Shepherd University

Financial Statements as of and for the Years Ended June 30, 2024 and 2023, and Independent Auditors' Reports

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SHEPHERD UNIVERSITY

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INDEPENDENT AUDITORS' REPORT

Board of Governors
Shepherd University
Shepherdstown, West Virginia

Report on the Audit of the Financial Statements

Opinions

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 of the West Virginia Higher Education Fund), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion based on our audits and the report of other auditors, 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, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Shepherd University Foundation, Inc. (the Foundation), which represent 100% and 100%, respectively, of the assets and revenues of the discretely presented component unit as of June 30, 2023 and 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of Net OPEB liability and Contributions, and the Schedule of Proportionate Share of Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audits 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 15, 2024, 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 results 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

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 15, 2024

Shepherd University

Management Discussion and Analysis

Fiscal Years 2024 and 2023

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.

The University offers Bachelor of Arts, Bachelor of Science, Bachelor of Fine Arts, Bachelor of Science in Nursing, Bachelor of Social Work, and Bachelor of Music Education degrees in a wide range of fields, encompassing the liberal arts, business administration, teacher education, nursing, the social and natural sciences, and other career-oriented areas. Graduate programs include a Master of Arts in Teaching, Master of Business Administration, Master of Education in Educational Leadership, and Master of Arts in Appalachian Studies, as well as a Doctor of Nursing Practice. Shepherd continues to enhance and support our fully online Master of Business Administration and Master of Education degrees.

Shepherd is accredited by the Higher Learning Commission (HLC), with the next Reaffirmation of Accreditation in 2031-32.

Overview of the Financial Statements and Financial Analysis

This discussion will emphasize significant changes reflected in the FY2024 data compared to the financial statements presented for FY2023 and the FY2023 data compared to the financial statements presented for FY2022 data compared to the financial statements presented for FY2021. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and 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 outflows of resources, liabilities (current and noncurrent), deferred inflows 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, 2024 and 2023. The difference between current and noncurrent assets and liabilities is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Position can determine the assets available to continue the operations of the institution. They may further 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 carryover 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		
	2024	2023	2022
Assets:			
Cash	$ 12,407	$ 9,435	$ 14,104
Other Current Assets	3,102	2,480	3,039
Noncurrent Assets	106,604	105,547	106,105
Total Assets	122,113	117,462	123,248
Total Deferred Outflows of Resources	187	580	466
Total Assets and Deferred Outflows	122,300	118,042	123,714
Liabilities:			
Current Liabilities	12,080	9,725	9,785
Noncurrent Liabilities	33,900	35,850	38,470
Total Liabilities	45,980	45,575	48,255
Total Deferred Inflows of Resources	949	1,911	4,224
Total Liabilities and Deferred Inflows of Resources	46,929	47,486	52,479
Net Position:			
Net Investment in Capital Assets	69,397	67,163	66,116
Restricted - Expendable	128	80	2,951
Unrestricted	5,845	3,312	2,169
Total Net Position	$ 75,370	$ 70,555	$ 71,236

Assets

Total Assets for FY2024 increased 4% percent to $122 million compared to $117.5 million for FY2023 and more aligns with the total assets of $123 million for FY2022. The total increase from FY2023 to FY2024 is a combination of two components. The first component is an increase of $3 million in cash, which is mostly attributed to an increase in grants including some deferred maintenance awards from the State of West Virginia. There was also a modest increase in revenue from tuition and fees in FY24. The second component is a $1 million increase in noncurrent assets which is largely related to right-to-use and SBITA increases around investment in IT infrastructure, safety and buildings.

Deferred Outflows of Resources:

Deferred Outflows of Resources represent the consumption of Net Position by the University that is applicable to future years. The University combined both the deferred outflows of resources related to pensions and other postemployment benefits of $187 thousand in FY2024. This is a decrease of approximately $400 thousand from FY2023. These deferred outflows of resources directly relate to the required contributions the University has made on behalf of employees enrolled in the defined benefit pension plan (GASB 68) and contributions the University has made on behalf of employees eligible to receive other postemployment benefits (GASB 75). The footnotes to these financial statements describe in further detail, the actuarial calculations and assumptions made in determining these values.

Liabilities:

Total Liabilities for FY2024 almost stayed even at $45.98 million compared to $45.58 million for FY2023. The steady payable and accrual balances were mainly attributed to a freeze in additional spending for FY24 while the overall strategic outlook for the university was being assessed. In addition to the assessment, Shepherd has made great strides in other components of liability. Unearned revenue increased over $2 million from FY 2023 and through the payment of debt obligations Shepherds overall long-term debt obligations decreased by $1.5 million.

Deferred Inflows of Resources:

Deferred Inflows of Resources are the acquisition of net position by the University that are applicable to future years. In FY2023, the University had deferred inflows of resources related to pensions and other postemployment benefits of $1.9 million compared to $0.9 million in FY2024. This is a direct result of the ongoing actuarial calculations provided by the State as they pertain to GASB Statement No. 68 and to GASB Statement No. 75.

Net Position:

From FY2023 to FY2024 Total Net Position increased by $4.8 million. Unrestricted portion of net position increased this fiscal year by $2.5 million as a continued result of GASB No. 68 and GASB No. 75 requirements to record the unfunded pension liabilities and the other post-employment benefit liabilities based on actuarial calculations provided by the State.

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 expended by the University.

Operating revenues are received to provide 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		
	2024	2023	2022
Operating Revenue	$ 37,410	$ 32,795	$ 30,779
Operating Expenses	51,687	50,648	54,175
Operating Loss	(14,277)	(17,853)	(23,396)
Nonoperating Revenue- Net	19,091	17,173	24,563
Increase (Decrease) in Net Position	4,815	(680)	1,167
Net Position - Beginning of Year	70,555	71,235	69,930
Cumulative effect of change in accounting principle	-	-	138
Net Position - End of Year	$ 75,370	$ 70,555	$ 71,235

Operating Revenues:

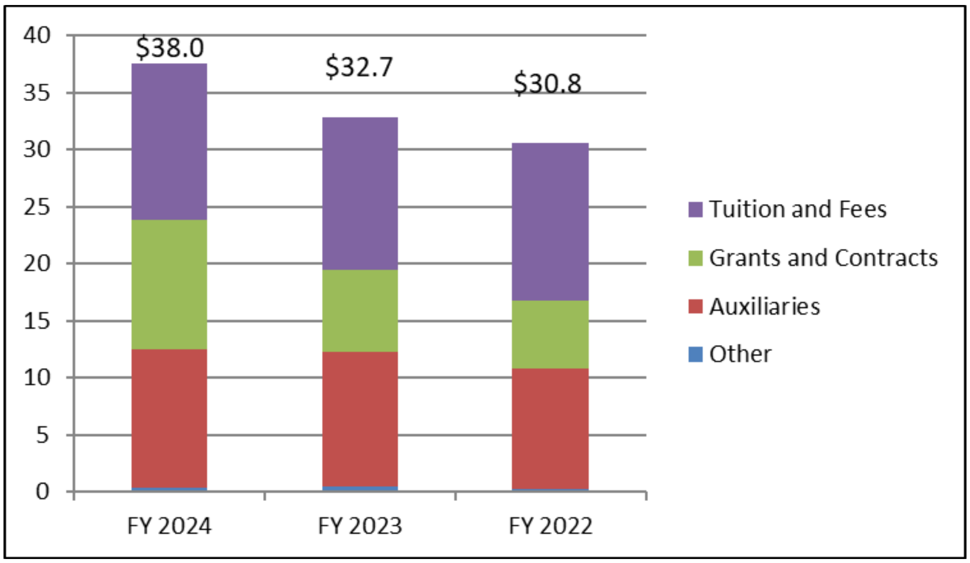
Operating Revenues consist of student tuition and fees, contracts and grants, interest on student loans receivable, sales and services of educational activities, auxiliary enterprise revenue and other operating revenues. Total operating revenues for FY2024 increased by $4.6 million or 14 percent compared to FY2023.

Student tuition and fees revenue represents approximately 37 percent of total operating revenues and shows an increase by $.4 million in FY2024. The impact of costs and slowed enrollment has prompted a tuition increase for FY25. However, Shepherd had maintained the same undergraduate tuition rates for the past three years. Shepherd continues to explore new marketing strategies to enhance student enrollment in broader areas.

Auxiliary Enterprise Revenue, which includes resources generated by the operation of the wellness center, dining services and residence halls, experienced an increase of $0.3 million or 2.7 percent in FY2024. The increase is largely due to the ability to have students residing on campus without having to reduce density in the residence halls. In addition, the wellness center was able to remain open throughout FY2024 with fewer restrictions than the year before.

Operating Revenues – FY 2024-2022

(In millions)



Operating Expenses:

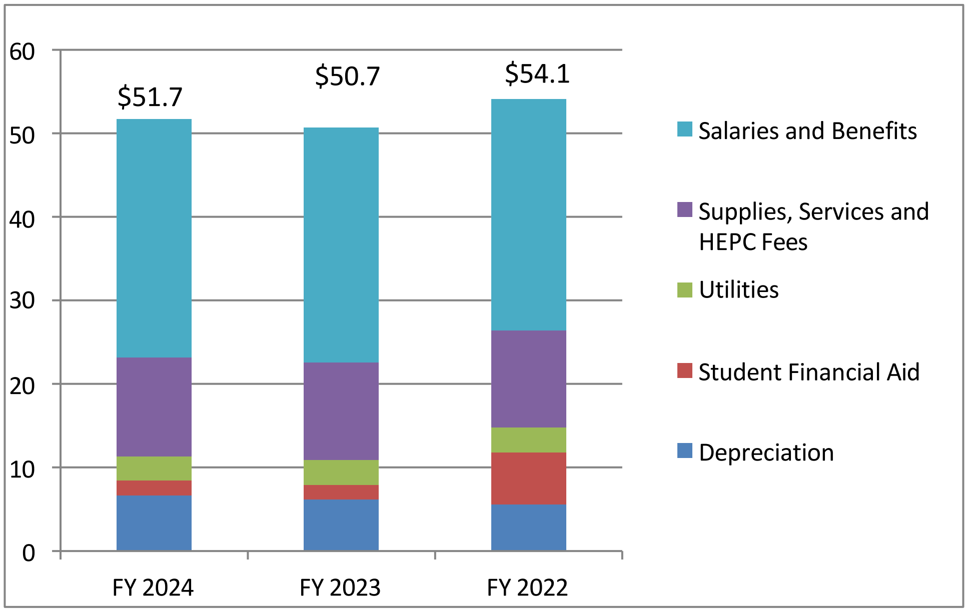
Overall, FY2024 operating expenses of $51.7 million increased $1 million over the FY2023 amount of $50.7, and is down $2.4M from FY2022. The up and down trend is indicative of financial prioritization to realize efficiencies and effective uses of resources at Shepherd in contrast to higher costs in other areas including supplies and benefits.

Employee compensation, including benefits, represents a significant portion of FY2024 operating expenses, $28.5 million or 55.2 percent. This total is approximately $.4 million more than personnel costs for FY2023. This increase is mainly due to increases in benefit costs and back fill of positions that were empty at closer to market value.

Student financial aid shows an increase of $0.1 million and $4.5 million year-over-year from FY2023. This decrease is attributed to the last of the HEERF grant funds being fully disbursed during FY2022 and no additional funds were provided during FT2023. These grant funds provided student awards, paid off student account balances, and provided a credit to students to get COVID testing.

Operating Expenses – FY 2024-2022

(In millions)



Non-operating Revenues (Expenses):

Net Nonoperating Revenues significantly increased by $1.9 million, 11 percent in FY2024. This increase is mainly related to state grants that were disbursed in FY2024 related to deferred maintenance.

The end result of all operating and non-operating revenues and expenses for FY2024 was an increase in net position of $4.8 million or 6.8 percent.

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, contracts and grants, and other receipts for a combined total of $48.9 million for FY2024. Major cash outlays in operating activities include payments to and on behalf of employees, payments to suppliers, utilities and student scholarships for a combined total of $56 million. Net cash used in operating activities for FY2024 is $7 million, which is a reduction in cash outlay of $7.4 million over FY2023. This reduction in cash used in operating activities is due to a $4.2 million increase in contract and grants revenue in conjunction with a $1.8 million decrease in payments to and on behalf of employees as well as a combined $1 million decrease in payments to suppliers and utilities.

State appropriations, Federal PELL, and Foundation proceeds are the primary sources of non- capital financing activities on the cash flow statement. Generally Accepted Accounting Principles require the University to reflect this State revenue as non-operating revenue even though the University's budget depends on this revenue to sustain the current level of operations. There was approximately a $1.7 million increase in cash from non-capital financing activities in a year-over-year comparison. This increase is due to an increase in State Appropriations of $1.1 million and an increase of $.6 million in Federal PELL funding.

Capital financing activities represent funds that were used to purchase or add value to capital assets and any long-term debt proceeds and payments. During FY2024, the University entered into a Capital Lease with CN Financing, Inc in the amount of $1.9 million. The funds from this lease are to purchase the equipment necessary to upgrade the network infrastructure of the University.

Overall cash at FY2024 increased $3 million.

Condensed Schedules of Cash Flows

(In thousands)

	Years Ended June 30		
	2024	2023	2022
Net Cash (used in) provided by:			
Operating Activities	$ (7,041)	$ (14,472)	$ (20,700)
Noncapital financing activities	20,361	18,628	26,236
Capital and related financing activities	(10,832)	(9,410)	(1,837)
Investing activities	484	298	15
Increase (Decrease) in Net Position	2,972	(4,956)	3,714
Cash and cash equivalents - beginning of year	9,436	14,104	10,390
Cash and cash equivalents - end of year	$ 12,407	$ 9,436	$ 14,104

Economic Outlook

Shepherd's financial strength and capabilities continue to be challenged by declining/level enrollment that is evidenced throughout the country. Shepherd will strive to focus on dual strategic collaborative efforts to both enhance enrollment through recruitment of both in-state and out-of- state students and to retain current students. During FY2020 and additionally revisiting the overall structure of Shepherd in the beginning of FY24, the Board of Governors in conjunction with the finance department provided support with focused meetings, resulting in financial decisions in all areas to reduce excessive spending and control the cost of personnel and operational expenses. This positive result is evidenced in the year-end decrease in the net operating loss reported herein for FY2023 and FY2024.

The Shepherd University Foundation continues to increase 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 also for ongoing assessment of existing academic programs and development of new programmatic initiatives.

Management recommendations for setting tuition rates will continue to be focused and strategic to balance student affordability with the need for increased revenue for operations and to keep Shepherd competitive in our market area. Significant marketing efforts are being developed to expand focus on a specific population in the surrounding counties in Virginia, Maryland and Pennsylvania. In consideration of the continuing enrollment decline, the focus in the upcoming years will be to control costs to students, while attracting additional residential and out-of-state students, both undergraduate and graduate.

The University staff and Board of Governors remains focused on financial stability in conjunction with improving the value to our students for a quality educational experience. Development and implementation of new strategies and initiatives to sustain programs and activities, focusing on our core strengths, planning for future challenges, and providing a combination of quality and growth will enhance 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 and Administration at (304) 876-5490, or by mail at:

Shepherd University
Vice President for Finance and Administration/CFO
P. O. Box 5000
Shepherdstown, WV 25443

SHEPHERD UNIVERSITY

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS:		
Cash and cash equivalents – restricted cash is $3,191,838 and $1,643,525 in 2024 and 2023, respectively	$ 12,407,428	$ 9,435,445
Accounts receivable — net	3,004,782	2,385,634
Due from Commission	36,176	29,884
Prepaid expense	25,051	27,545
Loans to students — current portion	35,100	35,100
Inventories	561	973
Total current assets	15,509,098	11,914,581
NONCURRENT ASSETS:		
Other receivable	82,168	99,890
Loans to students — net of allowance of $29,169 and $6,859 in 2024 and 2023, respectively	40,316	73,929
Other postemployment benefits asset	446,801	-
Capital assets — net	103,009,761	104,064,776
Right-to-use leased assets - net	1,747,782	586,680
Subscription-based information technology arrangements	1,277,131	721,729
Total noncurrent assets	106,603,959	105,547,004
TOTAL ASSETS	122,113,057	117,461,585
TOTAL DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows related to OPEB	158,732	563,977
Deferred outflows related to pensions	28,138	16,305
Total deferred outflows of resources	186,870	580,282
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 122,299,927	$ 118,041,867

(Continued)

STATEMENTS OF NET POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 1,128,378	$ 1,203,878
Accrued liabilities	1,458,605	1,467,526
Due to Commission	2,304	881
Compensated absences — current portion	710,661	738,032
Unearned revenues	5,182,714	3,080,626
Deposits held in custody for others	213,025	187,337
Bonds payable — current portion	1,830,857	1,991,887
Note payable — current portion	582,779	559,455
Capital leases payable — current portion	446,221	132,617
SBITA - current	524,598	362,947
Total current liabilities	12,080,142	9,725,186
NONCURRENT LIABILITIES:		
Advances from federal sponsors	106,683	144,681
Compensated absences	532,464	539,869
Other postemployment benefits liability	-	353,099
Net pension liability	8,104	52,959
Bonds payable, net of current portion	25,371,599	27,204,661
Notes payable, net of current portion	6,219,267	6,802,046
Capital leases payable, net of current portion	1,180,070	505,846
SBITA - net of current portion	482,152	246,933
Total noncurrent liabilities	33,900,339	35,850,094
TOTAL LIABILITIES	45,980,482	45,575,280
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows related to OPEB	842,948	1,792,171
Deferred inflows related to pensions	106,518	118,979
Total deferred inflows of resources	949,466	1,911,150
NET POSITION:		
Net investment in capital assets	69,397,131	67,163,038
Restricted — expendable:		
Debt service	38,823	32,292
Loans	6,878	48,172
Other restricted	81,893	-
Total restricted - expendable	127,594	80,464
Unrestricted	5,845,254	3,311,935
TOTAL NET POSITION	75,369,979	70,555,437
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	$ 122,299,927	$ 118,041,867

See notes to financial statements. (Concluded)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES:		
Student tuition and fees — net of scholarship allowance of $12,627,890 and $12,106,037 in 2024 and 2023, respectively	$ 13,719,839	$ 13,360,322
Contracts and grants:		
Federal	5,286,155	2,658,928
State	6,000,369	4,402,794
Private	34,651	72,369
Interest on student loans receivable	2,394	20,191
Sales and services of educational activities	36,841	41,018
Auxiliary enterprise revenue — net of scholarship allowance of $1,173,753 and $1,225,261 in 2024 and 2023, respectively	12,244,100	11,919,806
Other operating revenues	85,590	319,385
Total operating revenues	37,409,938	32,794,813
OPERATING EXPENSES:		
Salaries and wages	24,769,630	25,298,538
Benefits	3,773,940	2,795,454
Supplies and other services	11,913,126	11,656,221
Utilities	2,771,716	2,952,903
Student financial aid — scholarships and fellowships	1,776,211	1,710,242
Depreciation	6,681,916	6,234,477
Total operating expenses	51,686,540	50,647,835
OPERATING LOSS	$ (14,276,602)	$ (17,853,022)

(Continued)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$ 14,136,730	$ 13,026,830
Payments on behalf of the University	-	(376,626)
Federal Pell grants	4,694,272	4,071,099
Investment income	484,321	297,787
Interest expense	(1,330,821)	(1,343,547)
Fees assessed by the Commission for debt service	(16,621)	(16,639)
Gifts	1,529,600	1,529,608
Loss on disposal of equipment	(406,336)	(15,706)
Net nonoperating revenues	19,091,144	17,172,806
INCREASE/DECREASE IN NET POSITION	4,814,542	(680,216)
NET POSITION — Beginning of year	70,555,437	71,235,653
NET POSITION — End of year	$ 75,369,979	$ 70,555,437

See notes to financial statements.

(Concluded)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 13,828,619	$ 13,467,965
Contracts and grants	12,217,191	7,996,066
Payments to and on behalf of employees	(29,634,534)	(31,366,391)
Payments to suppliers	(11,401,347)	(12,022,909)
Payments to utilities	(2,739,149)	(3,118,629)
Payments for scholarships and fellowships	(1,776,211)	(1,710,242)
Federal student loan program — direct lending receipts	10,437,780	11,053,756
Federal student loan program — direct lending payments	(10,401,718)	(11,105,708)
Collection of loans to students	36,007	44,782
Sales and service of educational activities	36,841	41,018
Auxiliary enterprise charges	12,269,787	11,928,588
Other receipts — net	85,591	319,385
Net cash used in operating activities	(7,041,143)	(14,472,319)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	14,136,730	13,026,830
Federal Pell grants	4,694,272	4,071,099
Gifts	1,529,600	1,529,608
Net cash provided by noncapital financing activities	20,360,601	18,627,537
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest paid on capital debt and leases	(1,331,122)	(1,343,547)
Purchases of capital assets	(8,317,409)	(5,010,692)
Principal paid on capital debt and leases	(1,166,644)	(2,750,702)
Fees assessed by the Commission	(16,621)	(16,639)
Net cash used in capital financing activities	(10,831,796)	(9,121,580)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	484,321	297,787
Net cash provided by investing activities	484,321	297,787
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,971,983	(4,668,575)
CASH AND CASH EQUIVALENTS — Beginning of year	9,435,446	14,104,020
CASH AND CASH EQUIVALENTS — End of year	$ 12,407,428	$ 9,435,446

(Continued)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (14,276,602)	$ (17,853,022)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation and amortization expense	6,681,916	6,234,477
Net accretion of premiums/discounts on bonds payable	(2,204)	(2,204)
Effect of changes in operating assets, deferred outflows, liabilities and deferred inflows:		
Accounts receivables — net	(779,232)	573,659
Other receivable	17,722	12,943
Prepaid expense	2,494	(8,959)
Loans to students — net	33,614	24,591
Due from the Commission	(6,292)	(4,720)
Inventories	412	(496)
Deferred outflows OPEB	380,038	(131,473)
Deferred outflows pension	13,374	17,593
Accounts payable	318,164	(544,688)
Accrued liabilities	(8,921)	(904,923)
Compensated absences	(34,776)	(53,863)
Other postemployment benefits liability	(799,900)	458,625
Net pension liability	(44,855)	5,169
Due to other State agencies	1,423	(31,887)
Unearned revenue	2,102,089	459,764
Deposits held in custody for others	25,688	8,782
Advances from federal sponsors	(37,998)	(42,446)
Deferred inflows OPEB	(617,137)	(2,645,536)
Deferred inflows pension	(10,158)	(43,705)
NET CASH USED IN OPERATING ACTIVITIES	$ (7,041,143)	$ (14,472,319)
NONCASH TRANSACTIONS		
Property additions in accounts payable	$ 393,663	$ 403,755
Additions in Leases	$ 2,019,434	$ 8,581
Additions in SBITA	$ 1,362,406	$ 279,926

See notes to financial statements. (Concluded)

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 4,165,167	$ 4,413,792
Pledges receivable, net of present value adjustment	2,000	89,220
Accounts receivable	61,080	51,002
Due from Shepherd University	11,098	3,498
Accrued interest receivable	53,219	43,624
Prepaid expenses	34,505	42,862
Investments	40,443,942	35,484,474
Interest in life estate	-	447,500
Property and equipment, net	16,768,138	17,172,905
TOTAL ASSETS	$ 61,539,149	$ 57,748,877
LIABILITIES		
Accounts payable	$ 6,788	$ 6,999
Due to Shepherd University	222,052	554,680
Accrued interest	17,771	18,086
Custodial liabilities	1,277,433	1,410,049
Gift annuities payable	48,398	53,790
Loans payable, net	20,468,160	20,830,194
TOTAL LIABILITIES	22,040,602	22,873,798
NET ASSETS		
Net assets without donor restriction		
Undesignated (deficit)	(4,269,838)	(4,318,063)
Designated	55,515	104,385
Net assets with donor restriction		
Restricted for a specific purpose	15,031,150	11,902,127
Restricted in perpetuity	28,681,720	27,186,630
TOTAL NET ASSETS	39,498,547	34,875,079
TOTAL LIABILITIES AND NET ASSETS	$ 61,539,149	$ 57,748,877

See notes to financial statements.

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Potomac Place rental income, net of waivers	$ 1,923,571	$ 1,870,242
Cash contributions	$ 10,000	$ 259,661
Nonfinancial contributions	12,600	12,600
Other revenue	896	1,000
Net investment return	13,066	12,537
Transfers for SUF management fees earned	788,325	793,604
Other transfers	(2,250)	(2,198)
Net assets released from restrictions	1,732,792	1,684,987
Total revenue and other support	4,479,000	4,632,433
EXPENSES		
Program expenses	3,783,641	4,103,807
General and administrative:	696,004	672,156
Total expenses	4,479,645	4,775,963
Change in net assets without donor restrictions	(645)	(143,530)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Cash contributions	2,557,167	2,600,565
Stock contributions	156,416	13,407
Other non-cash contributions	-	23,089
Other revenue	15,382	24,012
Net investment return	4,250,787	2,936,091
Gain from sale of interest in life estate property	163,228	
Transfers for SUF management fees earned	(788,325)	(793,604)
Other transfers	2,250	2,198
Net assets released from restrictions	(1,732,792)	(1,684,987)
Change in net assets with donor restrictions	4,624,113	3,120,771
INCREASE IN NET ASSETS	4,623,468	2,977,241
NET ASSETS, BEGINNING OF YEAR	34,875,079	31,897,838
NET ASSETS, END OF YEAR	$ 39,498,547	$ 34,875,079

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 West Virginia Higher Education Fund (WVEF) and represents separate funds of the WVEF that are not included in the WVEF's general fund. The University is a separate entity which, along with all the higher education institutions in the State of West Virginia, the Commission, and West Virginia Council for Community and Technical College Education, form the WVEF. The WVEF 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, 2024 and 2023, 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 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 16 and 21).

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, 2024 or 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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://wvbti.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. There were no noncurrent cash, cash equivalents and investments at June 30, 2024 or 2023.

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 acquisition 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, 15 to 20 years for building/land improvements, 7 years for library books, and 4 to 15 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.

Leased assets, which include buildings and equipment, are reported as capital assets, stated at the face value of the lease agreement, and amortized over the lease term or the useful life of the underlying asset, whichever is shorter.

Subscription-based information technology arrangements (SBITA), are contracts conveying the right to use another party's information technology software. They are capitalized and amortized over the subscription term or the useful life of the underlying asset, whichever is shorter.

Unearned Revenue — Receipts received 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 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms (See Note 15).

Other Postemployment Benefits (OPEB) — GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During FY 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 (RHBT), 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. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the RHBT and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources – Consumption of net assets 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.

Deferred Inflows of Resources - Acquisition of net assets 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.

Compensated Absences — 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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Higher Education Emergency Relief Funds (HEERF) grants, and investment income, and sale of capital assets (including natural resources).

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

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 nonsubsidized 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. The University received and disbursed approximately $10 million in FY24 and $11 million in FY23 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, HEERF grants, 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Adoption of New Accounting Standards –

Statement No. 100, *Accounting Changes and Error Corrections,* was issued June 2022. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in more understandable, reliable, relevant, consistent, and comparable information provided to financial statement users for making decisions or assessing accountability. The University adopted GASB Statement 100 in the fiscal year beginning July 1, 2023.

3. CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2024 and 2023 was as follows:

	2024	2023
State Treasurer	$ 11,263,215	$ 8,139,042
Bank	1,144,214	1,296,403
	$ 12,407,428	$ 9,435,445

Cash and cash equivalents with the State Treasurer included $3,191,838 in FY24 and $1,643,525 in FY23 of restricted cash for grants.

The combined carrying amount of cash in bank at June 30, 2024 and 2023 was $1,144,213 and $1,296,403 as compared with the combined bank balance of $1,296,403 and $1,321,527, 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, 2024 and 2023, the University was exposed to custodial credit risk of $509,425 and $527,832, respectively for amounts that are uninsured and uncollateralized.

Amounts with the State Treasurer as of June 30, 2024 and 2023, are comprised of two investment pools, the WV Money Market Pool and the WV Short Term Bond Pool, both of which are carried at amortized cost. There was $3,329,572 in FY24 and $1,166,459 in FY23 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:

	2024		2023	
External Pool	Carrying Value	S & P Rating	Carrying Value	S & P Rating
WV Money Market	$ 7,753,845	AAAm	$ 6,814,456	AAAm
WV Short Term Bond	$ 179,798	Not Rated	$ 158,126	Not Rated

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:

3. CASH AND CASH EQUIVALENTS (CONTINUED)

External Pool	2024 Carrying Amount	2024 WAM (days)	2023 Carrying Amount	2023 WAM (days)
WV Money Market	$ 7,753,845	36	$ 6,814,456	29

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

External Pool	2024 Carrying Amount	2024 WAM (days)	2023 Carrying Amount	2023 WAM (days)
WV Short Term Bond	$ 179,798	645	$ 158,126	609

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 in 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, 2024 and 2023, are as follows:

	2024	2023
Student tuition and fees — net of allowance for doubtful accounts of $504,567 and $389,273 in 2024 and 2023, respectively	$ 423,345	$ 519,131
Grants and contracts receivable	2,085,648	1,169,048
Potomac Place Ground Rent and Management operations	242,239	554,680
Other	253,549	142,775
	$ 3,004,782	$ 2,385,634

5. CAPITAL ASSETS

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, 2024 and 2023, the University had no significant outstanding contractual commitments for property, plant, and equipment.

5. **CAPITAL ASSETS** (CONTINUED)

Summary of capital assets and right-to-use leased assets transactions for the University as of June 30, 2024 and 2023, are as follows:

	2024			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
Capital assets not being depreciated/amortized:				
Land	$ 1,120,925	$ -	$ -	$ 1,120,925
Construction in progress	7,592,662	3,085,589	8,256,657	2,421,594
Total capital assets not being depreciated	8,713,587	3,085,589	8,256,657	3,542,519
Capital assets being depreciated:				
Land improvements	7,185,134	1,051,053	23,950	8,212,237
Infrastructure	14,775,654	2,624,178	4,251	17,395,581
Buildings	173,272,990	4,581,426	4,448,182	173,406,234
Equipment	20,128,119	2,185,923	1,097,018	21,217,024
Library books	4,405,736	15,950	-	4,421,686
Total capital assets being depreciated	219,767,632	10,458,530	5,573,401	224,652,761
Less accumulated depreciation for:				
Land improvements	4,992,783	468,779	23,342	5,438,220
Infrastructure	10,264,863	300,619	3,475	10,562,007
Buildings	89,452,604	3,835,664	3,801,941	89,486,327
Equipment	15,684,713	1,005,014	1,064,676	15,625,051
Library books	4,021,480	52,434	-	4,073,914
Total accumulated depreciation	124,416,443	5,662,510	4,893,434	125,185,519
Capital assets being depreciated - net	95,351,189	4,796,020	679,967	99,467,242
Right-to-use leased assets being amortized:				
Buildings	$ 926,915	$ 90,144	$ 926,915	$ 90,144
Equipment	135,942	1,929,290	33,299	2,031,933
Total leased assets being amortized	1,062,857	2,019,434	960,214	2,122,077
Less accumulated amortization for:				
Buildings	401,429	84,469	454,991	30,907
Equipment	74,750	301,937	33,299	343,388
Total accumulated amortization	476,179	386,406	488,290	374,295
Total Right-to-use Leased Assets - net	$ 586,678	$ 1,633,028	$ 471,924	$ 1,747,782

5. **CAPITAL ASSETS** (CONTINUED)

	2024			
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
SBITA				
Subscriptions	$ 1,323,413	$ 1,362,406	$ 117,545	$ 2,568,274
Total subscriptions being amortized	1,323,413	1,362,406	117,545	2,568,274
Less accumulated amoritization on SBITA:				
Subscriptions	601,683	807,005	117,545	1,291,143
Total accumulated amortization	601,683	807,005	117,545	1,291,143
Total Right-to-use Leased Assets - net	$ 721,730	$ 555,401	$ -	$ 1,277,131
Total Capital Assets - net	$ 105,373,185	$ 10,070,037	$ 9,408,548	$ 106,034,674

5. **CAPITAL ASSETS** (CONTINUED)

	2023			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated/amortized:				
Land	$ 1,120,925	$ -	$ -	$ 1,120,925
Construction in progress	3,905,117	3,905,611	218,066	7,592,662
Total capital assets not being depreciated	5,026,042	3,905,611	218,066	8,713,587
Capital assets being depreciated:				
Land improvements	7,185,134	-	-	7,185,134
Infrastructure	14,775,654	-	-	14,775,654
Buildings	173,061,738	211,252	-	173,272,990
Equipment	18,744,376	1,505,524	121,781	20,128,119
Library books	4,390,707	15,029	-	4,405,736
Total capital assets being depreciated	218,157,608	1,731,805	121,781	219,767,633
Less accumulated depreciation for:				
Land improvements	4,520,768	472,015	-	4,992,783
Infrastructure	10,136,498	128,365	-	10,264,863
Buildings	85,554,152	3,898,452	-	89,452,604
Equipment	14,891,611	894,273	101,171	15,684,713
Library books	3,963,114	58,366	-	4,021,480
Total accumulated depreciation	119,066,143	5,451,471	101,171	124,416,443
Capital assets being depreciated - net	99,091,465	(3,719,666)	20,610	95,351,190
Right-to-use leased assets being amortized:				
Buildings	$ 926,915	$	$ -	$ 926,915
Equipment	153,683	9,363	27,104	135,942
Total leased assets being amortized	1,080,598	9,363	27,104	1,062,857
Less accumulated amoritization for:				
Buildings	266,785	134,644	-	401,429
Equipment	65,824	35,247	26,321	74,750
Total accumulated amortization	332,609	169,891	26,321	476,179
Total Right-to-use Leased Assets - net	$ 747,989	$ (160,528)	$ 783	$ 586,678

5. **CAPITAL ASSETS** (CONTINUED)

	2023			
	Beginning Balance	Additions	Reductions	Ending Balance
SBITA				
Subscriptions	$ 1,309,529	$ 279,926	$ 266,042	$ 1,323,413
Total subscriptions being amortized	1,309,529	279,926	266,042	1,323,413
Less accumulated amoritization on SBITA:				
Subscriptions	386,702	481,023	266,042	601,683
Total accumulated amortization	386,702	481,023	266,042	601,683
Total Right-to-use Leased Assets - net	$ 922,827	$ (201,097)	$ -	$ 721,730
Total Capital Assets - net	$ 105,788,324	$ (175,680)	$ 239,459	$ 105,373,185

6. LONG TERM LIABILITIES

Summary of long-term obligation transactions for the University for the years ended June 30, 2024 and 2023 are as follows:

	2024				
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**
Bonds, note and capital leases:					
Bonds payable	$ 29,173,589	$ -	$ 1,991,887	$ 27,181,702	$ 1,830,857
Bond premium/discount	22,958	-	2,204	20,754	-
Note pay able	7,361,502	-	559,456	6,802,046	582,779
Lease obligations	638,462	2,010,602	1,022,773	1,626,291	446,221
SBITA obligations	609,879	897,689	500,818	1,006,750	524,598
Total bonds, note and capital leases	37,806,390	2,908,291	4,077,138	36,637,543	3,384,455
Other long-term liabilities:					
Advances from federal sponsors	144,681	-	37,998	106,683	-
Compensated absences	1,277,900	-	34,775	1,243,125	710,661
Net pension liability	52,959	-	44,855	8,104	-
Other postemployment benefits liability (asset)	353,099		799,900	(446,801)	-
Total other long-term liabilities	1,828,639		917,528	911,111	710,661
Total long-term liabilities	$ 39,635,029	$ 2,908,291	$ 4,994,666	$ 37,548,654	$ 4,095,116

6. LONG TERM LIABILITIES (CONTINUED)

	2023				
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**
Bonds, note and capital leases:					
Bonds payable	$ 31,098,512	$ -	$ 1,924,923	$ 29,173,589	$ 1,991,887
Bond premium/discount	25,162	-	2,204	22,958	-
Note payable	7,762,793	-	401,291	7,361,502	559,455
Lease obligations	787,734	10,067	159,339	638,462	132,617
SBITA obligations	753,006	186,229	329,356	609,879	362,947
Total bonds, note and capital leases	40,427,207	196,296	2,817,113	37,806,390	3,046,906
Other long-term liabilities:					
Advances from federal sponsors	187,127	-	42,446	144,681	-
Compensated absences	1,331,764	-	53,864	1,277,900	738,032
Net pension liability	47,790	5,169	-	52,959	-
Other postemployment benefits liability (asset)	(105,526)	458,625		353,099	-
Total other long-term liabilities	1,461,155	463,794	96,310	1,828,639	738,032
Total long-term liabilities	$ 41,888,362	$ 660,090	$ 2,913,423	$ 39,635,029	$ 3,784,938

7. LEASES

A summary of the University's leases terms and interest rates are as follows:

Leases with options to purchase equipment. Annual installments totaling $453,657 plus interest at 5.25% and due dates ranging from July 2023 through March 2028.

Building and office space leases. Annual installments totaling $88,902 plus interest at rates ranging from 3.65% to 5.25%, due dates ranging from December 2023 through June 2028.

The future minimum lease payments under lease agreements are as follows:

	Principal	Interest	Total
June 30, 2025	446,221	30,800	477,021
June 30, 2026	398,297	62,387	460,684
June 30, 2027	381,812	41,945	423,757
June 30, 2028	399,961	21,461	421,422
June 30, 2029	-	-	-
Total minimum lease payments	$ 1,626,291	$ 156,593	$ 1,782,884

7. **LEASES** (CONTINUED)

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2024 the University did not make any variable payments.

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received form the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets.

The University has entered into subscription based-information technology arrangements (SBITAs) for software subscriptions, maintenance and upgrades to software services for educational purposes, student services, electronic student refunds, point of sale systems at various institutional locations, and various software programs that monitor and track student compliance, eligibility, progress, and other student support services as well as software for faculty review, tenure and promotion, course evaluation, and Facilities' work order system. The SBITA arrangements expire at various dates through 2028 and provide for renewal options.

As of June 30, 2024, SBITA assets and the related accumulated amortization totaled $1,277,131.

The future subscription payments under SBITA agreements are as follows:

	Principal	Interest	Total
June 30, 2025	$ 524,598	$ 66,614	$ 591,212
June 30, 2026	299,968	30,991	330,959
June 30, 2027	123,497	12,201	135,698
June 30, 2028	58,687	3,930	62,617
Total minimum lease payments	$ 1,006,750	$ 113,736	$ 1,120,486

Some SBITA agreements require variable payments based on future performance of the government, usage of the underlying IT assets, or number of user seats and are not included in the measurement of the SBITA liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred. During the year ended June 30, 2024, the University did not make any variable payments.

During the year ended June 30, 2024, the University did not make any payments related to termination penalties.

8. SUBSCRIPTION-BASE INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

During the year ended June 30, 2024, the University did not have any commitments under SBITA agreements prior to the commencement of the SBITA term.

During the year ended June 30, 2024, the University did not have any impairment losses on SBITA assets.

9. NOTE PAYABLE

In June 2019, the University entered into a financing arrangement for the renovation of the stadium turf. The financing arrangement holds an interest rate of 4.89% and will mature in June 2026. In July 2019, the University received an interest free capital loan from HEPC in the amount of $1,200,000 for energy efficient capital improvements. This loan is to be paid back in annual payments of $175,000 for the next 7 years. In December 2021, the University entered into a financing arrangement to cover the costs of energy efficient capital projects in the amount of $5,640,000. This financing arrangement holds an interest rate of 2.5% and will mature in December 2036. In January 2022, the University received another interest free capital loan from HEPC in the amount of $1,000,000 for HVAC System upgrades. This loan is to be paid back in annual payments of $143,000 for the next 7 years.

Future annual payments on all of the notes payable for years subsequent to June 30, 2024, are as follows:

Years Ending June 30,	Principal	Interest	Total
2025	$ 582,779	$ 139,133	$ 721,912
2026	626,267	130,517	756,784
2027	528,000	122,938	650,938
2028	398,000	116,813	514,813
2029	397,000	110,188	507,188
2030 - 2034	2,410,000	393,875	2,803,875
2035 - 2038	1,860,000	71,500	1,931,500
Total	$ 6,802,046	$ 1,084,964	$ 7,887,010

10. BONDS PAYABLE

Bonds payable as of June 30, 2024 and 2023, consisted of the following:

	Interest Rate	Principal Amount Outstanding 2024	2023
Refunding Revenue Bonds, due through 2033	3.00% - 4.375%	$ 2,495,000	$ 2,955,000
Refunding Revenue Bonds, due through 2037	3.65%	24,686,702	26,218,590
		27,181,702	29,173,590
Bond Premium		20,754	22,958
		$ 27,202,456	$ 29,196,548

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 maintains and collects fees from all students enrolled in the University to pay 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 the remaining outstanding 2005 and 2007 revenue bonds with an average interest rate of 4.5% and to pay the cost of issuance.

Summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2024, are as follows:

Years Ending	2013 Bonds		2017 Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2025	$ 240,000	$ 99,613	$ 1,590,857	$ 881,889	$ 1,830,857	$ 981,502
2026	245,000	91,813	1,649,453	823,114	1,894,453	914,927
2027	255,000	82,931	1,710,208	762,174	1,965,208	845,105
2028	265,000	73,688	1,771,314	700,881	2,036,314	774,569
2029	275,000	63,088	1,838,443	633,548	2,113,443	696,636
2030-2034	1,215,000	134,775	10,258,021	2,098,681	11,473,021	2,233,456
2035-2037	-	-	5,868,406	348,171	5,868,406	348,171
Total	$ 2,495,000	$ 545,908	$ 24,686,702	$ 6,248,458	$ 27,181,702	$ 6,794,366

11. OTHER POSTEMPLOYMENT BENEFITS

Employees of the University are enrolled in the West Virginia Other Postemployment Benefit Plan (the "OPEB plan") which is administered by the West Virginia Public Employees Insurance Agency ("PEIA") and the West Virginia Retiree Health Benefit Trust Fund (the "RHBT").

Following is the University's other postemployment benefits liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, revenues, and other postemployment benefits expense and expenditures for the fiscal year ended June 30:

	2024		2023	
Net OPEB (Asset) Liability	$	(446,801)	$	353,099
Deferred Outflows of Resources	$	158,732	$	563,977
Deferred Inflows of Resources	$	842,948	$	(1,792,171)
Revenues	$	(322,551)	$	(389,319)
Expenses	$	(1,849,716)	$	(2,044,002)
Contributions Made by University	$	283,146	$	373,013

Plan Description

The OPEB plan is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in West Virginia Code Section 5-16D-2 (the "Code"). Plan benefits are established and revised by PEIA and the RHBT with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement

Board ("CPRB") and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by PEIA, that the employer will pay to PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Employees who participate in non-State retirement systems but that are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and Empower Retirement), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teachers Retirement System ("STRS"), and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The financial activities of the OPEB plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

The OPEB plan provides the following benefits: medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: the self-insured preferred provider benefit plan option, which is primarily for non-Medicare-eligible retirees and spouses; and the external managed care organization option, which is primarily for Medicare-eligible retirees and spouses.

Contributions

Pay as you go premiums (“paygo”) are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidize the retirees’ health care.

PAYGO premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. The active premiums subsidized the retirees’ health care by approximately $60 million for the fiscal year ending 2023. The PAYGO rates for June 30, were: July 1, 2022 to June 30, 2023 $70, February 1, 2022 to June 30, 2022 $48, and July 1, 2021 to January 31, 2022 $116. There will be no PAYGO billed in fiscal year 2024.

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010 pay a subsidized rate depending on the member’s years of service. Members hired on or after July 1, 2010 pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree’s date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or vacation leave days into 100% of the required retiree healthcare contribution.

- Members hired from July 1, 1988 to June 30, 2001 may convert sick or vacation leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and vacation leave days for one month of single healthcare coverage and three days of unused sick and vacation leave days for one month of family healthcare coverage.

Employees hired on or after July 1, 2001 no longer receive sick and/or vacation leave credit toward the required retiree healthcare contribution when they retire. All retirees have the option to purchase continued coverage regardless of their eligibility for premium credits.

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 coverage for one year of family coverage. Faculty hired after July 1, 2009 no longer receives years of service credit toward insurance premiums when they retire. Faculty hired on or after July 1, 2010 receives no health insurance premium subsidy when they retire.

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 had an original hire date prior to July 1, 2010 may return to active employment. In those cases, the original hire date may apply.

Assumptions

The net OPEB liability for financial reporting purposes was measured as of June 30, 2023 and 2022. The liabilities were determined by actuarial valuations as of June 30, 2022 and 2021. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost method.
- Amortization method and period: Level percentage of payroll over 20 years; closed as of June 30, 2017.
- Investment rate of return: 7.40%, net of OPEB plan investment expense, including inflation.
- Projected salary increases: rates based on 2015-2020 OPEB Experience Study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation. Rates were first applied to the 2020 valuation.
- Healthcare cost trend rates: trend rate for pre-Medicare per capita cost of 7.0% for plan year end 2020, decreasing by 0.50% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.15% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached by plan year 2036.
- Inflation rate: 2.50%
- Wage inflation: 2.75% for PERS and TRS, and 3.25% for Troopers
- Discount rate: 6.65%
- Mortality rates Post-Retirement: TRS based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females. PERS based on Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 106% for males and 113% for females. Troopers A and B based on Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with MP-2021 scaling factors of 100% for males and females.
- Mortality rates Pre-Retirement: TRS based on Pub-2010 General Employee Mortality Tables projected with MP-2021. PERS based on Pub-2010 Below-Median Income General Employee
- Mortality Tables projected with MP-2021. Troopers A and B based on Pub-2010 Public Safety Employee Mortality Tables projected with MP-2021.
- Asset valuation method: Market value
- Aging factors: 2013 SOA Study "Health Care Costs – From Birth to Death"
- Expenses: Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

The long-term investment rate of return of 7.40% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.60% for long-term assets invested with the West Virginia Investment Management Board ("IMB") and an expected short-term rate of return of 2.75% for assets invested with the WV Board of Treasury Investments ("BTI").

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Long-term pre-funding assets are invested with the IMB. The strategic asset allocation consists of 45% equity, 15% fixed income, 6% private credit and income, 12% private equity, 10% hedge fund and 12% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of OPEB 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. Target asset allocations, capital market assumptions and forecast returns were provided by the Plan's investment advisors, including West Virginia Investment Management Board (WVIMB). The projected return for the Money Market Pool held with the West Virginia Board of Treasury Investments was estimated based on WVIMB assumed inflation of 2.50% plus a 25-basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below.

	2023		2022	
Asset Class	**Target Allocation**	**Long-term Expected Real Return**	**Target Allocation**	**Long-term Expected Real Return**
Global equity	45.0%	7.4%	55.0%	4.8%
Core plus fixed income	15.0%	3.9%	15.0%	2.1%
Private Credit and Income	6.0%	7.4%	0.0%	0.0%
Core real estate	12.0%	7.2%	10.0%	4.1%
Hedge fund	10.0%	4.5%	10.0%	2.4%
Private equity	12.0%	10.0%	10.0%	6.8%
Target allocation	100.0%		100.0%	

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the June 30, 2022 valuations were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020. The actuarial valuation as of June 30, 2023, reflects changes to the following healthcare-related assumptions which include: Per capita claim costs; Healthcare trend rates; Aging factors; Participation rates

Discount rate. A single discount rate of 7.40% was used to measure the total OPEB liability. The single discount rate was based on the expected rate of return on OPEB plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Based on those assumptions, the OPEB plan's 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2024 and 2023 calculated using the discount rate of 7.40%, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.40%) or one percentage point higher (8.40%) than the current rate (dollars in thousands):

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% increase (8.40%)
Net OPEB (Asset) Liability as of June 30, 2024	$ (75,602)	$ (446,801)	$ (853,920)
Net OPEB Liability as of June 30, 2023	$ 907,601	$ 353,099	$ (122,599)

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates. The following presents the University's proportionate share of the net OPEB liability as of June 30, 2024 and 2023 calculated using the current healthcare cost trend rates, as well as what the University's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates (dollars in thousands):

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB (Asset) Liability as of June 30, 2024	$ (1,138,187)	$ (446,801)	$ 375,389
Net OPEB Liability as of June 30, 2023	$ (200,745)	$ 353,099	$ 1,008,442

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The net OPEB liability was measured as of June 30, 2023 and 2022. The total OPEB liability was determined by actuarial valuations as of June 30, 2022 and 2021 and rolled forward to the respective dates.

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University's proportionate share of the net OPEB liability as of June 30, 2024 and 2023 are as follows:

	2024	2023
Recognized University Net OPEB Liability	$ (446,801)	$ 353,099
Nonemployer contributing entity's (State of West Virginia) portion of the collective net OPEB liability	(190,709)	120,958
Total net OPEB (Asset) Liability	$ (637,510)	$ 474,057

The allocation percentage assigned to each contributing employer is based on the employer's proportionate share of employer contributions to the RHBT for the fiscal years ended June 30, 2023 and June 30, 2022. Employer contributions are recognized when due. At June 30, 2023 and 2022, the University's proportion was 0.282340283% and 0.317253579%, respectively.

The University recognized OPEB expense for the years ended June 30, 2023 and 2022 as follows:

	2024	2023
University's proportionate share of OPEB expense	$ (1,300,720)	$ (1,654,703)
OPEB expense attributable to special funding from a nonemployer contributing entity	(322,551)	(389,319)
Total OPEB expense	$ (1,623,271)	$ (2,044,022)

11. OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The University also recognized revenue of $(322,551) and $(389,319) for support provided by the State for years ended June 30, 2024 and 2023, respectively.

At June 30, 2024 and 2023, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	2024	2023
Deferred Outflows of Resources		
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ -	$ -
Reallocation of Opt-out employer change in proportionate share	-	-
Net difference between projected and actual investment earnings	-	54,808
Changes in assumptions	123,202	227,581
Contributions after the measurement date	35,530	281,588
Total Deferred Outflows of Resources	$ 158,732	$ 563,977
Deferred Inflows of Resources		
Changes in proportion and difference between employer contributions and proportionate share of contributions	$ (326,131)	$ (442,330)
Net difference between projected and actual investment earnings	(7,451)	-
Changes in assumptions	(249,279)	(897,164)
Reallocation of Opt-out employer change in proportionate share	-	(2,228)
Differences between expected and actual experience	(260,087)	(450,449)
Total Deferred Inflows of Resources	$ (842,948)	$ (1,792,171)

The University will recognize the $158,732 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended	Amortization
June 30, 2025	(337,622)
June 30, 2026	(352,461)
June 30, 2027	(115,804)
June 30, 2028	86,142
	$ (719,744)

12. 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, 2024 and 2023 are as follows:

	2024	2023
Fees assessed by the Commission for debt service	$ 16,621	$ 16,639

13. UNRESTRICTED COMPONENTS OF NET POSITION

The University did not have any board designated unrestricted components of net position as of June 30, 2024 or 2023.

	2024	2023
Total unrestricted net position before OPEB and net pension liability	$ 5,406,557	$ 3,717,993
Less Net pension liability	(8,104)	(52,959)
Less OPEB asset (liability)	446,801	(353,099)
Total unrestricted component of net position	$ 5,845,254	$ 3,311,935

14. 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

14. DEFINED CONTRIBUTION PLANS (CONTINUED)

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.

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, 2024, 2023, and 2022, were $2,598,069, $2,690,639, and $2,560,211, respectively, and covered employees in 2024, 2023, and 2022 of $1,299,035, $1,345,319, and $1,280,105, respectively.

The total contributions that the University was required to contribute to the Great West for the years ended June 30, 2024, 2023, and 2022, were $67,197, $80,323, and $101,187, respectively, and the covered employee in 2024, 2023, and 2022 of $33,599, $40,161, and $50,593, respectively.

The University's total payroll for the years ended June 30, 2024 and 2023 was $24,769,630 and $25,298,538, respectively, and total covered employees' salaries in TIAA-CREF and Great West were, $21,650,579 and $559,978 in 2024, and $22,408,065 and $669,357 in 2023, respectively.

15. 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, 2024 and 2023:

	2024	2023
Net Pension Liability	$ 8,104	$ 52,959
Deferred Outflows of Resources	$ 28,138	$ 16,305
Deferred Inflows of Resources	$ 106,518	$ 118,979
Revenues	$ 2,303	$ 12,693
Pension Expense	$ (41,640)	$ (20,944)
Contributions Made by Shepherd	$ 1,604	$ 2,042

15. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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. 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 payrolls 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:

- 15% of gross salary of their State-employed members hired prior to July 1, 1991;
- 15% of School Aid Formula (SAF) covered payroll of county-employed members;
- 7.5% of SAF-covered payroll of members of the TDCRS;
- a certain percentage of fire insurance premiums paid by State residents; and

15. DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 $2,303 and $12,693 as of June 30, 2024 and 2023, respectively.

The University's contributions to TRS for the years ended June 30, 2024, 2023, and 2022, were approximately $1,604, $2,042, and $12,374, respectively.

Assumptions

The total pension liabilities for financial reporting purposes as of June 30, 2023 were determined by actuarial valuation as of July 1, 2022 and rolled forward to June 30, 2023. Total pension liabilities as of June 30, 2022 were determined by actuarial valuation as of July 1, 2021 and rolled forward to June 30, 2022. 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: Fair value
- Amortization method and period: Level dollar, fixed period through fiscal year 2034.
- Investment rate of return of 7.25%, net of investment expense.
- Projected salary increases: educators 2.75–5.90% and non-educators 2.75–6.50%,
- Inflation rate of 2.75%.
- Discount rate of 7.25%
- Mortality rates: *Active* – 100% Pub-2010 General Employee Tables, headcount-weighted, projected with Scale MP-2019
  Healthy Male Retirees – 100% Pub-2010 General Retiree Male Table, headcount-weighted, projected with Scale MP-2019
  Healthy Female Retirees – 112% of Pub-2010 General Retiree Female Table, headcount-weighted, projected with Scale MP-2019
  Disabled Males – 107% of Pub-2010 General/Teachers Disabled Male Table, headcount-weighted, projected with Scale MP-2019
  Disabled Females – 113% of Pub-2010 General/Teachers Disabled Female Table, headcount-weighted, projected with Scale MP-2019
- Withdrawal rates: educators 7.00-35.00% and non-educators 2.30-23.00%.
- Disability rates: 0.004-0.563%
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2014 to June 30, 2019. 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.

15. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS target asset allocation are summarized below.

Asset Class	2023 Long-term Expected Real Return	2023 Target Allocation	2022 Long-term Expected Real Return	2022 Target Allocation
Domestic Equity	6.5%	27.5%	5.3%	27.5%
International Equity	9.1%	27.5%	6.1%	27.5%
Fixed Income	4.3%	15.0%	2.2%	15.0%
Real Estate	5.8%	10.0%	6.5%	10.0%
Private Equity	9.2%	10.0%	9.5%	10.0%
Hedge Funds	4.6%	10.0%	3.8%	10.0%
Target Allocation		100.0%		100.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.25%. 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.

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, 2023 and 2022 calculated using the discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate (dollars in thousands).

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability as of June 30, 2023	$ 12,446	$ 8,104	$ 4,419
Net Pension Liability as of June 30, 2022	$ 77,896	$ 52,959	$ 31,780

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, 2023 and 2022. The total pension liability was determined by actuarial valuations as of June 30, 2022 and 2021 rolled forward to the respective dates

15. **DEFINED BENEFIT PENSION PLAN** (CONTINUED)

The University's proportionate share of the TRS net pension liability as of June 30, 2024 and 2023 are as follows:

	2024	2023
Recognized University Net Pension Liability	$ 8,104	$ 52,959
University's proportionate share of net pension liability due to special funding situation	18,232	135,318
Total University Proportionate Share of TRS Net Pension Liability	$ 26,336	$ 188,277

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, 2023 and 2022. Employer contributions are recognized when due. At June 30, 2023 and 2022, the University's proportion was 0.000354% and 0.002059%, respectively.

The University recognized TRS pension expense for the years ended June 30, 2022 and 2021 as follows:

	2024	2023
University's proportionate share of TRS expense	$ (43,943)	$ (33,637)
Pension expense attributable to special funding from a non-employer contributing entity	2,303	12,693
Total TRS pension expense	$ (41,640)	$ (20,944)

The University also recognized revenue (expense) of $2,303 and $12,693 for support provided by the State for years ended June 30, 2024 and 2023, respectively.

At June 30, 2024 and 2023, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

15. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	2024	2023
Deferred Outflows of Resources		
Differences between expected and Actual Experience	$ 296	$ 2,199
Changes in Proportion and difference between employer contributions and proportionate share of contributions	2,150	6,924
Net difference between projected and actual earnings	-	-
Changes in assumptions	342	2,992
Contributions after the measurement date	25,350	2,042
Total Deferred Outflows of Resources	$ 28,138	$ 14,157

	2024	2023
Deferred Inflows of Resources		
Differences between expected and actual experience	$ 20	$ 432
Changes in Proportion and difference between employer contributions and proportionate share of contributions	106,498	118,547
Net difference between projected and actual investment earnings	-	-
Total Deferred Inflows of Resources	$ 106,518	$ 118,979

The University will recognize the 2024 pension contributions of $1,604 as a reduction of the TRS net pension liability in the year ended June 30, 2024. Other 2024 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, 2025	(41,709)
June 30, 2026	(45,620)
June 30, 2027	(8,652)
June 30, 2028	(7,453)
	$ (103,434)

Payables to the pension plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2024 and 2023.

16. 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, are 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, 2024 and 2023, the Foundation's net assets (including unrealized gains) totaled $39,498,547 and $34,875,079, 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, 2024 and 2023, the Foundation contributed $1,384,012 and $1,494,620, respectively, to the University for scholarships and awards.

17. AFFILIATED ORGANIZATION

The University has a separately incorporated 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.

18. COMMITMENTS AND CONTINGENCIES

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. 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.

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.

Arbitrage

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities as of June 30, 2024 or 2023.

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.

19. POTOMAC PLACE

Completion of the Potomac Place residence hall occurred in July 2017 and became available for student housing in the Fall Semester of 2017. This 300-bed student housing facility, including the buildings, furniture, fixtures, machinery and equipment and related facilities is subject to a Ground Lease Agreement between the University and the Shepherd University Foundation Supporting Organization (SUFSO), where the University is the "Lessor" and the SUFSO is the "Lessee" and a Management Agreement exists between the two entities with the University fulfilling the duties of the "Manager" and the SUFSO.

The Ground Lease Agreement will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization, scheduled for full repayment in approximately forty (40) years. 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 audited financial statements of the SUFSO, beginning in June, 2019. For the years ending June 30, 2024 and 2023, total ground rent due from SUFSO was $242,239 and $554,680 respectively.

In the Management Agreement, the SUFSO appoints the University as its exclusive agent for the construction, operation, management and maintenance of the Project and the University accepts the appointment, subject to the terms and conditions set forth in this Agreement. The University agrees to comply with the terms and conditions of the Ground Lease; and the University agrees to use its commercially reasonable efforts to manage the Project in accordance with the provisions of the Ground Lease applicable to the operation, use, management, repair, and modification of the Project.

20. SEGMENT INFORMATION

Condensed statements of net position as of June 30, 2024 and 2023:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2024	2023	2024	2023
Assets:				
Current assets	$ 4,743,483	$ 4,633,310	$ -	$ -
Noncurrent assets	9,368,626	9,161,590	33,653,411	34,369,890
Total assets	$ 14,112,109	$ 13,794,900	$ 33,653,411	$ 34,369,890
Liabilities:				
Current liabilities	$ 318,109	$ 599,576	$ 3,845,801	$ 3,806,324
Noncurrent liabilities	2,275,754	2,517,958	23,095,845	24,686,702
Total liabilities	2,593,863	3,117,534	26,941,646	28,493,026
Net position:				
Net investment in capital assets	6,852,872	6,183,632	8,960,699	8,145,291
Restricted:				
Unrestricted	4,665,375	4,493,735	(2,248,934)	(2,268,427)
Total net position	11,518,247	10,677,367	6,711,765	5,876,864
Total net position and liabilities	$ 14,112,110	$ 13,794,901	$ 33,653,411	$ 34,369,890

20. SEGMENT INFORMATION (CONTINUED)

Condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2024 and 2023:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2024	2023	2024	2023
Operating:				
Operating revenues	$ 1,282,221	$ 389,097	$ 12,157,954	$ 11,708,551
Operating expenses	(373,848)	(244,411)	(10,950,092)	(10,714,102)
Net operating income	908,373	144,686	1,207,862	994,449
Nonoperating:				
Nonoperating revenues	200,757	250,230	571,461	304,615
Nonoperating expenses	(268,250)	(284,689)	(944,423)	(999,128)
Net nonoperating loss	(67,493)	(34,459)	(372,962)	(694,513)
Increase (decrease) in net assets	840,880	110,227	834,900	299,936
Net position — beginning of year	10,677,367	10,567,140	5,876,864	5,576,928
Net position — end of year	$ 11,518,247	$ 10,677,367	$ 6,711,764	$ 5,876,864

Condensed statements of cash flows for the years ended June 30, 2024 and 2023:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2024	2023	2024	2023
Net cash provided by operating activities	$ 1,449,972	$ 1,578,725	$ 2,078,612	$ 1,791,519
Net cash used in capital and related financing	(1,331,135)	(2,084,801)	(2,210,057)	(2,611,909)
Net cash provided by (used in) \investing activities	-	-	-	-
Increase (decrease) in cash and cash equivalents	118,837	(506,076)	(131,445)	(820,390)
Cash and cash equivalents — beginning of year	4,369,930	4,876,006	(1,437,942)	(617,552)
Cash and cash equivalents — end of year	$ 4,488,767	$ 4,369,930	$ (1,569,387)	$ (1,437,942)

21. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2024 and 2023, the following represents operating expenses within both natural and functional classifications:

2024	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 12,826,707	$ 2,674,490	$ 1,301,490	$ 1,403	$ -	$ -	$ 16,804,090
Research	153,527	24,873	10,310	-	-		188,710
Public service	113,699	22,954	13,205	-	-		149,858
Academic support	1,638,596	339,279	987,909	1,776	-		2,967,559
Student services	2,329,397	599,825	1,028,812	-	-		3,958,034
General institutional support	3,002,076	(1,008,284)	1,737,690	-	-		3,731,483
Operations and maintenance of plant	1,353,096	349,479	778,600	1,309,230			3,790,405
Student financial aid	-	-	-	-	1,776,211	-	1,776,211
Auxiliary enterprises	3,352,531	771,325	6,055,109	1,459,307	-	-	11,638,273
Depreciation	-	-	-	-	-	6,681,916	6,681,916
Total	$ 24,769,630	$ 3,773,940	$ 11,913,126	$ 2,771,716	$ 1,776,211	$ 6,681,916	$ 51,686,540

2023	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 13,238,578	$ 2,583,777	$ 1,367,058	$ 2,980	$ -	$ -	$ 17,192,392
Research	226,804	30,721	25,465	-	-	-	282,989
Public service	117,483	21,574	10,358	-	-	-	149,414
Academic support	1,630,816	307,453	1,085,128	884	-	-	3,024,281
Student services	2,256,677	501,028	938,024	-	-	-	3,695,729
General institutional support	3,273,937	(1,619,180)	1,789,456	-	-	-	3,444,213
Operations and maintenance of plant	1,365,493	303,946	763,392	1,452,871			3,885,702
Student financial aid	-	-	-	-	1,710,242	-	1,710,242
Auxiliary enterprises	3,188,751	666,136	5,677,341	1,496,169	-	-	11,028,396
Depreciation	-	-	-	-	-	6,234,477	6,234,477
Total	$ 25,298,538	$ 2,795,454	$ 11,656,222	$ 2,952,903	$ 1,710,242	$ 6,234,477	$ 50,647,835

22. COMPONENT UNIT'S DISCLOSURES

The consolidated notes, taken directly from the audited financial statements of the Shepherd University Foundation, Inc. and Supporting Organization, are as follows:

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.

Nature of Operations and Program Activities

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. The major program of the Shepherd University Foundation Supporting Organization is the operation of the Potomac Place residence hall for students attending Shepherd University.

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.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restriction (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 or related parties to the University are reported as custodial liabilities. The Foundation is responsible for the management and administration of these funds.

Net Assets

The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. A description of the two net asset categories follows:

Net Assets Without Donor Restriction

Net assets that are not subject to donor-imposed stipulations. Net assets without donor imposed restrictions include net assets designated by the board for a specific purpose, namely to provide college support to Shepherd University. Board-designated net assets amounted to $55,515 and $104,385 at June 30, 2024 and 2023, respectively.

Nets Assets With Donor Restriction

Net assets whose use by the Foundation is subject to donor-imposed restrictions that can be fulfilled by actions of the Foundation pursuant to those restrictions or that expire by the passage of time, and net assets subject to donor-imposed restrictions that are to be maintained in perpetuity by the Foundation. Generally, restrictions are to provide assistance and support for the students, facilities and programs of Shepherd University.

Investments

The Foundation accounts for its investments in accordance with United States generally accepted accounting principles (U.S. GAAP). Under U.S. 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.

Investments of the Foundation are exposed to various risks, such as interest rate, market, currency and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment assets reported in the consolidated financial statements.

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 uncollectable 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%.

Allowance for Credit Losses – Recently Adopted Accounting Standard

On July 1, 2023, the Foundation adopted the provisions of Accounting Standards Codification 326 (ASC 326), *Financial Instruments – Credit Losses*. This update modifies the measurement of expected credit losses of certain financial instruments. ASC is effective for annual periods beginning after December 15, 2022 and interim periods within those annual periods. The amendments required by ASC 326 were applied on a modified retrospective basis. Adoption of the standard did not have any material impact on the Foundation's beginning of year asset or net asset balances.

The Foundation's only financial instrument subject to ASC 326 is accrued interest receivable. The Foundation estimates the allowance for credit loss based upon factors surrounding the credit risk of the underlying investment assets that generate the accrued interest receivable, historic loss experiences, projections of trends and other economic factors. After assessing potential credit losses associated with the accrued interest receivable balance, management has determined that potential credit losses associated with this asset are not material and no allowance has been recorded.

Contributions

Unconditional 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. Donated stock is recorded at its fair market value on the date of receipt.

The Foundation does not recognize contributions that are conditional; that is, contributions are recognized at the point in time that any barriers to overcome have been met and when no right of return exists. Conditional contributions not included in the Foundation's financial statements include testamentary gifts and any other contributions contingent on the occurrence of an event that has not yet happened.

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 $5,000 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
Office equipment	3-7
Residence hall building and improvement	8-40
Residence hall furniture and fixtures	5

Loan Origination Costs

The Foundation has presented all loan origination costs as a direct deduction from loans payable. Amortization of the loan costs in included as a component of interest expense.

In February 2018, the Shepherd University Supporting Organization incurred loan origination costs of $26,890 associated with the permanent refinancing of the WV Economic Development Authority bond anticipation notes with a USDA loan. In April 2019, an additional $23,000 loan costs associated with this permanent financing was incurred. These costs are being amortized using the straight-line method over the life of the related debt, which is 40 years.

Advertising

Advertising costs, included as a component of program development, are expensed as incurred and amounted to $1,274 and $699 for the years ended June 30, 2024 and 2023, respectively.

Functional Expenses

Certain costs have been allocated among the programs and supporting services. Allocation of costs by function is based principally on specific identification of costs to either program or general and administrative expenses. Non-specifically identified costs are based on square footage allocations and on management's allocation of time requirements incurred for the various functions based on their analysis of historical activities. The Foundation did not engage in any material fundraising activities during the years ended 2024 and 2023, respectively.

Residence Hall Revenue, Accounts Receivable and Deferred Revenues

Revenues related to the operation of the Potomac Place residence hall are recognized in the period the related housing and services are provided. To the extent applicable, deferred revenue is recognized for any advanced payments received from students and others prior to the period of the rental. Accounts receivable primarily represents amounts due for residence hall rentals that occurred prior to the financial statement date. Management determines an allowance for doubtful accounts by regularly evaluating the individual receivables and considering the student's financial condition and payment history. Receivables are written off when deemed uncollectible. As of June 30, 2024 and 2023, management feels all receivables will be collected and therefore, has not established an allowance for doubtful accounts related to the accounts receivable from resident hall leasing activities.

Revenue Recognition – Exchange Transactions

The Foundation recognized revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers (ASC 606), as amended. ASC 606 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Foundation's only revenue stream containing exchange transactions with customers that were subject to ASU 2014-09 are the sales of tickets and sponsorships to the annual Scarborough Society Gala. The Scarborough Society Gala ticket and sponsorship sales contain a single performance obligation and revenue is recognized at a single point in time when the Scarborough Society Gala event is held. There are no receivables, contract assets or contract liabilities associated with the Scarborough Society Gala.

Transfers

Transfers reported on the consolidated statement of activities generally represent the movement of a fund's existing net assets to the net assets of another fund with a different level of restriction. Transfers can occur when the donor of a fund changes the associated restriction of an established fund to another purpose, if the donor wishes to distribute available earnings on an existing fund to another fund within the Foundation or when a fund pays their share of management fees due to the Foundation.

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 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.

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. Shepherd University Foundation, Inc. has also been classified as a public charity under Section 509(a)(1) of the Internal Revenue Code and Shepherd University Foundation Supporting Organization has been classified as a public charity under Section 509(a)(3) of the Internal Revenue Code.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

On July 1, 2022 the Foundation adopted and implemented Accounting Standard Update (ASU) No. 2016-02, *Leases* (Topic 842) and all subsequent ASUs that modified Topic 842. The Foundation made the policy election to account for short-term leases (leases with enforceable terms of 12 months or less) by recognizing the lease payments as expense on a straight-line basis over the term of the lease. The Foundation also elected certain practical expedients within the standard and consistent with such election did not reassess the lease classification for any expired or existing leases and did not reassess whether any expired or existing contracts contain leases, did not reassess the lease classification for any expired or existing leases, and did not reassess any initial direct costs for existing leases.

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.

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.

Risks and Uncertainties

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.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include restricted cash held in demand accounts at financial institutions or brokerage firms that are associated with custodial liabilities or restricted funds held within the Foundation. Also, in connection with the USDA loan discussed in Note 9, the Foundation is required to maintain a debt service reserve account and property replacement reserve account. The Foundation is required to make monthly deposits of at least $7,990 to the debt service reserve account until the account balance reaches $922,092. The Foundation also must make monthly deposits into a property replacement reserve account. The amount of required monthly deposit was $5,402 at June 30, 2024 and increases by 3% each February until the USDA loan is paid off.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

In September 2020, the Foundation received approval from the USDA to defer payments on the USDA loan discussed in Note 9. In conjunction with the loan deferral, the Foundation was instructed by the USDA to stop making monthly payments to the debt service reserve account and the property replacement reserve account from September 2020 until the end of the loan deferral period in September 2022. The available balance in the debt service reserve account had to be applied to principal payments due before the principal deferral period could start. In October 2022, the required reserve payments resumed.

Cash and cash equivalents consisted of the following at June 30, 2024 and 2023:

	2024	2023
Restricted Cash:		
Cash associated with custodial liabilities	$ 1,277,433	$ 1,410,049
Cash associated with restricted funds	2,227,607	2,043,671
Debt service reservice account	167,937	71,935
Property replacement reserve account	126,579	199,960
Total Restricted Cash	3,799,556	3,725,615
Unrestricted Cash	365,611	688,177
Total Cash and Cash Equivalents	$ 4,165,167	$ 4,413,792

NOTE 3 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, 2025.

Pledges receivable as of June 30, 2024 and 2023 consist of net assets with donor restriction. 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.

	2024	2023
Receivable in less than one year	$ 2,000	$ 87,333
Receivable in one to five years	-	2,000
Total pledges receivable	2,000	89,333
Less discount to net present value	-	(113)
Net Pledges Receivable	$ 2,000	$ 89,220

NOTE 4 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, 2024 and 2023 are composed of the following:

Description	Cost	Market
2024		
Certificates of deposit	$ 705,557	$ 705,557
Fixed income	7,035,972	6,873,007
Mutual and exchange traded funds	18,198,030	26,431,420
Hedge funds	2,541,956	2,635,077
Non-exchange traded REIT	686,568	654,509
Stocks	2,312,144	3,059,648
Investment Securities	$ 31,480,227	$ 40,359,218
2023		
Certificates of deposit	$ 701,271	$ 701,271
Fixed income	5,747,995	5,451,532
Mutual and exchange traded funds	18,113,318	23,232,346
Hedge funds	2,467,178	2,494,808
Non-exchange traded REIT	650,445	649,267
Stocks	2,475,909	2,866,521
Investment Securities	$ 30,156,116	$ 35,395,745

At June 30, 2024 and 2023, there was $849,372 and $659,209, 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
2024			
Land	$ 40,000	$ -	$ 40,000
Building	160,202	115,478	44,724
	$ 200,202	$ 115,478	$ 84,724
2023			
Land	$ 40,000	$ -	$ 40,000
Building	160,202	111,473	48,729
	$ 200,202	$ 111,473	$ 88,729

NOTE 4 INVESTMENTS (CONTINUED)

Depreciation expense related to investment in real estate amounted to $4,005 for each year ended June 30, 2024 and 2023, respectively.

The following is a summary of the Foundation's investments at June 30, 2024 and 2023:

Description	2024	2023
Investment Securities	$ 40,359,218	$ 35,395,745
Real estate	84,724	88,729
	$ 40,443,942	$ 35,484,474

The risks of economic uncertainty and market volatility underscore the level of investment risk associated with the Foundation’s investments.

NOTE 5 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 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. The interest in life estate asset was reported at the calculated present value on the Foundation’s consolidated statement of financial position. Changes in the present value of the life estate were reflected as changes in net assets with donor restriction in the Foundation’s consolidated statement of activities. During the year ended June 30, 2024, the donor passed away and the Foundation sold the residential property for $610,728, resulting in a gain from the sale of the life estate property of $163,228. In accordance with the donor’s life estate agreement, the gain from the sale of the residence, less expenses incurred by the Foundation for maintaining the property from the donor’s death until the date of the sale, was added to the corpus of the donor’s endowment fund held by the Foundation. The Foundation’s interest in life estate assets at June 30, 2024 and 2023 was $0 and $447,500, respectively,

NOTE 6 PROPERTY AND EQUIPMENT

Equipment consists of the following:

	2024	2023
Office equipment	$ 12,749	$ 12,749
Residence hall building and improvements	20,264,976	20,146,309
Residence hall furniture and fixtures	990,291	1,006,723
	21,268,016	21,165,781
Less: accumulated depreciation	(4,499,878)	(3,992,876)
Net Book Value	$ 16,768,138	$ 17,172,905

Depreciation expense related to property and equipment was $523,434 and $521,834 for the years ended June 30, 2024 and 2023, respectively.

The cost, accumulated depreciation and depreciation expense related to investments in real estate, as disclosed in Note 4, are excluded from the above property and equipment disclosure.

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 net investment return on investments for the custodial accounts for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Custodial receipts	$ 463,932	$ 560,054
Custodial payments	(603,092)	(487,171)
Net investment return	6,544	7,720
Net Increase in Custodial Liabilities	$ (132,616)	$ 80,603

NOTE 8 GIFT ANNUITIES

The Foundation has entered into several charitable gift annuity agreements with donors. Charitable gift annuities represent a gift of cash, investments or other assets from a donor. In return, the donor receives a fixed stream of income from the Foundation for the rest of their life. Upon the end of the donor's life, the Foundation takes ownership of the remainder of the gift. 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 $48,398 and $53,790 for the years ended June 30, 2024 and 2023, respectively.

NOTE 9 LOAN PAYABLE

As disclosed in Note 16, 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 matured on February 1, 2018 and required semi-annual interest only payments on August 1 and February 1 of each loan year. On February 1, 2018, all outstanding interest and principal was repaid using the financing provided by the USDA rural development loan noted below. The bond anticipation notes were secured by a leasehold deed of trust on the student housing facility project, which was released upon repayment of the notes.

On January 19, 2018, the Shepherd University Supporting Organization borrowed $21,892,000 under a 40-year USDA rural development loan to finance the Potomac Place student housing facility project. The original USDA loan requires monthly principal and interest payments of $76,841, including interest fixed at 2.875%. The loan is scheduled to mature on January 19, 2058. The USDA loan is secured by a leasehold deed of trust on the Potomac Place student housing facility, including all real property and any furniture, fixtures and equipment related to the housing facility. In addition, all revenues, accounts receivable and intangibles associated with the Potomac Place student housing facility have been assigned and pledged to the USDA. As disclosed in Note 2, under the USDA loan agreement, the Shepherd University Foundation Supporting Organization is required to maintain and make monthly deposits into a debt service reserve bank account and property replacement reserve bank account.

Due to the economic impact caused by the COVID-19 pandemic on Potomac Place revenues, Shepherd University Foundation Supporting Organization applied for loan deferral offered by the USDA. In September 2020, Shepherd University Foundation Supporting Organization received approval from the USDA to defer all loan payments on the above loan after the debt service reserve had been fully depleted and, beginning in September 2020, to cease making the monthly debt service and equipment replacement reserve payments during the deferral period. Shepherd University Foundation Supporting Organization was able to make loan payments through November 2020 using the available balance of the debt service reserve cash account and began deferring loan payments in December 2020. The original loan deferral period expired in September 2021. The USDA approved an extension of the deferral period in December 2021 and waived any principal payments due for October and November 2021. The extended loan deferral period expired in September 2022 with monthly payments resuming in October 2022. As of June 2022, Shepherd University Foundation Supporting Organization had paid all deferred loan interest that had accrued from the start of the loan deferral period through June 19, 2022. Upon the end of the deferral period, the USDA converted $222,963 of unpaid interest that accrued during the deferral period to loan principle. Commencing with the October 2022 loan payment, the monthly principal and interest payment increased to $79,890 to fully amortize the loan principle by the original maturity date.

The carrying value of the collateral securing the above loans was $16,768,138 and $17,172,905 at June 30, 2024 and 2023, respectively. Total interest capitalized during the construction period of the student housing facility project amounted to $311,669.

The balance of loans payable, net of loan costs, at June 30, 2024 and 2023 is as follows:

		2024		2023
USDA Rural Development Loan	$	20,510,612	$	20,873,908
Less: loan costs, net of accumulated amortization of $7,438 and $6,176, respectively		(42,452)		(43,714)
	$	20,468,160	$	20,830,194

The future required principal payments as of June 30, 2024 are as follows:

Year Ending June 30,		
2024	$	373,832
2025		384,722
2026		395,930
2027		405,949
2028		419,290
Thereafter		18,530,889
	$	20,510,612

Amortization of loan costs charged to interest expense for the years ended June 30, 2024 and 2023 was $1,262 for each period.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2024 and 2023:

	2024	2023
Restricted for a Specific Purpose		
Scholarships, awards and college support	$ 15,031,150	$ 11,902,127
Restricted in Perpetuity		
Endowment Funds	28,681,720	27,186,630
	$ 43,712,870	$ 39,088,757
Assets		
Cash and equivalents	$ 2,227,607	$ 2,043,671
Pledges receivable, net of present value adjustment	2,000	89,220
Accrued interest receivable	53,219	43,624
Investments	40,359,218	35,395,745
Interest in life estate	-	447,500
	$ 42,642,044	$ 38,019,760

At June 30, 2024 and 2023 there were deficits in the amounts of $1,070,826 and $1,068,997, respectively, of assets available to cover the balance of non-endowed net assets restricted for a specific purpose. As further disclosed in Note 19, this deficit was a result of expenditures exceeding revenues of the undesignated operating fund, which is reported as net assets without donor restriction.

NOTE 11 ENDOWMENTS

The Foundation's endowments consist of individual donor-restricted funds established to provide scholarships, awards and college support to the students, faculty and programs of Shepherd University. Net assets associated with endowment funds are classified and reported as net assets with donor restriction 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 net assets with donor restriction – restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. The net investment return on the endowment funds is classified as net assets with donor restrictions – restricted for a specific purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

Under the Foundation's spending policy, annually the Board of Directors will approve a distribution rate with a target rate of 2% and not exceed 3%. New endowments should be given time to appreciate and once the fund has appreciated at least 20% then distributions can be made in an amount equal to the annually approved distribution rate multiplied by the average market value of the fund for the previous 20 calendar quarters. Any undistributed net investment income is added to net assets with donor restrictions – restricted for a specific purpose.

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 45% to 85% of the total fund, alternatives in the range of 0% to 30%, fixed income securities in the range of 0% to 40%, and cash in the range of 0% to 25%.

All endowment funds held at the Foundation are donor restricted endowment funds. Donor restricted endowment funds amounted to $33,732,052 and $29,718,043 as of June 30, 2024 and 2023, respectively.

The changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

Endowment Net Assets at July 1, 2022	$ 27,298,195
Net investment return	2,491,889
Contributions	929,941
Transfers of funding with the Foundation	(690,672)
Appropriations of endowment assets for expenditure	(311,310)
Endowment Net Assets at June 30, 2023	$ 29,718,043
Net investment return	3,628,657
Contributions	1,387,297
Transfers of funding within the Foundation	(730,965)
Appropriations of endowment assets for expenditure	(270,980)
Endowment Net Assets at June 30, 2024	$ 33,732,052

NOTE 11 ENDOWMENTS (CONTINUED)

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 (underwater endowments). At June 30, 2024, four endowment funds with original gift values of 187,089, fair values of $190,107 and deficiencies of $3,018 were reported in net assets with donor restrictions. At June 30, 2023, twenty-two endowment funds with original gift values of $2,772,082, fair values of $2,586,966 and deficiencies of $185,116 were reported in net assets with donor restrictions.

NOTE 12 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 liquid government bonds, treasury securities, 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 include 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.

Fair value of assets measured on a recurring basis at June 30, 2024 and 2023 are as follows:

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
2024				
Pledges Receivable	$ 2,000	$ -	$ -	$ 2,000
Fixed income				
US Treasuries	3,225,257	3,225,257		-
Corporate Bonds	2,801,913	-	2,801,913	-
Mortgage Pools	456,186	-	456,186	-
Municipal Bonds	318,297	-	318,297	-
Agency Securities	71,356	-	71,356	-
Mutual and exchange traded funds				
Large Blend	6,956,597	6,956,597	-	-
Large Value	3,278,878	3,278,878	-	-
Large Growth	2,845,673	2,845,673	-	-
Foreign Large Blend	2,490,309	2,490,309	-	-
High Yield Bond	2,430,499	2,430,499	-	-
Options Trading	1,454,541	1,454,541	-	-
Mid Cap Blend	1,418,203	1,418,203	-	-
Foreign Small/Mid Blend	1,158,080	1,158,080	-	-
Foreign Large Growth	1,062,631	1,062,631	-	-
Energy Limited Partnership	1,003,650	1,003,650	-	-
Small Blend	971,208	971,208	-	-
Relative Value Arbitrage	721,092	721,092	-	-
Multisector Bond	326,815	326,815	-	-
Mid Cap Value	305,828	305,828		
International	7,415	7,415		
Stocks				
International	1,790,547	1,790,547		-
US Small/Mid	780,966	780,966		-
US Large Cap	451,889	451,889		
Technology	27,947	27,947		
Industrial	8,298	8,298		-
Total Assets in the Fair Value Hierarchy	36,366,075	32,716,323	3,647,752	2,000
Investments Measured at Net Asset Value (a)				
Ironwood Fund	1,706,202			
Golub Fund	928,875			
Nuveen Global Cities REIT	654,509			-
	3,289,586			-
Total Assets at Fair Value	$ 39,655,661	$ 32,716,323	$ 3,647,752	$ 2,000

NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
2023				
Pledges Receivable	$ 89,220	$ -	$ -	$ 89,220
Fixed income				
US Treasuries	2,443,404	2,443,404	-	-
Agency Securities	86,921	-	86,921	-
Municipal Bonds	299,679	-	299,679	-
Mortgage Pools	322,831	-	322,831	-
Corporate Bonds	2,298,697	-	2,298,697	-
Mutual and exchange traded funds				
US Large Cap	12,036,936	12,036,936	-	-
US Small and Mid-Cap	3,748,554	3,748,554	-	-
International Equity	2,319,598	2,319,598	-	-
Relative Value Arbitrage	702,765	702,765	-	-
Multisector Bond	316,359	316,359	-	-
High-Yield Bond	2,213,470	2,213,470	-	-
Options-Based Equity	1,894,664	1,894,664	-	-
Stocks				
US Small and Mid-Cap	758,604	758,604	-	-
US Large Cap	407,534	407,534	-	-
International Equity	1,700,383	1,700,383	-	-
Total Assets in the Fair Value Hierarchy	31,639,619	28,542,271	3,008,128	89,220
Investments Measured at Net Asset Value (a)				
Ironwood Fund	1,571,396	-	-	-
Golub Fund	923,412	-	-	-
Nuveen Global Cities REIT	649,267	-	-	-
	3,144,075	-	-	-
Total Assets at Fair Value	$ 34,783,694	$ 28,542,271	$ 3,008,128	$ 89,220

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented on the statements of financial position.

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.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) consist of pledges receivable. The changes in Level 3 assets are as follows for the years ended June 30, 2024 and 2023:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	
	Pledges Receivable	
June 30, 2023		
Fair Value as of July 1, 2022	$	470,232
Payments received		(382,100)
Change in valuation		1,088
Fair Value as of June 30, 2023	$	89,220
June 30, 2022		
Fair Value as of July 1, 2021	$	1,275,317
Payments received		(787,083)
Write-off of uncollectible pledges		(40,000)
Change in valuation		21,998
Fair Value as of June 30, 2022	$	470,232

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2024 and 2023.

June 30, 2024						
Ironwood Fund (a)	$	1,706,202		N/A	Semi-Annually	95 days
Golub Fund (b)		928,875	$	71,125	Not Eligible	N/A
Nuveen Global Cities REIT ©		654,509		N/A	Monthly	15 days
	$	3,289,586				
June 30, 2023						
Ironwood Fund (a)	$	1,571,396		N/A	Semi-Annually	95 days
Golub Fund (b)		923,412	$	76,588	Not Eligible	N/A
Nuveen Global Cities REIT ©		649,267		N/A	Monthly	15 days
	$	3,144,075				

(a) The Ironwood Institutional Multi-Strategy Fund, LLC (Ironwood Fund) is a speculative fund of funds. The Ironwood Fund's investment objective is capital appreciation with limited variability of returns. The Ironwood Fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes. Each investment vehicle is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value; market neutral and low net equity; event-driven; and distressed and credit securities.

(b) The investment in Golub Capital Partners International 12, L.P. (Golub Fund) represents a limited partnership interest in a privately held speculative hedge fund. The Golub Fund's investment objective is to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with emphasis on current income and preservation of capital. The Golub Fund attempts to achieve this objective primarily by investing in senior secured, floating rate middle market loans, through wholly and partially owned holding companies and other investment vehicles. Most investment assets will be leveraged in the form of collateralized loan obligations and credit facilities. The Golub Fund plans to continue until July 1, 2028 and return all capital prior to that date at the general partner's discretion. Withdrawals of partnership interests generally are not permitted except in limited circumstances.

The Foundation has committed to a total maximum investment in the Golub Fund of $1,000,000 of which $928,875 has been invested as of June 30, 2024. The remaining commitment is due to Golub Fund on demand, and earnings of the fund may be applied as a reduction of the commitment.

(c) The investment in Nuveen Global Cities REIT Fund (Nuveen Fund) represents an investment in a real estate investment trust that is not actively traded. The Nuveen Fund's primary investment objectives are to 1) provide regular, stable cash distribution, (2) target institutional quality, stabilize commercial real estate to achieve an attractive distribution yield, (3) preserve and protect stockholders' invested capital, (3) realize appreciation from proactive investment management and asset management, and (4) seek diversification by investing across leading global cities and across real estate sectors, including office, industrial, multifamily, and retail properties, as well as alternative property types. The Nuveen Fund attempts to achieve this objective primarily by affiliation with Nuveen Real Estate, who manages, buys, and sells properties in the Nuveen Fund's portfolio on their behalf, with oversight and supervision provided by Nuveen Fund's board of directors. Nuveen Real Estate has designed its own investment strategy from long-term structural growth research that is focused on commercial real estate investments in or around a universe of cities Nuveen Real Estate believes are well positioned in North America, Europe, and the Asia-Pacific region. Investors can request redemption of their investment on a monthly basis by submitting a redemption request five business days prior to month end for processing at the beginning of the following month. The Nuveen fund can limit the total amount that is redeemed to 2% of the net asset value monthly and 5% quarterly of the aggregate investment. A redemption within the first year of an investor's holding will be subject to a 5% penalty.

NOTE 13 EMPLOYEE RETIREMENT 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, 2024 and 2023 was $18,265 and $20,874, respectively.

NOTE 14 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 15 RELATED PARTY TRANSACTIONS –SHEPHERD UNIVERSITY

The Foundation is a component unit of Shepherd University (University). The Shepherd University Foundation, Inc. provides scholarships and support for the students, facilities and programs of the University. Total scholarships, awards and college support provided to the University and students attending the University amounted to $1,878,111 and $1,924,087 for the years ended June 30, 2024 and 2023, respectively.

The Foundation utilizes space owned by the University but does not make lease payments. In-kind revenue and expense of $12,600 has been recorded for the use of this space for the years ended June 30, 2024 and 2023, respectively. As this lease agreement does not represent an exchange transaction, it is outside of the scope of Topic 842, *Leases*.

The Shepherd University Foundation Supporting Organization entered into an agreement to lease 1,490 square feet on the ground floor of the Potomac Place student housing facility to the University for the purpose of operating a food service market to serve the students of the facility. The lease agreement commenced on August 10, 2020 and was scheduled to expire on June 30, 2023. In June 2023, a new 3-year lease agreement was executed and is scheduled to commence July 1, 2023 and expire on June 30, 2026. The required monthly payments under both of the above leases was $2,700. Total lease revenue from these lease agreements amounted to $32,400 for both years ended June 30, 2024 and 2023. Total future minimum lease payments due for the years ended June 30, 2024 through June 30, 2026 will be $32,400 per year.

As disclosed in Note 16, 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. Total expense incurred under these agreements amounted to $156,896 and $514,272 for the years ended June 30, 2024 and 2023, respectively. As part of the management agreement, the University acts as the Supporting Organization's exclusive agent for the operation, management and maintenance of the student housing facility project. As a result, the University collects payments from students and pays operating expenses associated with the student housing facility project on behalf of the Supporting Organization. Amounts due from the University related to the collection of student receivables amounted to $11,098 and $3,498, respectively. Amounts due to the University for reimbursement of operating expenses, reimbursements of credits paid to students and payment of the ground lease fee noted above amounted to $222,052 and $554,680 respectively.

NOTE 16 POTOMAC PLACE STUDENT HOUSING FACILITY PROJECT

Shepherd University Foundation Supporting Organization designed and constructed Potomac Place, a 298 bed student housing facility on the Shepherd University campus. As disclosed in Note 9, the Supporting Organization permanently financed the construction costs of Potomac Place with a 40-year rural development loan from the United States Department of Agriculture. The Supporting Organization owns the building and associated equipment and furnishings and has entered into a ground lease with Shepherd University. The ground lease 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. Due to the variable nature of the ground lease payments, a right-of-use asset and lease obligation is not required to be recognized under Topic 842, *Leases*.

Lease payments are to be equal to the net available cash flow generated from the operations of Potomac Place. Variable lease expense due to Shepherd University for the ground lease amounted to $156,896 and $514,272 for the years ended June 30, 2024 and 2023, respectively. Cumulative cash payments made to Shepherd University for ground lease rental payments since the residence hall became operational amounted to $2,555,424 as of June 30, 2024.

The Supporting Organization has 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 Potomac Place. No additional fees, outside of the ground lease payments, are payable to Shepherd University for these services.

Residence hall room leases represent short-term leases with a duration of less than twelve months and having terms that expire prior to June 30th of each year. The residence hall room rental fee rates, number of students served per semester and total fees collected on student residence hall room rentals are noted below for the years ending June 30, 2024 and 2023.

	2024	2023
Single Bed Rate - Term	$ 4,830.00	$ 4,737.00
Double Bed Rate - Term	$ 3,579.00	$ 3,509.00
Single Bed Rate - Daily	$ 42.37	$ 41.55
Double Bed Rate - Daily	$ 31.39	$ 30.78
Total Students Served - Fall Semester	296	258
Total Students Served - Spring Semester	273	255
Student Residence Hall Room Revenue During School Year	$ 1,893,090	$ 1,867,011
Residence Hall Rental for Summer Conferences	49,674	21,089
Rental Revenue from SU for Food Market	32,400	32,400
Late Fees and Fees for Damages	2,092	2,987
Less: Student Residence Hall Room Waivers	(53,685)	(53,245)
Total Net Residence Hall Room Rental for Fiscal Year	$ 1,923,571	$ 1,870,242
Total Cash Collected on Current Year Accounts	$ 1,862,578	$ 1,819,327

NOTE 17 FUNCTIONAL EXPENSES

The allocation of the Foundation's expenses between program activities and support activities for the years ending June 30, 2024 and 2023 is as follows:

	Program Activies			Support Activities	
	Scholarships and College Support	Dormitory Operations	Total Program Expense	General and Administrative Expenses	Total
2024					
Scholarships and awards	$ 1,783,741	$ -	$ 1,783,741	$ -	$ 1,783,741
College support	94,370	-	94,370	-	94,370
Salaries	43,235	102,985	146,220	351,387	497,607
Payroll taxes and benefits	7,350	14,265	21,615	82,121	103,736
Student activities	-	1,924	1,924	-	1,924
Equipment and supplies	-	52,084	52,084	-	52,084
Depreciation	-	523,434	523,434	4,005	527,439
Insurance	-	97,265	97,265	7,846	105,111
Contractual services	-	12,674	12,674	-	12,674
Telephone	-	606	606	-	606
Repairs and maintenance	-	60,837	60,837	-	60,837
Utilties	-	230,449	230,449	-	230,449
Ground rental	-	156,896	156,896	-	156,896
Interest expense	-	596,331	596,331	-	596,331
Printing and reproduction expense	-	-	-	7,137	7,137
Bank fees and administrative expens	-	-	-	18,369	18,369
Rent	-	-	-	12,600	12,600
Office supplies and postage	-	-	-	9,402	9,402
Changes in gift annuities	-	-	-	16,466	16,466
Professional fees	-	-	-	80,714	80,714
Program development	-	-	-	28,006	28,006
Technology	-	-	-	7,549	7,549
Write-off of uncollectible pledge				67,000	67,000
Miscellaneous	-	5,195	5,195	3,402	8,597
Total Expenses	$ 1,928,696	$ 1,854,945	$ 3,783,641	$ 696,004	$ 4,479,645

NOTE 17 FUNCTIONAL EXPENSES (CONTINUED)

	Program Activies			Support Activities	
	Scholarships and College Support	Dormitory Operations	Total Program Expense	General and Administrative Expenses	Total
2023					
Scholarships and awards	$ 1,831,038	$ -	$ 1,831,038	$ -	$ 1,831,038
College support	93,049	-	93,049	-	93,049
Salaries	71,231	78,504	149,735	395,214	544,949
Payroll taxes and benefits	12,651	11,609	24,260	75,508	99,768
Student activities	-	1,760	1,760	-	1,760
Equipment and supplies	-	7,067	7,067	-	7,067
Depreciation	-	521,834	521,834	4,005	525,839
Insurance	-	74,968	74,968	6,452	81,420
Contractual services	-	13,919	13,919	-	13,919
Telephone	-	637	637	368	1,005
Repairs and maintenance	-	47,655	47,655	-	47,655
Utilities	-	218,313	218,313	-	218,313
Ground rental	-	514,272	514,272	-	514,272
Interest expense	-	604,833	604,833	-	604,833
Printing and reproduction expense	-	-	-	9,472	9,472
Bank fees and administrative expense	-	-	-	19,236	19,236
Rent	-	-	-	12,600	12,600
Office supplies and postage	-	-	-	11,648	11,648
Changes in gift annuities	-	-	-	14,599	14,599
Professional fees	-	-	-	71,828	71,828
Staff training	-	-	-	1,200	1,200
Program development	-	-	-	34,754	34,754
Technology	-	-	-	4,991	4,991
Miscellaneous	-	467	467	10,281	10,748
Total Expenses	$ 2,007,969	$ 2,095,838	$ 4,103,807	$ 672,156	$ 4,775,963

NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limited their use, within one year of the consolidated statement of financial position date, are as follows:

	2024	2023
Unrestricted cash	365,611	688,177
Accounts receivable	61,080	51,002
Due from Shepherd University	11,098	3,498
	$ 437,789	$ 742,677

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has sources of liquidity at its disposal, including accounts receivable and amounts due from Shepherd University. Total cash of $294,516 and $271,895 at June 30, 2024 and 2023, respectively, is excluded due to the fact that it represents debt service and property replacement reserves requires to be maintained under the Foundation's USDA loan agreement. Also, cash in the amounts of $3,505,040 and $3,453,720 at June 30, 2024 and 2023, respectively, is excluded due to it being restricted for custodial liabilities and donor-restricted funds held at the Foundation. Accrued interest receivable in the amounts of $53,219 and $43,624 at June 30, 2024 and 2023, respectively and investments in the amounts of $40,359,218 and $35,395,745 at June 30, 2024 and 2023, respectively, are excluded due to the fact that these funds are the restricted portion of the donor-restricted funds held at the Foundation. The remaining $84,724 and $88,729 at June 30, 2024 and 2023, respectively, of investments excluded represents an investment in real estate that is not readily marketable.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considered all expenditures related to its ongoing activity of providing assistance and support to the students, facilities and programs of Shepherd University, and the Supporting Organization considered all expenditures related to its ongoing activity of operating the Potomac Place residence hall, as well as the types of services undertaken to support these activities, to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Foundation operated with a Board approved budget and anticipates collection sufficient revenue to cover general expenditures.

NOTE 19 DEFICIT OF UNDESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION

The deficit in undesignated net assets without donor restrictions of the Foundation is primarily the result of cumulative unrealized and realized losses not being allocated as a reduction to net assets with donor restriction in fiscal years prior to 2018, scholarship disbursements from funds in excess of the actual unrealized and realized investment earnings and operating expenses exceeding support and revenue without donor restriction. In addition, excess of expenses over revenues generated from the Potomac Place student facility project has contributed to the net assets without donor restriction deficit. In order to reduce the deficit and generate positive net assets without donor restriction, the

Foundation will need to generate gains on their investments for consecutive years, reduce the level of annual fund disbursements, reduce operating expenses or generate revenues from another outside source. The balance of net assets without donor restriction deficit was $(4,269,838) and $(4,318,063) for the years ended June 30, 2024 and 2023, respectively. Of this deficit $(1,091,526) and $(1,126,366) related to Shepherd University Foundation Inc. for the years ended June 30, 2024 and 2023 respectively and $(3,178,312) and $(3,191,697) related to the Shepherd University Foundation Supporting Organization for the years ended June 30, 2024 and 2023, respectively.

NOTE 20 CONTRIBUTED NONFINANCIAL ASSETS

The Foundation follows the guidance of Financial Standards Board (FASB) ASU 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets, which clarified the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit.

Nonfinancial contributions received by the Foundation for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Furniture, equipment and supplies	-	23,089
Use of facilities	12,600	12,600
	$ 12,600	$ 35,689

Donated furniture, equipment and supplies were received by the Foundation to be passed along to the beneficiaries of the Foundations various scholarship and college support programs. All donations received were distributed to the designated beneficiaries during the year received. Donated furniture, equipment and supplies are valued using estimates based on prices of identical or similar products.

Contributed use of facilities represents the value of rent-free office space provided by Shepherd University. The office space is utilized by the Foundation to provide supporting services and is reported as a component of general and administrative expenses. There were no donor-imposed restrictions associated with donated office space. Donated office space is valued using rental rates charged for similar rental properties available in the surrounding area.

NOTE 21 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions subsequent to June 30, 2024 through September 1, 2024, 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 require recognition or disclosure in the financial statements.

SHEPHERD UNIVERSITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF PROPORTIONATE SHARE AND CONTRIBUTIONS

1. NET PENSION LIABILITY

Schedule of Proportionate Share

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 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%	61.42%
June 30, 2017	0.00773%	$ 266,966	$ 590,374	$ 857,340	$ 271,237	98.42536%	67.85%
June 30, 2018	0.00764%	$ 238,603	$ 618,206	$ 856,809	$ 111,355	214.27237%	71.20%
June 30, 2019	0.00845%	$ 251,342	$ 606,786	$ 858,128	$ 118,659	211.84874%	72.64%
June 30, 2020	0.00764%	$ 245,983	$ 534,515	$ 780,498	$ 115,279	213.38000%	70.89%
June 30, 2021	0.00306%	$ 47,790	$ (106,856)	$ (59,066)	$ 49,068	97.40000%	86.38%
June 30, 2022	0.00206%	$ 52,959	$ 135,318	$ 188,277	$ 33,694	157.17635%	77.78%
June 30, 2023	0.00035%	$ 8,104	$ 18,232	$ 26,336	$ 5,971	135.72266%	80.42%

Schedule of Employer Contributions of TRS

Fiscal Year End	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contributions as a percentage of Covered Payroll
June 30, 2015	$ 42,953	$ 42,953	$ (0)	$ 375,501	11.43885%
June 30, 2016	$ 36,894	$ 36,894	$ -	$ 478,614	7.70851%
June 30, 2017	$ 31,988	$ 34,322	$ (2,334)	$ 271,237	12.65388%
June 30, 2018	$ 33,914	$ 35,214	$ (1,300)	$ 111,355	31.62319%
June 30, 2019	$ 36,597	$ 36,597	$ -	$ 118,659	30.84216%
June 30, 2020	$ 31,598	$ 31,751	$ (153)	$ 115,279	27.54274%
June 30, 2021	$ 12,763	$ 13,222	$ (459)	$ 49,068	26.94628%
June 30, 2022	$ 12,374	$ 12,374	$ -	$ 58,922	21.00064%
June 30, 2023	$ 2,042	$ 2,042	$ -	$ 33,694	6.06043%
June 30, 2024	$ 1,604	$ 2,042	$ (438)	$ 5,971	34.19863%

These schedules are intended to show information for ten years and are updated as information becomes available.

2. NET OPEB LIABILITY

Schedule of Proportionate Share

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB	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 Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
June 30, 2017	0.36628143%	$ 9,006,820	$ 1,850,010	$ 10,856,830	$ 8,054,749	111.82%	25.10%
June 30, 2018	0.36628143%	$ 8,255,790	$ 1,706,251	$ 9,962,041	$ 7,890,987	104.62%	30.98%
June 30, 2019	0.37694305%	$ 6,253,984	$ 1,279,844	$ 7,533,828	$ 7,257,036	86.18%	39.69%
June 30, 2020	0.36645490%	$ 1,618,601	$ 357,898	$ 1,976,499	$ 6,275,250	25.79%	73.49%
June 30, 2021	0.35489199%	$ (105,526)	$ (20,779)	$ (126,305)	$ 5,900,237	-1.79%	101.81%
June 30, 2022	0.31725358%	$ 353,099	$ 120,958	$ 474,057	$ 4,986,458	7.08%	93.59%
June 30, 2023	0.28234028%	$ (446,801)	$ (190,709)	$ (637,510)	$ 4,362,425	-10.24%	109.66%

Schedule of Contributions

Fiscal Year End	Actuarily Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contributions as a Percentage of Covered Employee Payroll
June 30, 2017	$ 752,336	$ 752,336	$ -	$ 8,054,749	9.34%
June 30, 2018	$ 786,351	$ 798,039	$ (11,688)	$ 7,890,987	10.11%
June 30, 2019	$ 776,609	$ 775,781	$ 828	$ 7,257,036	10.69%
June 30, 2020	$ 708,314	$ 701,898	$ 6,416	$ 6,275,250	11.19%
June 30, 2021	$ 647,175	$ 653,182	$ (6,007)	$ 5,900,237	11.07%
June 30, 2022	$ 368,787	$ 368,787	$ -	$ 5,900,237	6.25%
June 30, 2023	$ 281,588	$ 281,588	$ -	$ 4,986,458	5.65%
June 30, 2024	$ 283,146	$ 283,146	$ -	$ 4,362,425	6.49%

These schedules are intended to show information for ten years and are updated as information becomes available.

Notes to Required Supplementary Information

For the Years Ended June 30, 2024 and 2023

Change of assumptions

In the June 30, 2021 actuarial valuation, there were significant changes in capped subsidy rates, per capita costs, and trend rates. The key reason is due to significant decreases in the Medicare Advantage prescription drug (MAPD) per member per month rates and the resulting decrease in capped subsidy.

Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report and the West Virginia Retiree Health Benefit Trust Fund 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) (a component unit of the West Virginia Higher Education Fund), as of and for the year ended June 30, 2024, 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 15, 2024. 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.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shepherd 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

King of Prussia, Pennsylvania
October 15, 2024