COLLABORATORS | COACHES | ADVOCATES | MENTORS
FRIENDS | VOLUNTEERS | REGULARS | DINERS | VISITORS
CPAs | CONSULTANTS | WEALTH ADVISORS | *NEIGHBORS*
COLLABORATORS | COACHES | ADVOCATES | MENTORS |
CONNOISSEURS | CUSTOMERS | TEACHERS |
| VOLUNTEERS |

SHEPHERD UNIVERSITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2026 AND 2025

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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 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 Policy Commission, as of and for the years ended June 30, 2026 and 2025, 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 the other auditors, the accompanying 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, 2026 and 2025, 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 the Shepherd University Foundation, Inc. (the Foundation), which represent 100% of the assets, net position, and revenues of the discretely presented component unit as of June 30, 2026 and 2025. 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 audits 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 audits. 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.*

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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 12, 2026, 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

King of Prussia, Pennsylvania
October 12, 2026

Overview of the Financial Statements

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, Master of Arts in Appalachian Studies, and Master of Arts in Mental Health Counseling, as well as a Doctor of Nursing Practice.

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

This discussion will emphasize significant changes reflected in the FY2026 data compared to the financial statements presented for FY2025. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows. The notes to the financial statements are an integral part of the statements. This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year and is presented as required supplementary information.

Adoption of GASB Statements No. 103 and 104. Effective for fiscal year 2026, the University adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Under Statement No. 103, this discussion and analysis is limited to the required sections; the Statement of Revenues, Expenses, and Changes in Net Position now presents noncapital subsidies (state appropriations, payments made on behalf of the University, and contributions supporting operations) separately, with a new required subtotal of operating loss and noncapital subsidies; and comparative FY2025 amounts have been recast to the new presentation. In the recast, Federal Pell grants are presented as operating revenues, interest on student loans receivable is presented as nonoperating revenue, and the $30.0 million special State infrastructure grant received in FY2025 is presented within other nonoperating revenues as capital appropriations. The FY2025 operating loss as recast is $3.0 million, compared to $8.5 million as originally reported; the FY2025 increase in net position is unchanged. Under Statement No. 104, the notes to the financial statements separately present capital assets held under leases, subscription-based information technology arrangements (SBITAs), and intangible assets. Additionally, the fiscal year ended June 30, 2024 balances on the Statement of Revenues, Expenses, and Changes in Net Position within the Management Discussion and Analysis (MD&A) below were reclassed for comparative purposes to align with the implementation of GASB 103 and its effect on the June 30, 2026 and 2025 balances.

Financial Summary

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, 2026 and 2025. 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 category is restricted, which is divided into 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. 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, which is available for any lawful purpose of the institution.

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 nonoperating, 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. Under GASB Statement No. 103, noncapital subsidies — including State appropriations, payments made on behalf of the University, and contributions supporting operations — are presented separately within nonoperating revenues, and a new subtotal of operating loss and noncapital subsidies is presented before other nonoperating revenues and expenses. This subtotal presents the results of operations combined with the recurring support the University's budget depends upon to sustain the current level of operations.

Detailed Analysis

Condensed Schedules of Net Position (In thousands)

	June 30,		
	2026	2025	2024
ASSETS			
Cash	$ 28,813	$ 42,252	$ 12,407
Other Current Assets	4,518	4,691	3,102
Noncurrent Assets	130,323	114,355	106,604
Total Assets	163,654	161,298	122,113
DEFERRED OUTFLOWS OF RESOURCES	775	410	187
Total Assets and Deferred Outflows of Resources	164,429	161,708	122,300
LIABILITIES			
Current Liabilities	12,233	12,242	12,081
Noncurrent Liabilities	29,345	31,207	33,900
Total Liabilities	41,578	43,449	45,981
DEFERRED INFLOWS OF RESOURCES	430	401	949
Total Liabilities and Deferred Inflows of Resources	42,008	43,850	46,930
NET POSITION			
Net Investment in Capital Assets	94,900	79,920	69,397
Restricted - Expendable	15,580	28,310	128
Unrestricted	11,941	9,628	5,845
Total Net Position	$ 122,421	$ 117,858	$ 75,370

Assets

Total Assets for FY2026 increased $2.4 million, or 1.5 percent, to $163.7 million compared to $161.3 million for FY2025. The composition of assets changed significantly during the year: cash decreased $13.4 million while capital assets, net, increased $16.1 million, as the University deployed the FY2025 special State infrastructure grant into construction and renovation projects. Construction in progress at June 30, 2026 totaled $19.0 million, and non-depreciable capital assets (land and construction in progress) increased $7.5 million, with depreciable capital assets and right-to-use assets increasing $8.6 million, net of depreciation and amortization. Accounts receivable, net, decreased $165 thousand, reflecting an increased allowance for uncollectible accounts following a $177 thousand provision for bad debts.

Deferred Outflows of Resources

Deferred Outflows of Resources represent the consumption of net position by the University that is applicable to future years. Deferred outflows of resources related to other postemployment benefits (GASB 75) were $775 thousand at June 30, 2026, an increase of approximately $365 thousand from FY2025. Deferred outflows related to pensions (GASB 68) were zero at June 30, 2026 and 2025, as the University's proportionate share of the Teachers' Retirement System net pension liability has been fully extinguished. The footnotes to these financial statements describe in further detail the actuarial calculations and assumptions made in determining these values.

Liabilities

Total Liabilities for FY2026 decreased by $1.9 million to $41.6 million compared to $43.4 million for FY2025. The decrease is driven by scheduled reductions in long-term debt, including bonds payable, which decreased $1.9 million to $23.5 million (including the current portion). Unearned revenue decreased $1.9 million as grant advances, primarily State grant funds received in advance in FY2025, were recognized. The net other postemployment benefit position moved from a $61 thousand asset at June 30, 2025 to a $206 thousand liability at June 30, 2026, based on the annual actuarial valuation.

Deferred Inflows of Resources

Deferred Inflows of Resources are the acquisition of net position by the University that is applicable to future years. Deferred inflows of resources related to pensions and other postemployment benefits totaled $430 thousand at June 30, 2026, compared to $401 thousand in FY2025. This is a direct result of the ongoing actuarial calculations provided by the State as they pertain to GASB Statement No. 68 and GASB Statement No. 75.

Net Position

From FY2025 to FY2026, Total Net Position increased by $4.6 million. Net investment in capital assets increased $15.0 million to $94.9 million as projects funded by the special State infrastructure grant were completed and placed in service. Restricted expendable net position decreased $12.7 million to $15.6 million, representing principally the unexpended portion of the special State appropriation committed to capital projects that will continue into FY2027. Unrestricted net position increased $2.3 million to $11.9 million, reflecting continued spending discipline in a year of significantly reduced grant support.

Condensed Schedules of Revenues, Expenses, and Changes in Net Position (In thousands)

	Year Ended June 30,		
	2026	2025	2024
OPERATING REVENUES	$ 43,603	$ 50,937	$ 42,104
OPERATING EXPENSES	54,646	53,975	51,686
OPERATING LOSS	(11,043)	(3,038)	(9,582)
NONCAPITAL SUBSIDIES	15,682	15,715	15,666
OPERATING LOSS AND NONCAPITAL SUBSIDIES	4,639	12,677	6,084
OTHER NONOPERATING REVENUES (EXPENSES), NET	(76)	29,811	(1,269)
INCREASE IN NET POSITION	4,563	42,488	4,815
Net Position - Beginning of Year	117,858	75,370	70,555
NET POSITION - END OF YEAR	$ 122,421	$ 117,858	$ 75,370

FY2025 and FY2024 amounts have been recast to the GASB Statement No. 103 presentation; the FY2025 and FY2024 increase in net position is unchanged from the amount originally reported.

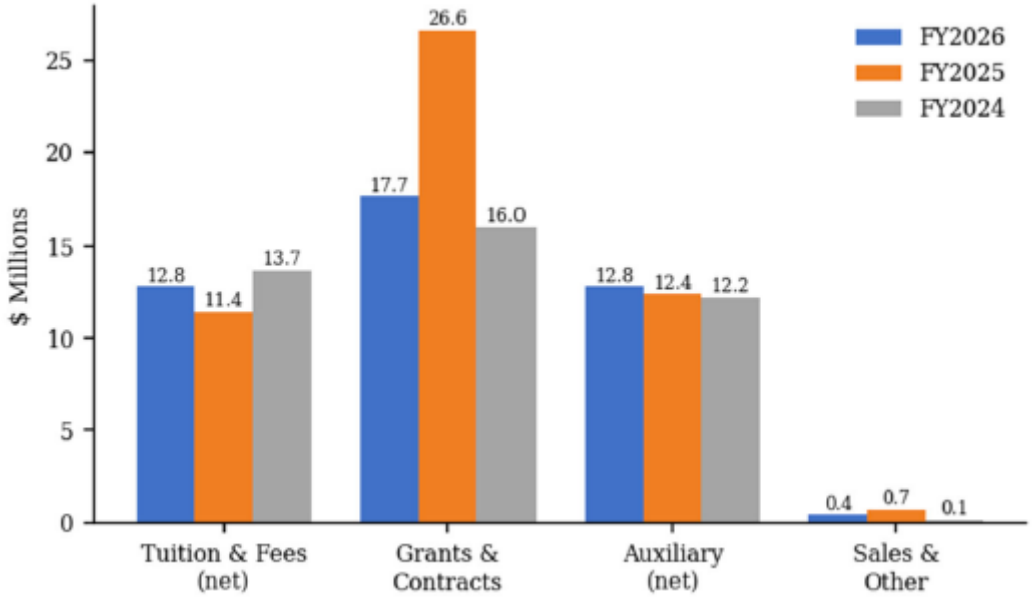
Operating Revenues

Operating revenues consist of student tuition and fees, contracts and grants (including Federal Pell grants and State financial aid), sales and services of educational activities, auxiliary enterprise revenue and other operating revenues. Total operating revenues for FY2026 decreased by $7.3 million, or 14 percent, compared to FY2025.

Grant revenue, which includes student aid, represents approximately 41 percent of total operating revenues and decreased $9.0 million in FY2026. This decrease was expected: the State grant programs that increased FY2025 grant revenues were not extended into FY2026, reducing State grant and State financial aid revenues by a combined $6.2 million, and Federal Pell grants decreased $148 thousand. Student tuition and fees, net of scholarship allowance, increased $1.4 million, or 13 percent, reflecting the tuition rate increase effective for FY2026 and a lower scholarship allowance.

Auxiliary Enterprise Revenue, which includes resources generated by the operation of the wellness center, dining services and residence halls, experienced an increase of $403 thousand, or 3 percent, in FY2026.

Operating Revenues – FY2026 and FY2025 (In millions)



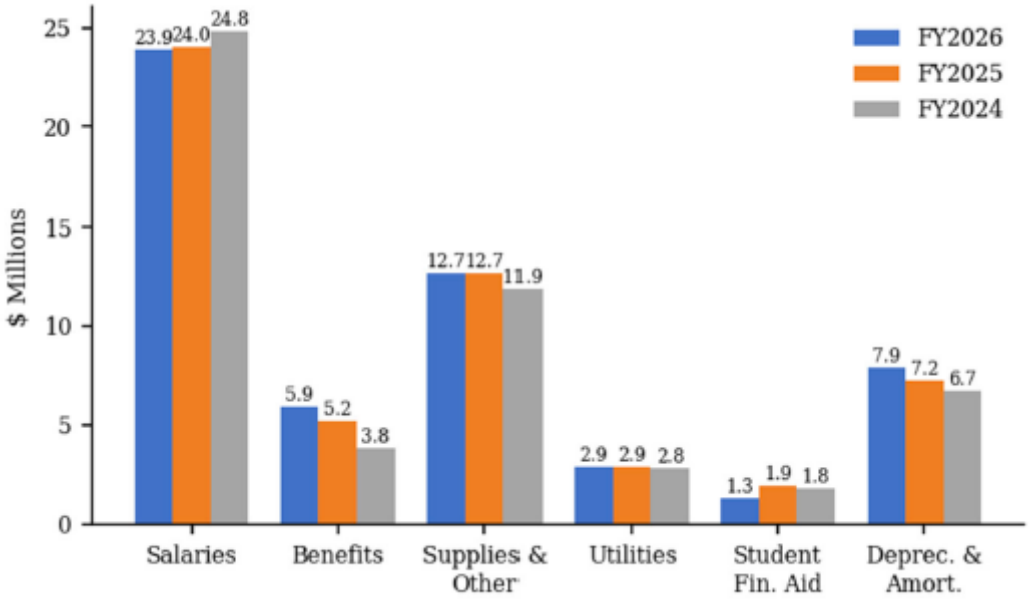
Operating Expenses

Overall, FY2026 operating expenses of $54.6 million increased $671 thousand, or 1.2 percent, over the FY2025 amount of $54.0 million. Depreciation and amortization increased $677 thousand, reflecting the significant capital investments placed in service; supplies and other services were essentially flat.

Employee compensation, including benefits, represents a significant portion of FY2026 operating expenses at $29.8 million, or 54.5 percent. This total is approximately $584 thousand more than FY2025. Salaries were essentially flat; the increase is due to benefit costs, including PEIA premium increases and the actuarially determined other postemployment benefit expense, which includes $235 thousand of OPEB support provided by the State recognized as both revenue and expense.

Student financial aid decreased $592 thousand from FY2025, net of the scholarship allowance. This decrease is attributed to the West Virginia grant programs that were funded in FY2025 but not extended into FY2026.

Operating Expenses – FY2026 and FY2025 (In millions)



Noncapital Subsidies and Other Nonoperating Revenues (Expenses)

Noncapital subsidies totaled $15.7 million in FY2026 and FY2025. State appropriations decreased $435 thousand to $13.7 million, offset by payments made on behalf of the University of $235 thousand (State OPEB support) and an increase of $270 thousand in contributions supporting scholarships, primarily from the Shepherd University Foundation. Operating loss and noncapital subsidies — the new subtotal required by GASB Statement No. 103 — was $4.6 million in FY2026 compared to $12.7 million in FY2025, a decrease of $8.0 million driven by the reduction in State grant revenues described above.

Other nonoperating revenues (expenses), net, decreased from $29.8 million in FY2025 to $(76) thousand in FY2026. FY2025 included the $30.0 million special State infrastructure grant, presented as capital appropriations; no comparable appropriation was received in FY2026. Investment income increased $176 thousand to $1.1 million, and interest on indebtedness decreased $42 thousand to $1.2 million. The University recognized a $72 thousand gain on disposal of fully depreciated equipment in FY2026, compared to a $175 thousand gain in FY2025.

The end result of all operating and nonoperating revenues and expenses for FY2026 was an increase in net position of $4.6 million, compared to an increase of $42.5 million in FY2025 that was driven by the special State grant.

Statement of Cash Flows

The final statement presented by the University is the Statement of Cash Flows, which presents detailed information about the cash activity of the University during the year. The statement is divided into five parts: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; cash flows from investing activities; and a reconciliation of the net cash used to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Overall cash at June 30, 2026 decreased $13.4 million to $28.8 million, reflecting the deployment of the FY2025 special grant cash into capital projects. Cash used in operating activities of $13.7 million increased $8.8 million over FY2025, driven by the $9.0 million reduction in grant receipts. Noncapital financing activities provided $24.9 million — State appropriations of $13.7 million, State financial aid appropriations of $4.1 million, Federal Pell grants of $5.4 million, and gifts of $1.7 million — compared to $51.2 million in FY2025, which included the $30.0 million special State grant. Capital financing activities used $25.8 million, including $20.2 million of capital asset purchases, $4.3 million of principal payments, and $1.2 million of interest, as construction funded by the special appropriation continued.

Condensed Schedules of Cash Flows (In thousands)

	Year Ended June 30,		
	2026	2025	2024
NET CASH PROVIDED (USED) BY:			
Operating Activities	$ (13,732)	$ (4,893)	$ (7,041)
Noncapital Financing Activities	24,944	51,188	20,361
Capital and Related Financing Activities	(25,764)	(17,387)	(10,832)
Investing Activities	1,113	937	484
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,439)	29,845	2,972
Cash and Cash Equivalents - Beginning of Year	42,252	12,407	9,435
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 28,813	$ 42,252	$ 12,407

Significant Capital Asset and Long-Term Financing Activity

Capital assets, net of accumulated depreciation and amortization, totaled $130.3 million at June 30, 2026, an increase of $16.1 million from FY2025, as the University invested the FY2025 special State infrastructure grant in campus infrastructure, safety, and building systems. During FY2026 the University completed twelve capital projects totaling approximately $10.8 million, including the Byrd Science Center HVAC upgrade ($4.5 million), Student Center HVAC upgrades ($2.8 million), replacement of the Wellness Center rooftop units ($1.6 million), the Dining Hall boiler replacement ($505 thousand), the White Hall chiller replacement ($195 thousand), a campus-wide lighting project with LED upgrades ($703 thousand), the Popodicon roof replacement ($200 thousand), the Evapco cooling tower serving the Centers for Contemporary Arts ($183 thousand), and controls upgrades in Ikenberry Hall and Stutzman-Slonaker Hall.

Construction in progress at June 30, 2026 totaled $19.0 million. Projects in process include the Dining Hall and Athletic Facility ($15.9 million expended to date, approximately two-fifths complete), the Byrd Science Center roof replacement and chemistry laboratory renovations, the Tabler Farm Agribusiness Building (substantially complete), the Facilities Management storage building, and roof replacements at McMurran Hall, Reynolds Hall, and White Hall. Outstanding construction commitments at June 30, 2026 totaled approximately $9.6 million, of which $9.0 million relates to the Dining Hall and Athletic Facility.

As required by GASB Statement No. 104, right-to-use assets are presented separately in the capital asset footnote: right-to-use leased assets of $670 thousand and subscription-based information technology arrangement (SBITA) assets of $2.9 million, net of amortization, at June 30, 2026.

No new debt agreements were executed during FY2026, and lease activity was limited to one minor equipment modification. Bonds payable decreased $1.9 million to $23.5 million through scheduled principal payments; notes payable were $6.0 million; lease liabilities were $868 thousand; and SBITA liabilities were $2.3 million at June 30, 2026, including current portions.

The University added twenty SBITAs during FY2026, comprising contract renewals for established platforms (including Turnitin, D2L, OCLC, and Handshake) and a substantial investment in systems that improve access, communication, and information flow for students. New arrangements include a complete redevelopment and maintenance of the University website (ERI Design); event and classroom scheduling software that coordinates space for instruction and events (CollegeNet); a customer relationship management platform that manages prospective-student interactions, automates recruitment communications, and flags at-risk students for advising and support intervention (Technosolutions); housing selection, billing, and residence management software (StarRez); and platforms for family communication (Campus ESP), an interactive campus map (Concept 3D), learning management accessibility compliance (YuJa), and athletics performance analytics (Trackman).

Currently Known Facts, Decisions, or Conditions

As required by GASB Statement No. 103, the following are facts, decisions, or conditions known to management as of the date of these financial statements that are expected to have a significant effect on the University's financial position or results of operations.

Shepherd's financial strength and capabilities continue to be challenged by flat to declining enrollment that is evidenced throughout the country. Shepherd will strive to focus on dual strategic collaborative efforts to both enhance enrollment through recruitment of in-state and out-of-state students and to retain current students. Significant marketing efforts continue to expand focus on specific populations in the surrounding counties in Virginia, Maryland and Pennsylvania. 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.

The special State infrastructure grant received in FY2025 is being deployed and no comparable grant was received in FY2026 or is anticipated for FY2027; the University's base State appropriation for FY2026 decreased $435 thousand from the prior year. The State grant programs that supported student financial aid in FY2025 were not extended, and the University expects grant revenues to remain at the reduced FY2026 level. The Board of Governors' spending discipline established in FY2025 remains the operating model, and the continued reduction of the University's cost structure remains a management priority.

In June 2026, the Board of Governors adopted the FY2027 budget using an enrollment-driven scenario model in which every revenue and expense line adjusts under flat, 40-student-decline, and 80-student-decline assumptions, incorporating the Board-approved FY2027 tuition and fee schedule (in-state tuition +3.3 percent and out-of-state +3.25 percent, an average total student impact of 3.9 percent in-state and 3.4 percent out-of-state, with modest housing and dining increases) and deliberately conservative assumptions. Under the down-enrollment scenarios, staffing levels are preserved, with flexibility drawn instead from supplies and deferrable operational capital following the completion of the recent capital cycle. The budget is structured to finish FY2027 at approximately 42 days of unrestricted cash on hand under every modeled scenario, compared to a projected 42 days at FY2026 year end, and projects a positive change in cash of approximately $581 thousand under the recommended scenario. The University anticipates completing approximately $39 million of capital projects in FY2027, funded principally through grants.

Preliminary Fall 2026 enrollment was 2,252 students, compared to 2,362 in Fall 2025 — a decrease of 110 students, or 4.7 percent. Returning student enrollment decreased by 65 and first-time freshman enrollment by 58, partially offset by increases in transfer (224 vs. 218) and readmitted students (26 vs. 19). This result is below the most conservative enrollment scenario modeled in the adopted FY2027 budget; the budget's line-level sensitivities provide the framework for the corresponding revenue and expense adjustments, which management is implementing.

The Public Employees Insurance Agency approved a 3 percent aggregate premium increase for both employees and employers for plan year 2027, which affects the University's benefit costs in FY2027. The PEIA Finance Board is expected to meet in November 2026 to present proposed plan changes for plan year 2028; any resulting premium or benefit changes would affect FY2028 and future budgets.

Capital plans for FY2027 center on completion of the Dining and Athletic Facility, funded principally through grants, along with a continued campus renewal program: roof replacements at Stutzman-Slonaker Hall, the Facilities building, Miller Hall, and Butcher Center, and a partial roof replacement at the Frank Center; new boilers and shower fixture upgrades at Shaw and Thatcher Halls; flooring and bathroom renovations in Boteler Hall; replacement of the Martin Hall stairway; ice-melt systems at the Centers for Contemporary Arts; and furniture and appliance upgrades throughout the residence halls.

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. The University staff and Board of Governors remain focused on financial stability along with improving the value to our students for a quality educational experience.

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
JUNE 30, 2026 AND 2025

	Primary Government Shepherd University		Component Unit Shepherd University Foundation, Incorporated	
	2026	2025	2026	2025
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 28,812,991	$ 42,252,450	$ 5,710,832	$ 4,919,685
Accounts Receivable, Net	4,352,252	4,516,824	331,048	115,015
Loans Receivable, Current Portion	35,100	35,100	-	-
Other Current Assets	129,264	138,283	28,443	31,546
Inventories	1,111	746	-	-
Total Current Assets	33,330,718	46,943,403	6,070,323	5,066,246
Noncurrent Assets:				
Investments	-	-	54,124,456	45,038,856
Loans Receivable, Net of Allowance of $16,301 and $11,287 in 2026 and 2025, Respectively	12,532	25,971	-	-
Net Other Postemployment Benefit Asset	-	60,732	-	-
Other Assets	45,877	55,683	-	-
Capital Assets:				
Capital Assets Not Being Depreciated	20,114,033	12,656,976	-	-
Capital Assets, Net of Depreciation and Amortization	110,151,145	101,555,579	15,933,902	16,383,142
Total Capital Assets	130,265,178	114,212,555	15,933,902	16,383,142
Total Noncurrent Assets	130,323,587	114,354,941	70,058,358	61,421,998
Total Assets	163,654,305	161,298,344	76,128,681	66,488,244
DEFERRED OUTFLOWS OF RESOURCES				
Related to OPEB	774,990	410,377	-	-
Total Deferred Outflows of Resources	774,990	410,377	-	-
Total Assets and Deferred Outflows of Resources	$ 164,429,295	$ 161,708,721	$ 76,128,681	$ 66,488,244

See accompanying Notes to Financial Statements.

SHEPHERD UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2026 AND 2025

	Primary Government Shepherd University		Component Unit Shepherd University Foundation, Incorporated	
	2026	2025	2026	2025
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,800,281	$ 2,659,005	$ 7,573	$ 7,074
Due to State of West Virginia	3,224	2,304	-	-
Accrued Liabilities	1,782,802	1,566,054	-	-
Unearned Revenue	1,632,286	3,513,406	-	-
Deposits	191,555	186,815	1,367,674	1,260,214
Other Liabilities, Current Portion	-	-	487,600	181,297
Compensated Absences, Current Portion	875,081	813,599	-	-
Notes Payable, Current Portion	607,768	680,264	395,930	384,772
Lease Liabilities, Current Portion	403,020	409,108	-	-
SBITA Liabilities, Current Portion	972,083	516,933	-	-
Interest Payable	-	-	17,114	17,447
Bonds Payable, Current Portion	1,965,208	1,894,453	-	-
Total Current Liabilities	12,233,308	12,241,941	2,275,891	1,850,804
Noncurrent Liabilities:				
Advances from Federal Sponsors	35,526	74,164	-	-
Compensated Absences	465,191	447,575	-	-
Notes Payable	5,346,441	5,954,208	19,316,103	19,710,771
Lease Liabilities	464,677	866,577	-	-
SBITA Liabilities	1,316,255	389,253	-	-
Bonds Payable	21,507,530	23,474,942	-	-
Net Other Postemployment Benefit Liability	205,882	-	-	-
Other Noncurrent Liabilities	3,235	113	37,384	42,746
Total Noncurrent Liabilities	29,344,737	31,206,832	19,353,487	19,753,517
Total Liabilities	41,578,045	43,448,773	21,629,378	21,604,321
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	27,000	67,925	-	-
Related to OPEB	402,965	333,113	-	-
Total Deferred Inflows of Resources	429,965	401,038	-	-
Total Liabilities and Deferred Inflows of Resources	42,008,010	43,849,811	21,629,378	21,604,321
NET POSITION				
Net Investment in Capital Assets	94,899,554	79,920,012	(3,778,131)	(3,712,401)
Restricted for:				
Expendable:				
Scholarships	-	-	26,327,267	19,169,840
Loans	38,596	18,276	-	-
Capital Projects	15,256,571	28,223,136	-	-
Debt Service	66,483	46,399	-	-
Other	218,454	22,559	-	-
Total Restricted Expendable	15,580,104	28,310,370	26,327,267	19,169,840
Nonexpendable:				
Scholarships	-	-	31,755,964	29,627,566
Unrestricted	11,941,627	9,628,528	194,203	(201,082)
Total Net Position	122,421,285	117,858,910	54,499,303	44,883,923
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 164,429,295	$ 161,708,721	$ 76,128,681	$ 66,488,244

See accompanying Notes to Financial Statements.

SHEPHERD UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	Primary Government Shepherd University		Component Unit Shepherd University Foundation, Incorporated	
	2026	2025	2026	2025
OPERATING REVENUES				
Student Tuition and Fees, Net of Scholarship Allowance of $14,153,649 in 2026 and $15,472,343 in 2025	$ 12,801,310	$ 11,359,709	$ -	$ -
Contracts and Grants:				
Pell Grants	5,428,043	5,576,342	-	-
Federal	4,560,112	6,998,584	-	-
State	3,563,637	7,944,739	-	-
Private	59,271	185,759	1,740,190	1,599,847
State Appropriations- Financial Aid	4,068,902	5,928,693	-	-
Sales and Services of Educational Activities	31,147	34,104	-	-
Auxiliary Enterprise Revenue, Net of Scholarship Allowance of $1,045,118 in 2026 and $928,175 in 2025	12,765,475	12,362,061	-	-
Other Operating Revenues	325,032	547,267	1,976,551	1,844,443
Total Operating Revenues	43,602,929	50,937,258	3,716,741	3,444,290
OPERATING EXPENSES				
Salaries and Wages	23,873,874	23,972,533	513,820	500,910
Benefits	5,912,694	5,230,346	127,044	109,377
Supplies and Other Services	12,742,194	12,717,967	699,834	504,846
Utilities	2,892,892	2,914,251	222,211	219,642
Student Financial Aid, Scholarships, and Fellowships	1,324,206	1,916,073	1,968,654	1,372,549
Depreciation and Amortization	7,900,047	7,223,409	555,232	532,309
Total Operating Expenses	54,645,907	53,974,579	4,086,795	3,239,633
OPERATING INCOME (LOSS)	(11,042,978)	(3,037,321)	(370,054)	204,657
NONCAPITAL SUBSIDIES				
State Appropriations	13,704,338	14,139,125	-	-
Payments Made on Behalf of the University	234,784	102,821	-	-
Contributions for Scholarships	1,742,606	1,473,017	-	-
Total Noncapital Subsidies	15,681,728	15,714,963	-	-
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	4,638,750	12,677,642	(370,054)	204,657
OTHER NONOPERATING REVENUES (EXPENSES)				
Contributions to Permanent and Term Endowments	-	-	1,955,640	817,384
Financing related Revenues and Expenses	(15,940)	(15,929)	-	-
Gain/Loss on Sale of Capital Assets and Inventory	72,182	175,069	-	-
Interest on Student Loans Receivable	2,167	5,026	-	-
Investment Income, Net of Investment Expenses	1,112,976	936,669	8,604,631	4,949,074
Interest on Indebtedness	(1,247,760)	(1,289,546)	(574,837)	(585,739)
Capital Grants, Appropriations, and Gifts	-	30,000,000	-	-
Total Other Nonoperating Revenues (Expenses)	(76,375)	29,811,289	9,985,434	5,180,719
INCREASE IN NET POSITION	4,562,375	42,488,931	9,615,380	5,385,376
Net Position - Beginning of Year	117,858,910	75,369,979	44,883,923	39,498,547
NET POSITION - END OF YEAR	$ 122,421,285	$ 117,858,910	$ 54,499,303	$ 44,883,923

See accompanying Notes to Financial Statements.

SHEPHERD UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	Primary Government Shepherd University	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	$ 12,488,754	$ 10,716,845
Contracts and Grants	6,699,353	18,369,024
Payments to and on Behalf of Employees	(29,300,524)	(29,346,355)
Payments to Suppliers	(12,518,861)	(12,771,155)
Payments to Utilities	(2,901,024)	(2,881,684)
Payments for Scholarships and Fellowships	(1,324,206)	(1,916,073)
Collection of Loans to Students	15,606	19,371
Sales and Service of Educational Activities	31,147	34,104
Auxiliary Enterprise Charges	12,770,215	12,335,851
Federal Student Loan Program - Direct Lending Receipts	10,155,566	9,264,969
Federal Student Loan Program - Direct Lending Payments	(10,155,566)	(9,264,969)
Other Receipts - Net	307,672	547,269
Net Cash Used by Operating Activities	(13,731,868)	(4,892,803)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	13,704,338	44,139,125
State Appropriations for Financial Aid	4,068,902	-
Federal Pell Grants	5,428,043	5,576,342
Gifts	1,742,606	1,473,017
Net Cash Provided by Noncapital Financing Activities	24,943,889	51,188,484
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(20,232,781)	(13,632,252)
Principal Paid on Capital Debt and Leases	(4,267,975)	(2,449,601)
Interest Paid on Capital Debt and Leases	(1,247,760)	(1,289,546)
Fees Assessed by the Commission for Debt Service	(15,940)	(15,929)
Net Cash Used by Capital Financing Activities	(25,764,456)	(17,387,328)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	1,112,976	936,669
Net Cash Provided by Investing Activities	1,112,976	936,669
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,439,459)	29,845,022
Cash and Cash Equivalents - Beginning of Year	42,252,450	12,407,428
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 28,812,991	$ 42,252,450

See accompanying Notes to Financial Statements.

SHEPHERD UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2026 AND 2025

	Primary Government Shepherd University	
	2026	2025
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (11,042,978)	$ (3,037,321)
Adjustments: Federal Pell Grants	(5,428,043)	(5,576,342)
State Appropriations for Financial Aid	(4,068,902)	-
Interest on Student Loans Receivable	2,167	5,026
OPEB Support Provided by the State (Noncash)	234,784	102,821
Depreciation and Amortization	7,900,047	7,223,409
Amortization of Bond Premium	(2,204)	(2,204)
Receivables, Net	183,393	(1,558,177)
Loans to Students	13,439	14,345
Prepaid Expenses	4	(4,436)
Inventories	(365)	(185)
Accounts Payable and Amounts Due to State	163,306	(63,343)
Accrued Liabilities	216,748	107,449
Compensated Absences	79,098	18,049
Unearned Revenue	(1,881,120)	(1,669,308)
Deposits	4,740	(26,210)
Pension and OPEB, Net of Related Deferrals	(67,344)	(393,857)
Advances from Federal Sponsors	(38,638)	(32,519)
Net Cash Used by Operating Activities	$ (13,731,868)	$ (4,892,803)
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Capital Asset Additions in Accounts Payable	$ 2,845,058	$ 1,593,970
Right-to-Use Assets Obtained Under Leases and SBITAs	$ 2,668,816	$ 740,084
OPEB Support Provided by the State (Noncash)	$ 234,784	$ 102,821
Loss (Gain) on Disposal of Capital Assets	$ (72,182)	$ (175,069)

See accompanying Notes to Financial Statements.

NOTE 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.

NOTE 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 annual comprehensive 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, 2026 and 2025, 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. These statements have been converted from FASB to GASB. The Foundation's audited financial footnote information that is relevant to GASB presentation and significant to the University is presented at Note 23.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2026 or 2025.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

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

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2026 or 2025.

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

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)

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 more likely than not. 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (Continued)

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

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

Classification of Revenues

The University has classified its revenues according to the following criteria:

Operating Revenues — Operating revenues are revenues other than nonoperating revenues. For the University, these amounts include (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, (4) federal Pell grants; (5) sales and services of educational activities, and (6) state appropriations for financial aid.

Nonoperating Revenues — Nonoperating revenues are (a) subsidies received and provided, (b) contributions to permanent and term endowments, (c) revenues related to financing, (d) resources from the disposal of capital assets and inventory, and (e) investment income. For the University these amounts include investment income and sale of capital assets.

Subsidies – Subsidies are (a) resources received from another party or fund (1) for which the University does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the University's current or future fees and charges lower than they would be otherwise, (b) resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the University and (2) that are recoverable through the University's current or future pricing policies, (c) all other transfers. For the University these amounts include state appropriations, contributions for scholarships, and noncapital payments made on behalf of the University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Components of Net Position

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

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and 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 FY26 and $9 million in FY25 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 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of revenues, expenses, and changes in net position if it does not reduce the readability of the statements.

The implementation of this standard did not have an overall impact on net position, however fiscal year ending June 30, 2025 statement of revenues, expenses, and changes in net position was reclassed in order to conform with the requirements of GASB 103 for comparative purposes. The following prior year financial statement line items are affected by the application of the new accounting principle as follows:

Financial Statement Line Item	As Previously Reported	As Reported Under GASB 103
Operating Revenues:		
Federal Pell Grants	$ -	$ 5,576,342
State Grants	13,873,432	7,944,739
State Appropriations - Financial Aid	-	5,928,693
Interest on Student Loan Receivable	5,026	-
Other Operating Revenues	650,088	547,267
Noncapital Subsidies:		
State Appropriations	44,139,125	14,139,125
Contributions for Scholarships	-	1,473,017
Payments Made on Behalf of the University	-	102,821
Nonoperating Revenues (Expenses):		
Federal Pell Grants	5,576,342	-
Gifts	1,473,017	-
Interest on Student Loan Receivable	-	5,026
Capital Grants, Appropriations, and Gifts	-	30,000,000

The standard did not impact classifications on the Statement of Cash Flows.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards (Continued)

The GASB has also issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is effective for fiscal years beginning after June 15, 2025. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The adoption of this standard had no effect on the University's financial statements. These disclosures were already reflected separately in the capital assets note disclosure.

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents as of June 30, 2026 and 2025 was as follows:

	2026	2025
State Treasurer	$ 27,711,464	$ 41,103,331
Bank	1,101,527	1,149,119
Total	$ 28,812,991	$ 42,252,450

Cash and cash equivalents with the State Treasurer included $1,029,893 in FY26 and $2,270,735 in FY25 of restricted cash for grants.

The combined carrying amount of cash in bank at June 30, 2026 and 2025 was $1,101,527 and $1,149,119 as compared with the combined bank balance of $1,179,660 and $1,333,015, 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, 2026 and 2025, the University was exposed to custodial credit risk of $640,650 and $581,711, respectively for amounts that are uninsured and uncollateralized.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Amounts with the State Treasurer as of June 30, 2026 and 2025, 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 $5,672,304 in FY26 and $11,091,258 in FY25 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:

	2026		2025	
External Pool	Carrying Amount	S & P Rating	Carrying Amount	S & P Rating
WV Money Market	$ 21,535,005	AAAm	$ 29,322,988	AAAm
WV Short Term Bond	504,155	Not Rated	689,085	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:

	2026		2025	
External Pool	Carrying Amount	WAM (Days)	Carrying Amount	WAM (Days)
WV Money Market	$ 21,535,005	46	$ 29,322,988	41

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

	2026		2025	
External Pool	Carrying Amount	WAM (Days)	Carrying Amount	WAM (Days)
WV Short Term Bond	$ 504,155	664	$ 689,085	637

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.

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

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.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2026 and 2025, are as follows:

	2026	2025
Student Tuition and Fees, Net of Allowance for Doubtful Accounts of $651,013 and $533,240 in 2026 and 2025, Respectively	$ 568,333	$ 570,599
Grants and Contracts Receivable	3,224,279	3,496,102
Potomac Place Ground Rent and Management Operations	327,748	237,184
Other	231,892	212,939
Total Accounts Receivable	$ 4,352,252	$ 4,516,824

NOTE 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.

NOTE 5 CAPITAL ASSETS (CONTINUED)

At June 30, 2026, the University had $9.6 million in outstanding contractual commitments, of which $9.0 million relating to the Dining Hall project. At June 30, 2025, the University had no significant outstanding contractual commitments for property, plant, and equipment.

Summary of capital assets and right-to-use leased assets transactions for the University as of June 30, 2026 and 2025, are as follows:

	2026			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 1,120,925	$ -	$ -	$ 1,120,925
Construction in Progress	11,536,051	19,148,203	11,691,146	18,993,108
Total Capital Assets not Being Depreciated	12,656,976	19,148,203	11,691,146	20,114,033
Capital Assets Being Depreciated:				
Land Improvements	8,765,877	4,794	-	8,770,671
Infrastructure	18,948,288	1,061,664	-	20,009,952
Buildings	174,624,449	10,513,479	-	185,137,928
Equipment	22,260,306	2,241,101	665,717	23,835,690
Library Books	4,453,111	85,476	-	4,538,587
Total Capital Assets Being Depreciated	229,052,031	13,906,514	665,717	242,292,828
Less: Accumulated Depreciation for:				
Land Improvements	5,854,717	475,424	-	6,330,141
Infrastructure	10,952,550	457,369	-	11,409,919
Buildings	92,903,588	4,033,276	-	96,936,864
Equipment	16,118,975	1,352,259	586,000	16,885,234
Library Books	4,122,078	37,435	-	4,159,513
Total Accumulated Depreciation	129,951,908	6,355,763	586,000	135,721,671
Capital Assets Being Depreciated, Net	99,100,123	7,550,751	79,717	106,571,157
Right-to-Use Leased Assets Being Amortized:				
Buildings	90,144	-	90,144	-
Equipment	2,052,931	1,242	-	2,054,173
Total Leased Assets Being Amortized	2,143,075	1,242	90,144	2,054,173
Less: Accumulated Amortization for:				
Buildings	61,813	28,331	90,144	-
Equipment	824,810	559,620	-	1,384,430
Total Accumulated Amortization	886,623	587,951	90,144	1,384,430
Total Right-to-Use Leased Assets, Net	1,256,452	(586,709)	-	669,743

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2026			
	Beginning Balance	Additions	Reductions	Ending Balance
SBITA:				
Subscriptions	$ 2,658,974	$ 2,667,574	$ 975,791	$ 4,350,757
Total Subscriptions Being Amortized	2,658,974	2,667,574	975,791	4,350,757
Less: Accumulated Amortization on SBITA:				
Subscriptions	1459970	956333	975791	1,440,512
Total Accumulated Amortization	1459970	956333	975791	1,440,512
Total SBITA Assets, Net	1,199,004	1,711,241	-	2,910,245
Total Capital Assets, Net	$ 114,212,555	$ 27,823,486	$ 11,770,863	$ 130,265,178

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2025			
	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets not Being Depreciated:				
Land	$ 1,120,925	$ -	$ -	$ 1,120,925
Construction in Progress	2,421,594	12,423,496	3,309,039	11,536,051
Total Capital Assets not Being Depreciated	3,542,519	12,423,496	3,309,039	12,656,976
Capital Assets Being Depreciated:				
Land Improvements	8,212,237	597,504	43,864	8,765,877
Infrastructure	17,395,581	1,556,407	3,700	18,948,288
Buildings	173,406,234	1,659,294	441,079	174,624,449
Equipment	21,217,024	1,766,602	723,320	22,260,306
Library Books	4,421,686	31,425	-	4,453,111
Total Capital Assets Being Depreciated	224,652,762	5,611,232	1,211,963	229,052,031
Less: Accumulated Depreciation for:				
Land Improvements	5,438,220	454,611	38,114	5,854,717
Infrastructure	10,562,007	394,243	3,700	10,952,550
Buildings	89,486,327	3,743,143	325,882	92,903,588
Equipment	15,625,051	1,195,747	701,823	16,118,975
Library Books	4,073,914	48,164	-	4,122,078
Total Accumulated Depreciation	125,185,519	5,835,908	1,069,519	129,951,908
Capital Assets Being Depreciated, Net	99,467,243	(224,676)	142,444	99,100,123
Right-to-Use Leased Assets Being Amortized:				
Buildings	90,144	-	-	90,144
Equipment	2,031,933	20,998	-	2,052,931
Total Leased Assets Being Amortized	2,122,077	20,998	-	2,143,075
Less: Accumulated Amortization for:				
Buildings	30,907	30,906	-	61,813
Equipment	343,388	559,382	77,960	824,810
Total Accumulated Amortization	374,295	590,288	77,960	886,623
Total Right-to-Use Leased Assets, Net	1,747,782	(569,290)	(77,960)	1,256,452
SBITA:				
Subscriptions	2,568,274	719,086	628,386	2,658,974
Total Subscriptions Being Amortized	2,568,274	719,086	628,386	2,658,974
Less: Accumulated Amortization on SBITA:				
Subscriptions	1291143	797213	628386	1,459,970
Total Accumulated Amortization	1291143	797213	628386	1,459,970
Total SBITA Assets, Net	1,277,131	(78,127)	-	1,199,004
Total Capital Assets, Net	$ 106,034,675	$ 11,551,403	$ 3,373,523	$ 114,212,555

NOTE 6 LONG-TERM LIABILITIES

Summary of long-term obligation transactions for the University for the years ended June 30, 2026 and 2025 are as follows:

	2026				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Note, and Leases:					
Bonds Payable	$ 25,350,845	$ -	$ 1,894,453	$ 23,456,392	$ 1,965,208
Bond Premium/Discount	18,550	-	2,204	16,346	-
Note Payable	6,634,472	-	680,263	5,954,209	607,768
Lease Obligations	1,275,685	1,120	409,108	867,697	403,020
SBITA Obligations	906,186	2,245,014	862,862	2,288,338	972,083
Total Bonds, Note, and Leases	34,185,738	2,246,134	3,848,890	32,582,982	3,948,079
Other Long-Term Liabilities:					
Advances from Federal Sponsors	74,164	-	38,638	35,526	-
Compensated Absences	1,261,174	79,098	-	1,340,272	875,081
Other Postemployment Benefits Liability (Asset)	(60,732)	266,614	-	205,882	-
Total Other Long-Term Liabilities	1,274,606	345,712	38,638	1,581,680	875,081
Total Long-Term Liabilities	$ 35,460,344	$ 2,591,846	$ 3,887,528	$ 34,164,662	$ 4,823,160

	2025				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Note, and Leases:					
Bonds Payable	$ 27,181,702	$ -	$ 1,830,857	$ 25,350,845	$ 1,894,453
Bond Premium/Discount	20,754	-	2,204	18,550	-
Note Payable	6,802,046	427,005	594,579	6,634,472	680,264
Lease Obligations	1,626,291	96,794	447,400	1,275,685	409,108
SBITA Obligations	1,006,750	684,156	784,720	906,186	516,933
Total Bonds, Note, and Leases	36,637,543	1,207,955	3,659,760	34,185,738	3,500,758
Other Long-Term Liabilities:					
Advances from Federal Sponsors	106,683	-	32,519	74,164	-
Compensated Absences	1,243,125	18,049	-	1,261,174	813,599
Net Pension Liability	8,104	-	8,104	-	-
Other Postemployment Benefits Liability (Asset)	(446,801)	386,069	-	(60,732)	-
Total Other Long-Term Liabilities	911,111	404,118	40,623	1,274,606	813,599
Total Long-Term Liabilities	$ 37,548,654	$ 1,612,073	$ 3,700,383	$ 35,460,344	$ 4,314,357

NOTE 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 $419,829 plus an interest rate of 6.54% and due dates ranging from March 2024 through August 2027.

NOTE 7 LEASES (CONTINUED)

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

Year Ending June 30,	Principal	Interest	Total
2027	$ 403,020	$ 56,122	$ 459,142
2028	429,729	29,412	459,141
2029	34,948	928	35,876
Total Minimum Lease Payments	$ 867,697	$ 86,462	$ 954,159

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, 2026 the University did not make any variable payments.

NOTE 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 from 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 2031 and provide for renewal options.

As of June 30, 2026, SBITA assets, net of related accumulated amortization, totaled $2,910,245.

The future subscription payments under SBITA agreements are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 972,083	$ 153,249	$ 1,125,332
2028	595,726	89,283	685,009
2029	414,527	46,186	460,713
2030	255,158	17,088	272,246
2031	50,844	6,108	56,952
Total Minimum Subscription Payments	$ 2,288,338	$ 311,914	$ 2,600,252

NOTE 8 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

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, 2026, the University did not make any variable payments.

During the year ended June 30, 2026, the University did not make any payments related to termination penalties.

During the year ended June 30, 2026, the University did not have any commitments under SBITA agreements prior to the commencement of the SBITA term.

During the year ended June 30, 2026, the University did not have any impairment losses on SBITA assets.

NOTE 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 matured 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 six years with a final payment of $150,000 in year seven. 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 six years with a final payment of $142,000 in year seven. In February 2025, the University entered into a financing arrangement for the renovation of the soccer field turf. The financing arrangement holds an interest rate of 7.53% and will mature in April 2030.

Future annual payments on all of the notes payable for years subsequent to June 30, 2026, are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 607,768	$ 145,933	$ 753,701
2028	483,991	133,584	617,575
2029	509,700	120,250	629,950
2030	452,750	105,010	557,760
2031	465,000	91,688	556,688
2032 - 2036	2,780,000	263,375	3,043,375
2037 - 2038	655,000	8,188	663,188
Total	$ 5,954,209	$ 868,028	$ 6,822,237

NOTE 10 BONDS PAYABLE

Bonds payable as of June 30, 2026 and 2025, consisted of the following:

		Principal Amount Outstanding	
	Interest Rate	2026	2025
Refunding Revenue Bonds, Due Through 2033	3.00% - 4.375%	$ 2,010,000	$ 2,255,000
Refunding Revenue Bonds, Due Through 2037	3.65%	21,446,392	23,095,845
Total		23,456,392	25,350,845
Bond Premium		16,346	18,550
Total		$ 23,472,738	$ 25,369,395

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 Refunding Revenue 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 Refunding Revenue 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, 2026, are as follows:

Year Ending	2013 Bonds		2017 Bonds		Total	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
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	285,000	52,087	1,906,158	565,626	2,191,158	617,713
2031	295,000	40,687	1,976,368	495,202	2,271,368	535,889
2032-2036	635,000	42,000	11,027,365	1,326,990	11,662,365	1,368,990
2037	-	-	1,216,536	59,034	1,216,536	59,034
Total	$ 2,010,000	$ 354,481	$ 21,446,392	$ 4,543,455	$ 23,456,392	$ 4,897,936

NOTE 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:

	2026	2025
Net OPEB (Asset) Liability	$ 205,882	$ (60,732)
Deferred Outflows of Resources	774,990	410,377
Deferred Inflows of Resources	402,965	333,113
Revenues	234,784	102,821
Expenses	304,160	(103,995)
Contributions Made by University	148,049	57,691

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 10 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 nonparticipating 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

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.

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 $38 million for the fiscal year ending 2025. In fiscal year 2025, the PAYGO rate was $34 per active health policy per month. In fiscal year 2024, there was no subsidization of the retirees' healthcare from PAYGO premiums. RHBT had significant savings with the Humana contract renewal beginning fiscal years 2022 through 2025. In addition to the Humana contract savings, RHBT experienced favorable investment returns in fiscal year 2021, resulting in an excess in the premium stabilization reserve. RHBT passed on these savings to PEIA active employers by not billing PAYGO 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Contributions (Continued)

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.

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, 2025 and 2024. The liabilities were determined by actuarial valuations as of June 30, 2024 and 2023. 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 rates for pre-Medicare and Medicare per capita costs start at 5.0% medical and 8.0% drug. The trends increase over four years to 7.0% and 9.5%, respectively. The trends then decrease linearly for five years until ultimate trend rate of 4.5% is reached in plan year end 2034.
- Inflation rate: 2.50%
- Wage inflation: 2.75% for PERS and TRS, and 3.25% for Troopers
- Discount rate: 7.40%

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

- 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).

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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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.

	2026		2025	
Asset Class	Target Allocation	Long-Term Expected Real Return	Target Allocation	Long-Term Expected Real Return
Global Equity	45.0%	7.4%	45.0%	7.4%
Core Plus Fixed Income	15.0%	3.9%	15.0%	3.9%
Private Credit and Income	6.0%	7.4%	6.0%	7.4%
Core Real Estate	12.0%	7.7%	12.0%	7.7%
Hedge Fund	10.0%	4.5%	10.0%	4.5%
Private Equity	12.0%	10.0%	12.0%	10.0%
Target Allocation	100.0%		100.0%	

The actuarial assumptions used in the June 30, 2024 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, 2024, 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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, 2026 and 2025 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:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Net OPEB (Asset) Liability as of June 30, 2026	$ 786,375	$ 205,882	$ (289,648)
Net OPEB (Asset) Liability as of June 30, 2025	265,520	(60,732)	(332,440)

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, 2026 and 2025 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:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB (Asset) Liability as of June 30, 2026	$ 786,375	$ 205,882	$ (289,648)
Net OPEB (Asset) Liability as of June 30, 2025	265,520	(60,732)	(332,440)

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, 2025 and 2024. The total OPEB liability was determined by actuarial valuations as of June 30, 2024 and 2023 and rolled forward to the respective dates.

The University's proportionate share of the net OPEB liability as of June 30, 2026 and 2025 are as follows:

	2026	2025
Recognized University Net OPEB (Asset) Liability	$ 205,882	$ (60,732)
Nonemployer Contributing Entity's (State of West Virginia) Portion of the Collective Net OPEB Liability	163,340	(190,750)
Total Net OPEB (Asset) Liability	$ 369,222	$ (251,482)

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

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, 2025 and 2024. Employer contributions are recognized when due. At June 30, 2025 and 2024, the University's proportion was 0.218317431% and 0.145862787%, respectively.

The University recognized OPEB expense for the years ended June 30, 2026 and 2025 as follows:

	2026	2025
University's Proportionate Share of OPEB Expense	$ 69,376	$ (206,816)
OPEB Expense Attributable to Special Funding from a Nonemployer Contributing Entity	234,784	102,821
Total OPEB Expense	$ 304,160	$ (103,995)

The University also recognized revenue of $234,784 and $102,821 for support provided by the State for years ended June 30, 2026 and 2025, respectively.

At June 30, 2026 and 2025, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	2026	2025
Deferred Outflows of Resources:		
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ 10,805	$ 29,330
Net Difference Between Projected and Actual Investment Earnings	187,376	211,540
Changes in Assumptions	481,014	23,185
Contributions after the Measurement Date	95,795	146,322
Total Deferred Outflows of Resources	$ 774,990	$ 410,377
Deferred Inflows of Resources:		
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	$ (58,515)	$ (131,037)
Net Difference Between Projected and Actual Investment Earnings	(150,430)	(69,193)
Changes in Assumptions	(42,429)	(71,814)
Differences Between Expected and Actual Experience	(151,591)	(61,069)
Total Deferred Inflows of Resources	$ (402,965)	$ (333,113)

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Assumptions (Continued)

The University will recognize the $95,795 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, 2027. 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 Ending June 30,	Amount
2027	$ 153,292
2028	253,582
2029	(72,986)
2030	(57,658)
Total	$ 276,230

NOTE 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.

NOTE 12 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS (CONTINUED)

Debt service assessed for the years ending June 30, 2026 and 2025 are as follows:

	2026	2025
Fees Assessed by the Commission for Debt Service	$ 15,940	$ 15,929

NOTE 13 UNRESTRICTED COMPONENTS OF NET POSITION

The University did not have any board designated unrestricted components of net position as of June 30, 2026 or 2025.

	2026	2025
Total Unrestricted Net Position Before OPEB and Net Pension Liability	$ 12,147,509	$ 9,567,796
Less: OPEB Asset (Liability)	(205,882)	60,732
Total Unrestricted Component of Net Position	$ 11,941,627	$ 9,628,528

NOTE 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 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, 2026, 2025, and 2024, were $2,513,495, $2,514,138, and $2,598,069, respectively, and employee contributions in 2026, 2025, and 2024 of $1,256,747, $1,257,069, and $1,299,035, respectively.

NOTE 14 DEFINED CONTRIBUTION PLANS (CONTINUED)

The total contributions that the University was required to contribute to the Great West for the years ended June 30, 2026, 2025, and 2024, were $-0-, $16,617, and $67,197, respectively, and the total employee contributions in 2026, 2025, and 2024 of $-0-, $8,309, and $33,599, respectively.

The University's total payroll for the years ended June 30, 2026 and 2025 was $23,873,874 and $23,972,533, respectively, and total covered employees' salaries in TIAA-CREF and Great West were, $20,954,087 and $-0- in 2026, and $20,951,146 and $138,476 in 2025, respectively.

NOTE 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, 2026 and 2025:

	2026	2025
Net Pension Liability	$ -	$ -
Deferred Outflows of Resources	-	-
Deferred Inflows of Resources	27,000	67,925
Revenues	-	-
Pension Expense	(40,925)	(42,162)
Contributions Made by Shepherd	-	-

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.

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

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 Annual Comprehensive Financial Report. TRS issues a publicly available Annual Comprehensive 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:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994. The University's proportionate share attributable to this special funding subsidy was $-0- as of June 30, 2026 and 2025.

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions (Continued)

The University's contributions to TRS for the years ended June 30, 2026, 2025, and 2024, were approximately $-0-, $1,604, and $2,042, respectively.

Assumptions

The total pension liabilities for financial reporting purposes as of June 30, 2026 were determined by actuarial valuation as of July 1, 2024 and rolled forward to June 30, 2025 measurement date. Total pension liabilities as of June 30, 2025 were determined by actuarial valuation as of July 1, 2023 and rolled forward to June 30, 2024 measurement date. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost
- Asset valuation method: Market value
- Amortization method and period: Level dollar, fixed period through fiscal year 2034.
- Investment rate of return of 7.25%,
- 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-2016 General Employee Tables, headcount-weighted, projected with Scale MP-2021
    - *Healthy Male Retirees* – 103% Pub-2016 General Retiree Male Table, headcount-weighted, projected with Scale MP-2021
    - *Healthy Female Retirees* – 108% of Pub-2016 General Retiree Female Table, headcount-weighted, projected with Scale MP-2021
    - *Disabled Males – 118% of Pub-2016 General/Teachers Disabled Male Table, headcount-weighted, projected with Scale MP-2021*
    - *Disabled Females – 121% of Pub-2016 General/Teachers Disabled Female Table, headcount-weighted, projected with Scale MP-2021*
- Withdrawal rates: educators 1.90-31.50% and non-educators 2.50-18.00%.
- Disability rates: 0.000-0.507%
- 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, 2019 to June 30, 2024. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	2025		2024	
Asset Class	Target Allocation	Long-Term Expected Real Return	Target Allocation	Long-Term Expected Real Return
Domestic Equity	27.5%	5.3%	27.5%	5.9%
International Equity	27.5%	6.7%	27.5%	8.1%
Fixed Income	15.0%	4.3%	15.0%	4.9%
Real Estate	10.0%	7.2%	10.0%	6.8%
Private Equity	10.0%	8.0%	10.0%	8.0%
Hedge Funds	10.0%	5.0%	10.0%	4.3%
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, 2025 and 2024 measurement dates 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.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability as of June 30, 2025	$ -	$ -	$ -
Net Pension Liability as of June 30, 2024	-	-	-

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

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, 2025 and 2024. The total pension liability was determined by actuarial valuations as of June 30, 2024 and 2023 rolled forward to the respective dates.

The University's proportionate share of the TRS net pension liability as of June 30, 2026 and 2025 are as follows:

	2026	2025
Recognized University Net Pension Liability	$ -	$ -
University's Proportionate Share of Net Pension Liability Due to Special Funding Situation	-	-
Total University Proportionate Share of TRS Net Pension Liability	$ -	$ -

The allocation percentage assigned to each participating employer and nonemployer contributing entity is based on their proportionate share of employer and nonemployer contributions to TRS for each of the fiscal years ended June 30, 2025 and 2024. Employer contributions are recognized when due. At June 30, 2025 and 2024, the University's proportion was 0.000000%.

The University recognized TRS pension expense for the years ended June 30, 2026 and 2025 as follows:

	2026	2025
University's Proportionate Share of TRS Expense	$ (40,925)	$ (42,162)
Pension Expense Attributable to Special Funding from a Nonemployer Contributing Entity	-	-
Total TRS Pension Expense	$ (40,925)	$ (42,162)

The University also recognized revenue (expense) of $-0- for support provided by the State for years ended June 30, 2026 and 2025.

The University will recognize the 2026 pension contributions of $-0- as a reduction of the TRS net pension liability in the year ended June 30, 2027. Other 2026 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 Ending June 30,	Amount
2027	$ (17,714)
2028	(8,661)
2029	(936)
2030	311
Total	$ (27,000)

NOTE 15 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

At June 30, 2026 and 2025, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	2026	2025
Deferred Outflows of Resources:		
Differences Between Expected and Actual Experience	$ -	$ -
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	-
Net Difference Between Projected and Actual Earnings	-	-
Changes in Assumptions	-	-
Contributions after the Measurement Date	-	-
Total Deferred Outflows of Resources	$ -	$ -
Deferred Inflows of Resources:		
Differences Between Expected and Actual Experience	$ -	$ -
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	27,000	67,925
Net Difference Between Projected and Actual Investment Earnings	-	-
Total Deferred Inflows of Resources	$ 27,000	$ 67,925

Payables to the Pension Plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2026 and 2025.

NOTE 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.

NOTE 16 FOUNDATION (CONTINUED)

Based on the Foundation's audited financial statements as of June 30, 2026 and 2025, the Foundation's net assets (including unrealized gains) totaled $54,499,303 and $44,883,923, 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, 2026 and 2025, the Foundation contributed $2,025,976 and $1,427,381, respectively, to the University for scholarships and awards.

NOTE 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.

NOTE 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.

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Building Codes

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required under federal environmental, health, and safety regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

Arbitrage

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There are no arbitrage rebate liabilities as of June 30, 2026 or 2025.

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.

NOTE 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 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, 2026 and 2025, total ground rent due from SUFSO was $327,748 and $237,184 respectively.

NOTE 19 POTOMAC PLACE (CONTINUED)

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.

NOTE 20 CONDENSED COMPONENT UNIT INFORMATION – RESEARCH CORPORATION

Condensed component unit information for the Research Corporation, the University's blended component unit, for the years ended June 30 is as follows:

CONDENSED STATEMENTS OF NET POSITION

	2026	2025
Assets:		
Cash and Cash Equivalents	$ 361,062	$ 236,097
Capital Assets, Net	31,445	7,996
Other Assets	24,232	24,232
Total Assets	416,739	268,325
Net Position:		
Net Investment in Capital Assets	31,445	7,996
Unrestricted	385,294	260,329
Total Net Position	$ 416,739	$ 268,325

NOTE 20 CONDENSED COMPONENT UNIT INFORMATION – RESEARCH CORPORATION (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	2026	2025
Operating Revenues:		
Student Tuition and Fees	$ 188,405	$ 51,229
Contracts and Grants:		
Private Grants	58,458	177,757
Other Operating Revenues	15,831	-
Total Operating Revenues	262,694	228,986
Operating Expenses:		
Salaries and Wages	132,766	173,988
Supplies and Other Services	80,224	159,753
Depreciation and Amortization	1,340	1,803
Total Operating Expenses	214,330	335,544
Operating Income (Loss)	48,364	(106,558)
Noncapital Subsidies:		
Contributions for Scholarships	100,050	49,317
Total Noncapital Subsidies	100,050	49,317
Operating Income (Loss) and Noncapital Subsidies	148,414	(57,241)
Increase (Decrease) in Net Position	148,414	(57,241)
Net Position - Beginning of Year	268,325	325,566
Net Position - End of Year	$ 416,739	$ 268,325

CONDENSED STATEMENTS OF CASH FLOWS

	2026	2025
Net Cash Provided (Used) by:		
Operating Activities	$ 49,704	$ (104,755)
Noncapital Financing Activities	100,050	49,317
Capital Financing Activities	(24,789)	(5,469)
Increase (Decrease) in Cash and Cash Equivalents	124,965	(60,907)
Cash and Cash Equivalents - Beginning of Year	236,097	297,004
Cash and Cash Equivalents - End of Year	$ 361,062	$ 236,097

NOTE 21 SEGMENT INFORMATION

Condensed statements of net position as of June 30, 2026 and 2025:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2026	2025	2026	2025
ASSETS				
Current Assets	$ 6,734,493	$ 6,036,026	$ -	$ -
Noncurrent Assets	10,090,473	9,780,189	32,412,797	33,232,734
Total Assets	$ 16,824,966	$ 15,816,215	$ 32,412,797	$ 33,232,734
LIABILITIES				
Current Liabilities	$ 330,347	$ 440,453	$ 2,943,845	$ 3,845,967
Noncurrent Liabilities	1,771,346	2,028,547	19,736,184	21,446,392
Total Liabilities	2,101,693	2,469,000	22,680,029	25,292,359
NET POSITION				
Net Investment in Capital Assets	8,064,127	7,506,639	10,960,395	10,130,879
Unrestricted	6,659,146	5,840,576	(1,227,627)	(2,190,504)
Total Net Position	14,723,273	13,347,215	9,732,768	7,940,375
Total Net Position and Liabilities	$ 16,824,966	$ 15,816,215	$ 32,412,797	$ 33,232,734

NOTE 21 SEGMENT INFORMATION (CONTINUED)

Condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2026 and 2025:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2026	2025	2026	2025
OPERATING				
Operating Revenues	$ 1,035,603	$ 1,789,734	$ 12,535,166	$ 12,163,563
Operating Expenses	(347,635)	(383,375)	(10,285,659)	(10,401,140)
Net Operating Income	687,968	1,406,359	2,249,507	1,762,423
NONOPERATING				
Nonoperating Revenues	923,668	671,186	381,131	352,764
Nonoperating Expenses	(235,578)	(248,577)	(838,245)	(886,576)
Net Nonoperating Gain (Loss)	688,090	422,609	(457,114)	(533,812)
INCREASE IN NET POSITION	1,376,058	1,828,968	1,792,393	1,228,611
Net Position - Beginning of Year	13,347,215	11,518,247	7,940,375	6,711,764
NET POSITION - END OF YEAR	$ 14,723,273	$ 13,347,215	$ 9,732,768	$ 7,940,375

Condensed statements of cash flows for the years ended June 30, 2026 and 2025:

	Refunding Revenue Bonds 2013		Refunding Revenue Bonds 2017	
	2026	2025	2026	2025
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,302,214	$ 2,036,709	$ 3,315,877	$ 2,731,131
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(595,979)	(755,790)	(2,382,762)	(2,736,795)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	-
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	706,235	1,280,919	933,115	(5,664)
Cash and Cash Equivalents - Beginning of Year	5,769,686	4,488,767	(1,575,051)	(1,569,387)
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,475,921	$ 5,769,686	$ (641,936)	$ (1,575,051)

NOTE 22 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2026 and 2025, the following represents operating expenses within both natural and functional classifications:

2026	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 11,999,420	$ 2,675,020	$ 1,343,420	$ 7,587	$ -	$ -	$ 16,025,447
Research	214,540	31,339	33,338	-	-	-	279,217
Public Service	40,554	5,316	16,615	-	-	-	62,485
Academic Support	1,563,745	312,013	1,021,506	964	-	-	2,898,228
Student Services	2,334,337	646,657	1,164,950	-	-	-	4,145,944
General Institutional Support	2,913,487	1,005,057	1,085,622	-	-	-	5,004,166
Operations and Maintenance of Plant	1,279,428	353,682	1,324,093	1,397,011	-	-	4,354,214
Student Financial Aid	-	-	-	-	1,324,206	-	1,324,206
Auxiliary Enterprises	3,528,363	883,610	6,752,650	1,487,330	-	-	12,651,953
Depreciation	-	-	-	-	-	7,900,047	7,900,047
Total	$ 23,873,874	$ 5,912,694	$ 12,742,194	$ 2,892,892	$ 1,324,206	$ 7,900,047	$ 54,645,907

2025	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 11,852,170	$ 2,512,896	$ 1,174,896	$ 441	$ -	$ -	$ 15,540,403
Research	177,795	25,471	12,321	-	-	-	215,587
Public Service	87,888	17,228	10,614	1,050	-	-	116,780
Academic Support	1,563,822	318,719	855,796	1,684	-	-	2,740,021
Student Services	2,191,321	589,942	1,217,333	-	-	-	3,998,596
General Institutional Support	3,182,932	551,134	1,631,039	-	-	-	5,365,105
Operations and Maintenance of Plant	1,313,616	354,224	1,409,403	1,382,997	-	-	4,460,240
Student Financial Aid	-	-	-	-	1,916,073	-	1,916,073
Auxiliary Enterprises	3,602,989	860,732	6,406,565	1,528,079	-	-	12,398,365
Depreciation	-	-	-	-	-	7,223,409	7,223,409
Total	$ 23,972,533	$ 5,230,346	$ 12,717,967	$ 2,914,251	$ 1,916,073	$ 7,223,409	$ 53,974,579

NOTE 23 COMPONENT UNIT DISCLOSURES

The notes taken directly from the audited financial statements of the Foundation that are applicable to GASB presentation and significant to the University are as follows:

A. Cash and Cash Equivalents

Cash and cash equivalents includes 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 below, 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 the required monthly deposit was $5,371 at June 30, 2026 and increases by 3% each February until the USDA loan is paid off.
Cash and cash equivalents consisted of the following at June 30, 2026 and 2025:

	2026	2025
Restricted Cash:		
Cash Associated with Custodial Liabilities	$ 1,367,674	$ 1,260,214
Cash Associated with Restricted Funds	3,449,890	2,957,713
Debt Service Reserve Account	372,450	268,520
Property Replacement Reserve Account	65,486	147,627
Total Restricted Cash	5,255,500	4,634,074
Unrestricted Cash	455,332	285,611
Total Cash and Cash Equivalents	$ 5,710,832	$ 4,919,685

B. 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, 2026 and 2025 are composed of the following:

	2026	
	Cost	Market
Certificates of Deposit	$ 756,208	$ 756,208
Fixed Income	4,432,178	4,354,057
Mutual and Exchange Traded Funds	29,373,453	40,675,439
Hedge Funds	2,790,190	3,064,784
Non-Exchange Traded REIT	659,831	702,920
Stocks	3,778,094	4,494,335
Investment Securities	$ 41,789,954	$ 54,047,743

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

B. Investments (Continued)

	2025	
	Cost	Market
Certificates of Deposit	$ 734,784	$ 734,784
Fixed Income	5,535,868	5,545,157
Mutual and Exchange Traded Funds	20,699,227	31,630,062
Hedge Funds	2,638,447	2,789,332
Non-Exchange Traded REIT	723,300	678,047
Stocks	2,525,234	3,580,756
Investment Securities	$ 32,856,860	$ 44,958,138

At June 30, 2026 and 2025, there was $1,590,669 and $1,292,014, 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 statement of net position due to not having a readily available market value. Investment in real estate is comprised of the following:

	2026		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 40,000	$ -	$ 40,000
Building	160,202	123,489	36,713
Total	$ 200,202	$ 123,489	$ 76,713

	2025		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 40,000	$ -	$ 40,000
Building	160,202	119,484	40,718
Total	$ 200,202	$ 119,484	$ 80,718

Depreciation expense related to investment in real estate amounted to $4,005 for each year ended June 30, 2026 and 2025, respectively.

The following is a summary of the Foundation’s investments at June 30, 2026 and 2025:

	2026	2025
Investment Securities	$ 54,047,743	$ 44,958,138
Real Estate	76,713	80,718
Total	$ 54,124,456	$ 45,038,856

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

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

C. Property and Equipment

Equipment consists of the following:

	2026	2025
Office Equipment	$ 12,749	$ 12,749
Residence Hall Building and Improvements	20,464,677	20,362,692
Residence Hall Furniture and Fixtures	995,282	997,887
Total	21,472,708	21,373,328
Less: Accumulated Depreciation	(5,538,806)	(4,990,186)
Net Book Value	$ 15,933,902	$ 16,383,142

Depreciation expense related to property and equipment was $551,227 and $528,304 for the years ended June 30, 2026 and 2025, respectively.

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

D. Loans Payable

As disclosed below, 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 Foundation 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 agreement required 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. 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.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Loans Payable (Continued)

Due to the economic impact caused by the COVID-19 pandemic on Potomac Place revenues, Shepherd University Foundation Supporting Organization applied for a 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 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 principal. Commencing with the October 2022 loan payment, the monthly principal and interest payment increased to $79,890 to fully amortize the loan principal by the original maturity date.

The carrying value of the collateral securing the above loan was $15,933,902 and $16,383,142 at June 30, 2026 and 2025, respectively. Total interest capitalized during the construction period of the student housing facility project amounted to $311,669.

The balance of the loan payable, net of loan costs, at June 30, 2026 and 2025 is as follows:

Description	2026	2025
USDA Rural Development Loan	$ 19,751,961	$ 20,136,733
Less: Loan Costs, Net of Accumulated Amortization of $9,962 and $8,700, Respectively	(39,928)	(41,190)
Total	$ 19,712,033	$ 20,095,543

The future required principal payments on the loan payable as of June 30, 2026 are as follows:

Year Ending June 30,	Amount
2027	$ 395,930
2028	405,949
2029	419,290
2030	431,505
2031	444,075
Thereafter	17,655,212
Total	$ 19,751,961

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

D. Loans Payable (Continued)

Amortization of loan costs charged to interest expense for the years ended June 30, 2026 and 2025 was $1,262 for each period.

E. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, requires that investments be classified according to a fair value hierarchy. With respect to Statement No. 72's fair value hierarchy, GASB defines inputs as "the assumptions that market participants would use when pricing an asset or liability, including assumptions about risk." Statement No. 72 further categorizes inputs as *observable or unobservable: Observable* inputs are "inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market participants would use when pricing an asset or liability," *Unobservable* inputs are "inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

- *Level 1* – Represented by quoted prices that are available in an active market. Level 1securities include highly 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.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Fair Value Measurements (Continued)

Fair value of assets measured on a recurring basis at June 30, 2026 and 2025 are as follows:

	2026			
	Total	Level 1	Level 2	Level 3
Pledges Receivable	$ 202,325	$ -	$ -	$ 202,325
Fixed Income:				
U.S. Treasuries	2,285,059	2,285,059	-	-
Corporate Bonds	1,739,977	-	1,739,977	-
Governmental Mortgage Pools	329,021	-	329,021	-
Mutual and Exchange Traded Funds:				
Large Blend	12,557,775	12,557,775	-	-
Large Growth	4,982,918	4,982,918	-	-
Large Value	4,117,984	4,117,984	-	-
Foreign Large Blend	4,088,307	4,088,307	-	-
Diversified Emerging Markets	3,264,180	3,264,180		
Intermediate Core-Plus Bond	2,434,344	2,434,344		
Foreign Large Growth	2,274,850	2,274,850	-	-
Small/Mid Cap Blend	2,200,594	2,200,594	-	-
Options Trading	1,256,595	1,256,595	-	-
Short-Term Bond	1,174,493	1,174,493	-	-
Inflation-Protected Bond	1,055,282	1,055,282	-	-
Commodities Broad Basket	461,598	461,598	-	-
Bank Loan	258,878	258,878	-	-
Foreign Large Value	221,595	221,595	-	-
World Large-Stock Blend	158,770	158,770	-	-
Real Assets	157,240	157,240	-	-
Foreign Small/Mid Growth	10,036	10,036	-	-
Stocks:				
Financial Services	1,309,336	1,309,336	-	-
Industrials	901,386	901,386	-	-
Healthcare	536,373	536,373	-	-
Technology	511,650	511,650	-	-
Consumer Cyclical	469,447	469,447	-	-
Consumer Defensive	240,594	240,594	-	-
Communication Services	211,798	211,798	-	-
Utilities	115,659	115,659	-	-
Real Estate	71,767	71,767	-	-
Energy	70,352	70,352	-	-
Basic Materials	55,973	55,973	-	-
Total Assets in the Fair Value Hierarchy	49,726,156	47,454,833	2,068,998	202,325
Investments Measured at Net Asset Value [(a)]:				
Ironwood Fund	2,182,299	-	-	-
Golub Fund	882,485	-	-	-
Nuveen Global Cities REIT	702,920	-	-	-
Total	3,767,704	-	-	-
Total Assets at Fair Value [(b)]	$ 53,493,860	$ 47,454,833	$ 2,068,998	$ 202,325

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Fair Value Measurements (Continued)

	2025			
	Total	Level 1	Level 2	Level 3
Fixed Income:				
U.S. Treasuries	$ 2,432,678	$ 2,432,678	$ -	$ -
Corporate Bonds	2,388,436	-	2,388,436	-
Governmental Mortgage Pools	391,600	-	391,600	-
Municipal Bonds	254,379	-	254,379	-
Corporate Asset Backed Securities	78,064	-	78,064	-
Mutual and Exchange Traded Funds:				
Large Blend	7,836,187	7,836,187	-	-
Large Value	3,613,274	3,613,274	-	-
Large Growth	3,403,022	3,403,022	-	-
Foreign Large Blend	2,944,581	2,944,581	-	-
High Yield Bond	2,621,469	2,621,469	-	-
Options Trading	1,616,165	1,616,165	-	-
Mid Cap Blend	1,537,879	1,537,879	-	-
Inflation-Protected Bond	1,443,201	1,443,201	-	-
Foreign Small/Mid Blend	1,442,340	1,442,340	-	-
Energy Limited Partnership	1,276,506	1,276,506	-	-
Foreign Large Growth	1,155,905	1,155,905	-	-
Small Blend	1,068,542	1,068,542	-	-
Relative Value Arbitrage	795,909	795,909	-	-
Multisector Bond	359,083	359,083	-	-
Mid Cap Value	341,707	341,707	-	-
Intermediate Core-Plus Bond	128,396	128,396	-	-
Short-Term Bond	45,896	45,896	-	-
Stocks:				
International	2,332,089	2,332,089	-	-
U.S. Small/Mid	848,357	848,357	-	-
U.S. Large Cap	400,310	400,310	-	-
Total Assets in the Fair Value Hierarchy	40,755,975	37,643,496	3,112,479	-
Investments Measured at Net Asset Value [(a)]:				
Ironwood Fund	1,875,007	-	-	-
Golub Fund	914,325	-	-	-
Nuveen Global Cities REIT	678,047	-	-	-
Total	3,467,379	-	-	-
Total Assets at Fair Value [(b)]	$ 44,223,354	$ 37,643,496	$ 3,112,479	$ -

(a) 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 Statement of Net Position.

(b) Certificates of Deposit totals of $756,208 and $734,784 for June 30, 2026 and 2025, respectively, included within the Investment total on the Statement of Net Position are not included within the fair value measuring chart above.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Fair Value Measurements (Continued)

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 4.5%. 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, 2026 and 2025:

June 30, 2026	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Pledges Receivable
Fair Value as of July 1, 2025	$ -
New Pledges Received	295,873
Payments Received	(88,992)
Change in Valuation	(4,556)
Fair Value as of June 30, 2026	$ 202,325

June 30, 2025	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Pledges Receivable
Fair Value as of July 1, 2024	$ 2,000
Payments Received	(2,000)
Fair Value as of June 30, 2025	$ -

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Fair Value Measurements (Continued)

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measure using the net asset value per share practical expedient as of June 30, 2026 and 2025.

June 30, 2026	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Ironwood Fund (a)	$ 2,182,299	N/A	Semi-Annually	95 days
Golub Fund (b)	882,485	$ 100,000	Not Eligible	N/A
Nuveen Global Cities REIT (c)	702,920	N/A	Monthly	15 days
Total	$ 3,767,704			

June 30, 2025	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Ironwood Fund (a)	$ 1,875,007	N/A	Semi-Annually	95 days
Golub Fund (b)	914,325	$ 100,000	Not Eligible	N/A
Nuveen Global Cities REIT (c)	678,047	N/A	Monthly	15 days
Total	$ 3,467,379			

(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.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

E. Fair Value Measurements (Continued)

Investments Measured Using the Net Asset Value per Share Practical Expedient (Continued)

The Foundation has committed to a total maximum investment in the Golub Fund of $1,000,000, of which $900,000 has been invested as of June 30, 2026. The remaining commitment is due to Golub Fund on demand.

(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, (4) realize appreciation from proactive investment management and asset management, and (5) 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.

F. 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 $2,025,976 and $1,427,381 for the years ended June 30, 2026 and 2025, respectively. As of June 30, 2026 and 2025, accounts payable to the University related to scholarships and support amounted to $181,775 and $1,050, 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, 2026 and 2025, respectively. As this lease agreement does not represent an exchange transaction, a right-of-use asset and lease obligation is not required to be recognized.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

F. Related Party Transactions – Shepherd University (Continued)

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 July 1, 2023 and expired on June 30, 2026. In July 2026, a new three-year lease agreement was signed with an effective date of July 1, 2026 and scheduled expiration date of June 30, 2029. The required monthly payments under the former and renewed lease agreement is $2,700. Total lease revenue from this lease agreement amounted to $32,400 for both years ended June 30, 2026 and 2025. Total future minimum lease payments due for each of the years ended June 30, 2027, 2028 and 2029 will be $32,400.

As disclosed below, 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 $253,441 and $38,746 for the years ended June 30, 2026 and 2025, 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 $19,340 and $11,177 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 $305,825 and $180,247, respectively.

G. 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 above, 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 variable annual lease 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.

NOTE 23 COMPONENT UNIT DISCLOSURES (CONTINUED)

G. Potomac Place Student Housing Facility Project (Continued)

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 $253,441 and $38,746 for the years ended June 30, 2026 and 2025, respectively. Cumulative cash payments made to Shepherd University for ground lease payments since the residence hall became operational amounted to $2,751,066 as of June 30, 2026.

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 lease fee rates, number of students served per semester and total fees collected on student residence hall room leases are noted below for the years ended June 30, 2026 and 2025.

	2026	2025
Single Bed Rate - Term	$ 4,999.00	$ 4,960.00
Double Bed Rate - Term	$ 3,760.00	$ 3,675.00
Single Bed Rate - Daily	$ 43.85	$ 43.51
Double Bed Rate - Daily	$ 32.98	$ 32.24
Total Students Served - Fall Semester	272	254
Total Students Served - Spring Semester	236	238
Student Residence Hall Room Revenue During School Year	$ 1,859,776	$ 1,764,211
Residence Hall Lease income for Summer Conferences	109,375	70,746
Lease Revenue from SU for Food Market	32,400	32,400
Late Fees and Fees for Damages	333	2,454
Less: Student Residence Hall Room Waivers	(52,640)	(58,257)
Total Net Residence Hall Room Rental for Fiscal Year	$ 1,949,244	$ 1,811,554
Total Cash Collected on Current Year Accounts	$ 1,920,358	$ 1,781,410

SHEPHERD UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS OF TRS
LAST TEN MEASUREMENT PERIODS

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, 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
June 30, 2024	-	-	-	-	-	-	-
June 30, 2025	-	-	-	-	-	-	-

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, 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
June 30, 2025	-	1,604	(1,604)	-	-
June 30, 2026	-	-	-	-	-

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

See accompanying Notes to Required Supplementary Information.

SHEPHERD UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AND SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN MEASUREMENT PERIODS

Schedule of Proportionate Share of the Net OPEB Liability

Measurement Date	University's Proportionate Share as a Percentage of Net OPEB Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Employee Payroll	University's 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
June 30, 2024	0.14586279	(60,732)	(190,750)	(251,482)	2,196,123	(2.77)	116.89
June 30, 2025	0.21831743	205,882	163,340	369,222	3,156,045	6.52	95.76

Schedule of OPEB 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
June 30, 2025	57,691	57,691	-	2,196,123	2.63
June 30, 2026	148,049	148,049	-	3,156,045	4.69

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

See accompanying Notes to Required Supplementary Information.

NOTE 1 CHANGE OF ASSUMPTIONS

Information, if necessary, can be obtained from the CPRB Annual Comprehensive Financial Report and the West Virginia Retiree Health Benefit Trust Fund Annual Financial Report.

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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 Policy Commission, as of and for the year ended June 30, 2026, 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 12, 2026. Our report includes a reference to other auditors who audited the financial statements of Shepherd University Foundation, Inc. (the Foundation), as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

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.

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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 the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 12, 2026



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