% |
| Investment Income | 33 | 17 | 16 | 51.5% |
| Interest on capital asset related debt | (1,876) | (469) | (1,407) | 25.0% |
| Loss on disposal of equipment | - | - | - | n/a |
| Gifts | 1,240 | 422 | 818 | 34.0% |
| Payments on behalf of Shepherd University | - | - | - | n/a |
| Fees assessed by the Commission for interest and reserves | (38) | (9) | (29) | 23.8% |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,311 | 4,700 | 9,611 | 32.8% |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,936) | 10,519 | (13,455) | -358.3% |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | 0 | (0) | n/a |
| CTC Net Assets Transfer | - | 2 | (2) | n/a |
| Other Post Employment Benefits (OPEB) expense | (648) | (54) | (594) | 8.3% |
| Increase (Decrease) in Net Assets | (3,584) | 10,467 | (14,051) | -292.0% |

Table 3

Shepherd University
Statement of Revenues, Expenses and Other Changes
FY17 - For the Quarter Ending September 30, 2016
(Dollars in Thousands)

| | YTD Actual 9/30/16 | YTD Actual 9/30/15 | % Change | \$ Change |
|---|-----------------------|-----------------------|----------------|-----------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$9,315 | \$9,213 | 1.1% | \$102 |
| Federal Grants and Contracts | 312 | 26 | 1080.1% | 286 |
| State and Local Grants and Contracts | 1,582 | 1,732 | -8.7% | (150) |
| Private Grants and Contracts | - | - | n/a | - |
| Sales and Services of Educational Activities | 11 | 5 | 106.4% | 6 |
| Auxiliary Enterprises | 7,669 | 8,529 | -10.1% | (860) |
| Other Operating Revenues | 221 | 236 | -6.4% | (15) |
| TOTAL OPERATING REVENUES | 19,110 | 19,743 | -3.2% | (633) |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 3,193 | 2,866 | 11.4% | 327 |
| Academic Support | 935 | 866 | 7.9% | 69 |
| Student Services | 862 | 956 | -9.9% | (94) |
| Scholarships & Fellowships | 680 | 679 | 0.2% | 1 |
| Subtotal Primary Mission Costs | 5,670 | 5,367 | 5.6% | 303 |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 1,083 | 956 | 13.3% | 127 |
| Institutional Support | 1,520 | 1,545 | -1.6% | (25) |
| Research | 49 | 72 | -31.9% | (23) |
| Public Service | 74 | 69 | 7.9% | 5 |
| Subtotal Other Core Operating Expenses | 2,726 | 2,641 | 3.2% | 85 |
| Total Core Operating Expenses | 8,396 | 8,008 | 4.8% | 388 |
| Auxiliary Expenses | 3,097 | 3,110 | -0.4% | (13) |
| Depreciation Expense | 1,733 | 1,839 | -5.7% | (106) |
| Transfers and Other (Additions) Subtractions | 65 | 69 | -5.8% | (4) |
| TOTAL OPERATING EXPENSES | 13,291 | 13,026 | 2.0% | 265 |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 2,388 | 2,458 | -2.8% | (70) |
| Nonoperating federal revenue | 2,351 | 2,575 | -8.7% | (224) |
| Investment Income | 17 | 5 | 212.1% | 12 |
| Interest on capital asset related debt | (469) | (485) | -3.4% | 16 |
| Loss on disposal of equipment | - | - | n/a | - |
| Gifts | 422 | 482 | -12.4% | (60) |
| Payments on behalf of Shepherd University | - | - | n/a | - |
| Fees assessed by the Commission for interest and | (9) | (19) | -52.4% | 10 |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 4,700 | 5,016 | -6.3% | (316) |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | 10,519 | 11,733 | -10.3% | (1,214) |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | 0 | 0 | 0.0% | - |
| CTC Net Assets Transfer | 2 | (2) | -200.9% | 4 |
| Other Post Employment Benefits (OPEB) expense | (54) | (160) | -66.2% | 106 |
| Increase (Decrease) in Net Assets | 10,467 | 11,571 | -277.5% | (S1,104) |

QUARTERLY FINANCIAL REPORT: FY2016

Mr. Tony Major, Vice President for Finance, will present the quarterly financial report.

Included are three reports for the fourth quarter of FY2016. 1) Statement of Net Assets, 2) Budget to Actual Report, and 3) State of Revenues Expenses and Other changes which shows a year-to-year comparison with FY2015.

Highlights when comparing FY2016 with FY2015 include:

- A 3.4%, \$1.476 million, decrease in Total Operating Revenues
- A 0.9%, \$501,000, increase in Total Operating Expenses
- A 5.4%, \$800,000 decrease in Total Non-Operating Revenues and Expenses
- A decrease in Net Assets of \$4.354 million
- A 9.07%, \$1.62 million, decrease in Cash and Cash Equivalents

STATEMENT OF NET ASSETS

Assets

Total Assets decreased approximately 3.71% to \$145.8 million. Significant changes in assets from the prior year include a decrease in Cash and Inventories, an increase in Accounts Receivable and Grants and Contracts Receivable and a decrease in Capital Assets net of accumulated depreciation.

Cash and Cash Equivalents – At the end of the fourth quarter, the University had sufficient cash and other resources on hand to meet operating and capital requirements. Cash balances have decreased from FY2015 to FY2016 by 9.07% to \$16.2 million primarily due to an increase in Accounts Receivable and a decrease in Accounts Payable. The decline in enrollment resulted in reduced collection of Tuition and Fees and Auxiliary Enterprises revenue. A mid-year rescission in the University's state appropriation of \$393,000 was also a contributing factor. Two Accounts Payable check runs were processed in June compared to one last year.

Accounts Receivable – Accounts Receivable increased \$548,000. The majority of Accounts Receivable is associated with student balances. In addition to the challenges of collecting student accounts receivable, an increase of \$250,000 is due to the United Bank receivable for upfront costs associated with the new housing project.

Grants and Contracts Receivable – Grants and Contracts Receivable increase of \$161,000 is due to the increase in Contracts and Grants including the HRSA Nursing Grant, SnapEd Grant and NEH Summer Series Grant.

Capital Assets Net – Capital Assets are presented net of Accumulated Depreciation and decreased \$4.745 million to \$126.7 million. Additions to Capital Assets during FY2016 include:

- Student Center Improvements
- Campus Signage
- Exterior Door Access
- Butcher Center Improvements Including Fire Alarm and Roof
- HVAC Upgrades to Ikenberry
- Improvements to the Free School Building

This is offset by an increase in Accumulated Depreciation of \$6.9 million.

Liabilities

Total Liabilities decreased 2.05% to 60.2 million. Significant changes include increases in Accrued Liabilities with decreases in Accounts Payable and Deferred Revenue, and decreases in Leases and Bonds Payables.

Accounts Payable – Accounts Payable decreased from \$2.31 million to \$1.67 million. This is a result of more timely payment of expenses and a second check run in June and corresponds to the decline in Cash at year-end.

Accrued Liabilities – Accrued Liabilities increased 11.38%, \$290,000, due to an increase in Accrued Wages. Accrued Wages increased as a result of the 2% salary increase and additional days accrued as a result of the change from 24 to 26 pay periods.

Other Post-Employment Benefits, Non-Current – Other Post-Employment Benefits increased 5.79%, \$593,000, in accordance with an actuarial study conducted by the State.

Bonds Payable – Bonds Payable decreased 3.61%, \$1.41 million, resulting from bond premium payments consisting of more principal.

STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES

Operating Revenues

The University has generated 94.5%, \$41.7 million, of the projected Operating Revenue for the fiscal year. Tuition and Fees are 92.5% of budget totaling \$17.9 million. Total Operating Revenues are down 3.4%, \$1.476 million, from FY2015.

The year-over-year comparison of Federal Grants and Contracts Operating Revenues reflects an increase of \$680,000 primarily from a Nursing grant, as well as other increased grant activities.

State and Local Grants are at 93.3% of the budget. The majority of the revenue is generated through the receipt of State-provided scholarships.

Revenue generated from the operation of Auxiliary Enterprises is \$17.7 million, down slightly, \$177,000, from \$17.9 million last fiscal year and at 96.9% of budget.

Operating Expenses

The University expended 94.4% of budgeted Operating Expenses. Primary Mission Costs for Instruction Academic Support, Student Services and Scholarships, and Fellowships were within budget for the year and in alignment with the decrease in Revenues compared to budget.

Year-to-Year Operating Expenses are up 2.2%, \$590,000, with a 5.3%, \$876,000 increase in Instruction and an 8%, \$304,000, decrease in Student Services.

Other Core Operating Costs exceeded budget projections. Operations and Maintenance expenses were over budget by \$663,000. Contributable factors include increased Utility and Building Maintenance costs, the relocation of Campus Safety and costs attributable to the Blizzard of 2016.

Institutional Support costs also exceeded budget by \$248,000 due to the Presidential Search and other unbudgeted costs, including Bad Debt Expense.

Non-Operating Revenues and Expenses

Total Non-Operating Revenues and Expenses reflect actuals at 97.7% of budget. Non-operating federal revenue is at 90%. This line is for PELL, and the 5.8% decline from FY2015 corresponds to the decline in enrollment and a decline in eligibility.

Gifts, at \$1.26 million, are at 117.7% of budget and are 4.6%, \$60,000, below FY2015 actuals. This revenue is generated by contributions from the Foundation. The majority is in the form of student scholarships.

Other Revenues, Expenses, Gains or Losses

Expenses for Other Post-Employment Benefits (OPEB) are down slightly over last year, 3.8%, \$22,000.

Overall, at the end of the fourth quarter, total Net Assets are \$85.5 million compared to \$89.8 million last year, down 4.85%. The change is primarily driven by a decrease in the University's state appropriation, a decline in significant capital investments and declining enrollment.

Table 1

Shepherd University
Statement of Net Assets
As of June 30, 2016
(Dollars in Thousands)

| | Actual 6/30/16 | Actual 6/30/15 | % Change |
|---|-------------------|-------------------|---------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | 16,242 | 17,862 | -9.07% |
| Accounts receivable net | 1,059 | 511 | 107.13% |
| Grants and contracts receivable, net | 353 | 192 | 83.82% |
| Due from the Commission and other State Agencies | 48 | 18 | 168.01% |
| Inventories | 557 | 605 | -7.91% |
| Loans Receivable | 100 | 100 | 0.00% |
| Other assets | 20 | 30 | -32.80% |
| Total Current assets | 18,379 | 19,318 | -4.86% |
| Noncurrent assets: | | | |
| Loans receivable, net | 402 | 334 | 20.34% |
| Capital assets net | 126,716 | 131,461 | -3.61% |
| Other Noncurrent assets | 307 | 307 | 0.05% |
| Total Noncurrent assets | 127,425 | 132,101 | -3.54% |
| TOTAL ASSETS | \$145,804 | \$151,419 | -3.71% |
| Total Deferred Outflows of Resources (GASB 68) | 43 | 43 | 0.00% |
| TOTAL ASSETS & Deferred Outflows (GASB 68) | 145,847 | 151,462 | -3.71% |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 1,686 | 2,312 | -27.09% |
| Accrued liabilities | 2,836 | 2,546 | 11.38% |
| Due to other State agencies | 21 | 19 | 9.40% |
| Deferred revenue | 839 | 774 | 8.39% |
| Long-term liabilities - current portion | 2,366 | 2,320 | 1.99% |
| Total Current liabilities | 7,747 | 7,971 | -2.81% |
| Noncurrent liabilities: | | | |
| Advances from federal sponsors | 509 | 512 | -0.43% |
| Deposits | 169 | 189 | -10.80% |
| Other Post Employment Benefits | 10,824 | 10,231 | 5.79% |
| Net Pension Liability (GASB 68) | 449 | 449 | 0.00% |
| Compensated absences | 441 | 426 | 3.47% |
| Leases Payable | 467 | 610 | -23.37% |
| Bonds Payable | 39,551 | 41,032 | -3.61% |
| Total Noncurrent liabilities | 52,410 | 53,449 | -1.94% |
| TOTAL LIABILITIES | \$60,158 | \$61,420 | -2.05% |
| Total Deferred Inflows of Resources (GASB 68) | 235 | 235 | 0.00% |
| TOTAL LIABILITIES & Deferred Inflows (GASB 68) | \$60,392 | \$61,654 | -2.05% |
| NET ASSETS | 85,454 | 89,808 | -4.85% |
| TOTAL LIABILITIES AND NET ASSETS | 145,847 | 151,462 | -3.71% |

Table 2

Shepherd University
Budget to Actual Report
For The Year From July 1, 2015 to June 30, 2016
(Dollars in Thousands)

| | FY16 Budget Annual | FY 16 Actual YTD | S Variance | % Budget |
|---|-----------------------------------|---------------------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$19,304 | \$17,850 | \$1,453 | 92.5% |
| Federal Grants and Contracts | 1,284 | 1,170 | 114 | 91.1% |
| State and Local Grants and Contracts | 4,663 | 4,353 | 310 | 93.3% |
| Private Grants and Contracts | 22 | 32 | (9) | 140.6% |
| Sales and Services of Educational Activities | 32 | 39 | (7) | 121.2% |
| Auxiliary Enterprises | 18,302 | 17,728 | 574 | 96.9% |
| Other Operating Revenues | 500 | 525 | (26) | 105.2% |
| TOTAL OPERATING REVENUES | 44,106 | 41,697 | 2,409 | 94.5% |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 17,844 | 17,312 | 531 | 97.0% |
| Academic Support | 3,322 | 3,266 | 57 | 98.3% |
| Student Services | 3,832 | 3,516 | 316 | 91.7% |
| Scholarships & Fellowships | 3,448 | 2,750 | 698 | 79.8% |
| Subtotal Primary Mission Costs | 28,446 | 26,844 | 1,602 | 94.4% |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 4,765 | 5,428 | (663) | 113.9% |
| Institutional Support | 6,090 | 6,348 | (258) | 104.2% |
| Research | 290 | 275 | 14 | 95.0% |
| Public Service | 229 | 240 | (11) | 104.6% |
| Subtotal Other Core Operating Expenses | 11,373 | 12,291 | (917) | 108.1% |
| Total Core Operating Expenses | 39,819 | 39,135 | 684 | 98.3% |
| Auxiliary Expenses | 13,114 | 13,000 | 114 | |
| Depreciation Expense | 7,362 | 6,930 | 432 | 94.1% |
| Transfers and Other (Additions) Subtractions | 293 | 276 | 17 | 94.1% |
| TOTAL OPERATING EXPENSES | 60,589 | 59,341 | 1,248 | 97.9% |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,438 | 9,438 | - | 100.0% |
| Nonoperating federal revenue | 5,650 | 5,084 | 566 | 90.0% |
| Investment Income | 31 | 76 | (45) | 243.5% |
| Interest on capital asset related debt | (1,941) | (1,935) | (5) | 99.7% |
| Loss on disposal of equipment | - | - | - | n/a |
| Gifts | 1,070 | 1,259 | (189) | 117.7% |
| Payments on behalf of Shepherd University | - | 0 | (0) | n/a |
| Fees assessed by the Commission for interest and reserves | (38) | (38) | - | 100.0% |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 14,211 | 13,884 | 327 | 97.7% |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (2,272) | (3,760) | 1,488 | 165.5% |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | - | - | n/a |
| CTC Net Assets Transfer | - | (2) | 2 | n/a |
| Other Post Employment Benefits (OPEB) expense | (801) | (593) | (209) | 74.0% |
| Increase (Decrease) in Net Assets | (3,073) | (4,354) | 1,281 | 141.7% |

Table 3

Shepherd University
Statement of Revenues Expenses and Other Changes
For The Year From July 1, 2015 to June 30, 2016
(Dollars in Thousands)

| | Year Ended 6/30/16 | Year Ended 6/30/15 | Percent Change Annual | Dollar Change Annual |
|---|--------------------------|--------------------------|-----------------------------|----------------------------|
| OPERATING REVENUES | | | | |
| Tuition and Fees | \$17,850 | \$19,524 | -8.6% | (\$1,674) |
| Federal Grants and Contracts | 1,170 | 490 | 138.8% | \$680 |
| State and Local Grants and Contracts | 4,353 | 4,601 | -5.4% | (\$248) |
| Private Grants and Contracts | 32 | 35 | -10.9% | (\$4) |
| Sales and Services of Educational Activities | 39 | 37 | 5.0% | \$2 |
| Auxiliary Enterprises | 17,728 | 17,905 | -1.0% | (\$177) |
| Other Operating Revenues | 525 | 581 | -9.5% | (\$55) |
| TOTAL OPERATING REVENUES | 41,697 | 43,174 | -3.4% | (\$1,476) |
| OPERATING EXPENSES | | | | |
| Core Operating Expenses | | | | |
| Primary Mission Costs | | | | |
| Instruction | 17,312 | 16,437 | 5.3% | \$876 |
| Academic Support | 3,266 | 3,185 | 2.5% | \$80 |
| Student Services | 3,516 | 3,820 | -8.0% | (\$304) |
| Scholarships & Fellowships | 2,750 | 2,812 | -2.2% | (\$62) |
| Subtotal Primary Mission Costs | 26,844 | 26,254 | 2.2% | \$590 |
| Other Core Operating Expenses | | | | |
| Operations and Maintenance | 5,428 | 5,244 | 3.5% | \$184 |
| Institutional Support | 6,348 | 6,289 | 0.9% | \$59 |
| Research | 275 | 164 | 68.3% | \$112 |
| Public Service | 240 | 273 | -12.4% | (\$34) |
| Subtotal Other Core Operating Expenses | 12,291 | 11,970 | 2.7% | \$321 |
| Total Core Operating Expenses | 39,135 | 38,224 | 2.4% | \$911 |
| Auxiliary Expenses | 13,000 | 13,300 | -2.3% | (\$300) |
| Depreciation Expense | 6,930 | 7,023 | -1.3% | (\$93) |
| Transfers and Other (Additions) Subtractions | 276 | 293 | -5.9% | (\$17) |
| TOTAL OPERATING EXPENSES | 59,341 | 58,840 | 0.9% | \$501 |
| NONOPERATING REVENUES AND EXPENSES | | | | |
| State Appropriations | 9,438 | 9,941 | -5.1% | (\$503) |
| Nonoperating federal revenue | 5,084 | 5,399 | -5.8% | (\$315) |
| Investment Income | 76 | 21 | 254.6% | \$55 |
| Interest on capital asset related debt | (1,935) | (1,993) | -2.9% | \$58 |
| Loss on disposal of equipment | - | (25) | -100.0% | \$25 |
| Gifts | 1,259 | 1,320 | -4.6% | (\$60) |
| Payments on behalf of Shepherd University | 0 | 60 | -100.0% | (\$60) |
| Fees assessed by the Commission for interest and reserves | (38) | (38) | 0.0% | \$0 |
| TOTAL NONOPERATING REVENUES AND EXPENSES | 13,884 | 14,684 | -5.4% | (\$800) |
| Income (Loss) Before Other Revenues, Expenses, Gains or Losses | (3,760) | (982) | 282.9% | (2,778) |
| OTHER REVENUES, EXPENSES, GAINS OR LOSSES | | | | |
| Capital Grants and Gifts | - | 1 | -100.0% | (\$1) |
| CTC Net Assets Transfer | (2) | (1) | 144.8% | (\$1) |
| Other Post Employment Benefits (OPEB) expense | (593) | (571) | 3.8% | (\$22) |
| Increase (Decrease) in Net Assets | (4,354) | (1,553) | | |
| Cumulative Effect of Change in Accounting Principle (GASB 68) | - | (695) | | |
| Total Increase (Decrease) in Net Assets | (4,354) | (2,248) | 331.5% | (\$2,801) |

TUITION AND FEE WAIVER REPORT: FY2016

Annually, a report on the numbers and distribution of tuition and fee waivers is required by the West Virginia Higher Education Policy Commission (HEPC) to be reported to the Shepherd University Board of Governors. The report for tuition waivers for the 2015-2016 academic year is contained below.

Mr. Bill Sommers, Vice President for Enrollment Management, will be at the meeting to answer any questions members may have regarding this report.

2015-2016 Institutional Waivers and Scholarships

Undergraduate

| | |
|----------------------------|--------------------|
| Waivers | \$2,705,689 |
| Institutional Scholarships | <u>\$1,955,530</u> |
| <i>Total</i> | \$4,661,219 |

Graduate

| | |
|----------------------------|------------------|
| Waivers | \$137,167 |
| Institutional Scholarships | <u>\$181,202</u> |
| <i>Total</i> | \$318,369 |

Undergraduate and Graduate Financial Aid

| | 2014-2015 | 2015-2016 | Difference |
|---------------|--------------|--------------|---------------|
| Federal | \$26,993,802 | \$25,527,282 | (\$1,466,520) |
| State | \$4,198,095 | \$4,148,392 | (\$49,703) |
| Institutional | | | |
| Waivers | \$2,703,300 | \$2,842,856 | \$139,556 |
| Scholarships | \$1,825,582 | \$2,136,732 | \$311,150 |
| Private | \$2,745,140 | \$3,139,508 | \$394,368 |

2015-16 Undergraduate Waiver Breakdown

| ACADEMIC | # of Students | Total Dollars Waived |
|---|---------------|-------------------------|
| Admissions Waivers | | |
| Admissions Awards | 45 | \$76,190 |
| Need Based Admissions Awards | 0 | \$0 |
| Director's Award | 49 | \$65,850 |
| Dean's Award | 99 | \$210,510 |
| Executive's Award | 39 | \$131,250 |
| President's Award | 202 | \$662,937 |
| Subtotal | 434 | \$1,146,737 |
| Special Departments | | |
| Art | 16 | \$61,452 |
| Honors | 11 | \$60,262 |
| Music | 35 | \$229,643 |
| Subtotal | 62 | \$351,357 |
| Academic Department Waivers | | |
| School of Arts & Humanities | | |
| Art | 1 | \$2,952 |
| English | 5 | \$9,534 |
| Communications | 0 | \$0 |
| History | 3 | \$6,720 |
| School of Business & Social Sciences | | |
| Accounting | 5 | \$8,650 |
| Economics | 5 | \$6,750 |
| Political Science | 10 | \$12,283 |
| Social Work | 7 | \$15,196 |
| School of Education & Professional Studies | | |
| Education | 15 | \$26,449 |
| Nursing Education | 0 | \$0 |
| Recreation | 11 | \$25,178 |
| School of Natural Sciences & Mathematics | | |
| Biology | 0 | \$0 |
| Chemistry | 4 | \$5,500 |
| Computer Sciences, Math & Engineering | 9 | \$15,412 |
| Institute of Environmental & Physical Sciences | 7 | \$6,000 |
| Provost Waivers | | |
| | 2 | \$10,700 |
| Subtotal | 84 | \$151,324 |

2015-16 Undergraduate Waiver Breakdown (Cont.)

| Athletic Waivers | # of Students | Total Dollars Waived |
|--------------------------------------|---------------|-------------------------|
| Baseball | 9 | \$38,400 |
| Basketball, Men's | 7 | \$84,538 |
| Basketball, Women's | 9 | \$100,352 |
| Football | 56 | \$309,314 |
| Soccer, Men's | 9 | \$19,400 |
| Soccer, Women's | 7 | \$21,852 |
| Softball | 9 | \$48,500 |
| Tennis, Men's | 3 | \$3,120 |
| Tennis, Women's | 1 | \$4,000 |
| Volleyball | 8 | \$43,390 |
| Subtotal | 118 | \$672,866 |
| | | |
| Other | | |
| Multi-Cultural | 27 | \$135,836 |
| RN to BSN | 0 | \$0 |
| Valley Health | 2 | \$13,334 |
| Orientation Leadership Waiver | 0 | \$0 |
| Martinsburg RBA | 5 | \$14,400 |
| Subtotal | 34 | \$163,570 |
| TOTAL | 732 | \$2,485,854 |
| | | |
| Non-Cap | | |
| Staff | 17 | \$49,007 |
| Health, Science & Technology Academy | 6 | \$24,824 |
| Yellow Ribbon | 27 | \$111,753 |
| Dep/Spouse | 17 | \$25,396 |
| Foster Care | 2 | \$8,856 |
| Total Non-Cap | 69 | \$219,835 |
| TOTAL INCLUDING NON-CAP | 801 | \$2,705,689 |

2015-2016 Undergraduate Waiver Statistics

2015-2016 Graduate Waiver Statistics

| | Count | % | Total | % | Hours Waived | # of Students | Total Dollars Waived | % |
|------------------|------------|----------------|--------------------|----------------|---------------|---------------|----------------------|---------------|
| Gender | | | | | | | | |
| Female | 464 | 57.93% | 1,517,358 | 56.08% | 163.53 | 15 | \$ 78,238 | 57.0% |
| Male | 337 | 42.07% | 1,188,331 | 43.92% | | | | |
| | 801 | 100.00% | \$2,705,689 | 100.00% | 0.00 | 0 | \$ - | 0.0% |
| Residency | | | | | | | | |
| Common Market | 50 | 6.24% | 196,344 | 7.26% | | | | |
| Dual Admission | 8 | 1.00% | 31,480 | 1.16% | | | | |
| In State | 323 | 40.32% | 547,869 | 20.25% | | | | |
| Out of State | 420 | 52.43% | 1,929,997 | 71.33% | | | | |
| | 801 | 100.00% | \$2,705,689 | 100.00% | 292.33 | 37 | \$ 137,167 | 100.0% |

* Full waiver = 18 hours; therefore, 16.24 waivers were utilized

Student Type

| Student Type | Count | % | Total | % |
|---------------------|------------|----------------|--------------------|----------------|
| Continuing | 371 | 46.32% | 1,430,715 | 52.88% |
| New | 418 | 52.18% | 1,242,203 | 45.91% |
| Special (employees) | 12 | 1.50% | 32,772 | 1.21% |
| TOTAL | 801 | 100.00% | \$2,705,689 | 100.00% |

2015-2016 Graduate Waiver Breakdown

| | Count | % | Total | % |
|---------------------|-----------|---------------|-------------------|---------------|
| Gender | | | | |
| Male | 12 | 32.4% | \$ 27,433 | 20.0% |
| Female | 25 | 67.6% | \$ 109,734 | 80.0% |
| | 37 | 100.0% | \$ 137,167 | 100.0% |
| Residency | | | | |
| In State | 24 | 64.9% | \$ 86,950 | 63.4% |
| Out of State | 13 | 35.1% | \$ 50,217 | 36.6% |
| | 37 | 100.0% | \$ 137,167 | 100.0% |
| Student Type | | | | |
| Continuing | 26 | 70.3% | \$ 89,750 | 65.4% |
| New | 11 | 29.7% | \$ 47,417 | 34.6% |
| | 37 | 100.0% | \$ 137,167 | 100.0% |