

Consolidated  
Financial  
Statements

June 30,  
2025

---

Shepherd University  
Foundation, Inc. and  
Supporting Organization

## CONTENTS

	<b>PAGE</b>
<b>OFFICERS AND BOARD OF DIRECTORS OF SHEPHERD UNIVERSITY FOUNDATION, INC.</b>	
<b>INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS</b>	1-3
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-32
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Financial Position – June 30, 2025	33
Consolidating Statement of Financial Position – June 30, 2024	34
Consolidating Statement of Activities – Year Ended June 30, 2025	35
Consolidating Statement of Activities – Year Ended June 30, 2024	36
Consolidating Statement of Cash Flows – Year Ended June 30, 2025	37
Consolidating Statement of Cash Flows – Year Ended June 30, 2024	38
<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	39-40

**SHEPHERD UNIVERSITY FOUNDATION, INC.**

**Officers**

<b><u>Name</u></b>	<b><u>Position</u></b>
Austin J. Slater, Jr. '76	President
D. Benjamin Deuell, DO '08	Vice President
Robert H. Jensenius '72	Secretary
Dr. Jason Best	Treasurer
Sherri Janelle	Executive Vice President

**Board of Directors**

<b><u>Name</u></b>	<b><u>Class</u></b>
Austin J. Slater, Jr. '76	2025
Alfred L. (Al) Young '89	2025
Mary Kathryn Robinson	2025
Andrew Patterson '95	2025
Darren B. Iden '89	2025
Pat Moler Egle '60	2026
Robert H. Jensenius '72	2026
D. Benjamin Deuell, DO '08	2026
Dr. Jason Best	2026
Christopher K. Robertson '89	2026
Christopher S. Colbert '95	2027
Matthew P. Knott '96	2027
Victoria M. Johnson '96	2027
The Honorary Lynsey Matschat	2027
Dr. Jason Allen	2027
Mary Jo Brown '73	2028
W. Gregory (Greg) Snellings '91	2028
Daniel Clarke	2028
Dr. Benjamin Bankhurst	2028
Rich Goodman '14 and '17	2028
James S. Scott '88	2028

**Directors Emeriti**

Ramon A. Alvarez '62  
Allen L. Lueck '67  
Susan Mentzer-Blair '72  
Jerry P. Kerr '68  
Kenneth E. Harbaugh

**Directors Emeriti**

Michael A. Smith '89  
Dr. Jane Ikenberry-Dorrier '65  
Elizabeth S. Lowe '52  
David T. Newlin '76  
Dr. James A. Butcher

**Directors at Large**

Mary J. C. Hendrix '74  
Hannah Brumbaugh  
Sherri Janelle



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Shepherd University Foundation, Inc. and Supporting Organization  
Shepherdstown, West Virginia

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### *Opinion*

We have audited the accompanying consolidated financial statements of the Shepherd University Foundation, Inc. and Supporting Organization (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Shepherd University Foundation, Inc. and Supporting Organization as of June 30, 2025 and 2024, and the changes in their consolidated net assets and their consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shepherd University Foundation, Inc. and Supporting Organization 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.

#### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 Shepherd University Foundation, Inc. and Supporting Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 consolidated 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 Shepherd University Foundation, Inc. and Supporting Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shepherd University Foundation, Inc. and Supporting Organization'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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statements of financial position, activities and cash flows are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating statements of financial position, activities and cash flows are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2025, on our consideration of Shepherd University Foundation, Inc. and Supporting Organization'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 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 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 Shepherd University Foundation Inc. and Supporting Organization's internal control over financial reporting and compliance.

*Smith Elliott Keorns + Company, LLC*

Hagerstown, Maryland  
October 7, 2025

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,919,685	\$ 4,165,167
Pledges receivable, net of present value adjustment	-	2,000
Accounts receivable	57,490	61,080
Due from Shepherd University	11,177	11,098
Accrued interest receivable	46,348	53,219
Prepaid expenses	31,546	34,505
Investments	45,038,856	40,443,942
Property and equipment, net	16,383,142	16,768,138
<b>TOTAL ASSETS</b>	<b>\$ 66,488,244</b>	<b>\$ 61,539,149</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,074	\$ 6,788
Due to Shepherd University	181,297	222,052
Accrued interest	17,447	17,771
Custodial liabilities	1,260,214	1,277,433
Gift annuities payable	42,746	48,398
Loan payable, net	20,095,543	20,468,160
Total Liabilities	21,604,321	22,040,602
<b>Net Assets</b>		
Net Assets Without Donor Restriction		
Undesignated (deficit) - SUF	(867,851)	(1,091,526)
Undesignated (deficit) - SUF SO	(3,112,415)	(3,178,312)
Designated - SUF	66,783	55,515
Net Assets With Donor Restriction		
Restricted for a specific purpose - SUF	19,169,840	15,031,150
Restricted in perpetuity - SUF	29,627,566	28,681,720
Total Net Assets	44,883,923	39,498,547
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 66,488,244</b>	<b>\$ 61,539,149</b>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2025 and 2024**

---

	2025	2024
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Potomac Place lease income, net of waivers	\$ 1,811,554	\$ 1,923,571
Cash contributions	17,500	10,000
Nonfinancial contributions	12,600	12,600
Net investment return	18,860	896
Other revenue	2,634	13,066
Transfers for SUF management fees earned	911,710	788,325
Other transfers	3,000	(2,250)
Net assets released from restrictions	<u>1,348,354</u>	<u>1,732,792</u>
 Total Revenue and Other Support	 <u>4,126,212</u>	 <u>4,479,000</u>
<b>EXPENSES</b>		
Program expenses	3,207,629	3,783,641
General and administrative	<u>617,743</u>	<u>696,004</u>
 Total Expenses	 <u>3,825,372</u>	 <u>4,479,645</u>
 Change In Net Assets Without Donor Restrictions	 <u>300,840</u>	 <u>(645)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
<b>SUPPORT AND REVENUE</b>		
Cash contributions	2,177,966	2,557,167
Stock contributions	209,165	156,416
Other revenue	30,255	15,382
Net investment return	4,930,214	4,250,787
Gain from sale of interest in life estate property	-	163,228
Transfers for SUF management fees earned	(911,710)	(788,325)
Other transfers	(3,000)	2,250
Net assets released from restrictions	<u>(1,348,354)</u>	<u>(1,732,792)</u>
 Change in Net Assets With Donor Restriction	 <u>5,084,536</u>	 <u>4,624,113</u>
 Increase In Net Assets	 <u>5,385,376</u>	 <u>4,623,468</u>
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>39,498,547</u>	 <u>34,875,079</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 44,883,923</u>	 <u>\$ 39,498,547</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 5,385,376	\$ 4,623,468
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) on investments	(3,808,854)	(3,277,494)
(Gain) from sale of interest in life estate property	-	(163,228)
Depreciation	532,309	527,439
Non-cash interest expense associated with debt issuance costs	1,262	1,262
Non-cash stock contributions received	(209,165)	(156,416)
Write-off of uncollectible pledges	-	67,000
Decrease in pledges receivables, net of discount	2,000	20,220
(Increase) decrease in accounts receivable	3,590	(10,078)
(Increase) decrease in accrued interest receivable	6,871	(9,595)
Decrease in prepaid expenses	2,959	8,357
Increase (decrease) in accounts payable	286	(211)
(Decrease) in net due to (due from) Shepherd University	(40,834)	(340,228)
(Decrease) in accrued interest payable	(324)	(315)
(Decrease) in custodial liabilities	(17,219)	(132,616)
	<u>1,858,257</u>	<u>1,157,565</u>
Net Cash Provided By Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	7,467,962	5,432,269
Purchases of investments	(8,048,862)	(6,961,832)
Proceeds from sale of interest in life estate property	-	610,728
Purchases of property, plant, and equipment	(143,308)	(118,667)
Gift annuity liability payments	(5,652)	(5,392)
	<u>(729,860)</u>	<u>(1,042,894)</u>
Net Cash (Used In) Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of loan borrowings	(373,879)	(363,296)
	<u>(373,879)</u>	<u>(363,296)</u>
Net Cash (Used In) Financing Activities		
Net Increase (Decrease) In Cash and Cash Equivalents	754,518	(248,625)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>4,165,167</u>	<u>4,413,792</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,919,685</u>	<u>\$ 4,165,167</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 584,801	\$ 595,384

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

#### ***Reporting Principles***

The consolidated financial statements include Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization (collectively referred to as the Foundation). Shepherd University Foundation, Inc. shares a common governing board with and has an ongoing economic interest in the Shepherd University Foundation Supporting Organization (Supporting Organization). As a result, these entities are financially interrelated and consolidation is required under accounting principles generally accepted in the United States. All significant intercompany balances and transactions have been eliminated.

#### ***Nature of Operations and Program Activities***

The Shepherd University Foundation, Inc., and the Shepherd University Foundation Supporting Organization are nonprofit organizations incorporated in the state of West Virginia and headquartered in Shepherdstown, West Virginia. The primary purpose of the Shepherd University Foundation, Inc. is to provide assistance and support for the students, facilities and programs of Shepherd University. The primary purpose of the Shepherd University Foundation Supporting Organization is to provide financial support and other supporting services to the Shepherd University Foundation, Inc. The major program of the Shepherd University Foundation Supporting Organization is the operation of the Potomac Place residence hall for students attending Shepherd University.

#### ***Basis of Accounting***

The consolidated financial statements of the Shepherd University Foundation, Inc. and Supporting Organization are presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restriction (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Custodial accounts representing funds held by the Foundation on behalf of Shepherd University and/or departments of the University or related parties to the University are reported as custodial liabilities. The Foundation is responsible for the management and administration of these funds.

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

#### ***Net Assets***

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

#### ***Net Assets Without Donor Restriction***

Net assets that are not subject to donor-imposed stipulations. Net assets without donor imposed restrictions include net assets designated by the board for a specific purpose, namely to provide college support to Shepherd University. Board-designated net assets amounted to \$66,783 and \$55,515 at June 30, 2025 and 2024, respectively.

#### ***Net Assets With Donor Restriction***

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

#### ***Investments***

The Foundation accounts for its investments in accordance with United States generally accepted accounting principles (U.S. GAAP). Under U.S. GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets.

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

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Pledges Receivable*

Pledges are recorded as revenue when received. It is the Foundation's policy to evaluate individual pledges annually to determine collectability. Pledges deemed uncollectable are written off as part of the change in net assets in the year such determination is made. No allowance for pledges receivable was deemed necessary at June 30, 2025 or 2024. The present value adjustment for pledges receivable is calculated by determining the present value of the future contributions expected to be received, using a discount rate of 6%.

#### *Allowance for Credit Losses – Recently Adopted Accounting Standard*

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

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

#### *Contributions*

Unconditional contributions, including unconditional promises to give, are recognized as revenue in the period received. All contributions are available for unrestricted use unless specifically restricted by the donor. Bequests are recorded as revenue at the time an unassailable right to the gift has been established and the proceeds are measurable. Non-cash contributions received that are retained or passed through to Shepherd University are recorded at their current or appraised value at the date they are contributed. Donated stock is recorded at its fair market value on the date of receipt.

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

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Property and Equipment*

Purchased assets are recorded at cost. Donated assets retained by the Foundation are recorded at their current or appraised value at the date they are donated. Expenditures of \$5,000 or more and having a useful life greater than one year are capitalized. Assets no longer in use are retired. Maintenance and repairs are expensed as incurred. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	<b>Years</b>
Office equipment	3 - 7
Residence hall building and improvement	8 - 40
Residence hall furniture and fixtures	5

#### *Loan Origination Costs*

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

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

#### *Advertising*

Advertising costs, included as a component of program development, are expensed as incurred and amounted to \$0 and \$1,274 for the years ended June 30, 2025 and 2024, respectively.

#### *Functional Expenses*

Certain costs have been allocated among the programs and supporting services. Allocation of costs by function is based principally on specific identification of costs to either program or general and administrative expenses. Non-specifically identified costs are based on square footage allocations and on management's allocation of time requirements incurred for the various functions based on their analysis of historical activities. The Foundation did not engage in any material fundraising activities during the years ended 2025 and 2024, respectively.

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

#### ***Residence Hall Accounts Receivable, Revenue and Deferred Revenues***

Revenues related to the operation of the Potomac Place residence hall are recognized in the period the related housing and services are provided. To the extent applicable, deferred revenue is recognized for any advanced payments received from students and others prior to the period of the rental. Accounts receivable primarily represents amounts due for residence hall rentals that occurred prior to the financial statement date. Management determines an allowance for doubtful accounts by regularly evaluating the individual receivables and considering the student's financial condition and payment history. Receivables are written off when deemed uncollectible. As of June 30, 2025 and 2024, management feels all receivables will be collected and therefore, has not established an allowance for doubtful accounts related to the accounts receivable from resident hall leasing activities.

#### ***Revenue Recognition – Exchange Transactions***

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

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

#### ***Transfers***

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

#### ***Use of Estimates in the Preparation of Consolidated Financial Statements***

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

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

---

#### ***Tax Exempt Status***

The Internal Revenue Service has determined that the Shepherd University Foundation, Inc. and Shepherd University Foundation Supporting Organization are organizations described in Section 501(c)(3) of the Internal Revenue Code and are therefore exempt from federal income tax. Shepherd University Foundation, Inc. has also been classified as a public charity under Section 509(a)(1) of the Internal Revenue Code and Shepherd University Foundation Supporting Organization has been classified as a public charity under Section 509(a)(3) of the Internal Revenue Code.

The Foundation follows generally accepted accounting principles, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Foundation's policy is to charge penalties and interest to income tax expense as incurred. The Foundation's federal and state income tax returns are subject to examination by the Internal Revenue Service and state tax authorities, generally for a period of three years after the returns are filed.

#### ***Leases***

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

#### ***Statement of Cash Flows***

For purposes of presenting cash flow information, the Foundation has defined cash equivalents as highly liquid debt instruments with original maturities of three months or less.

#### ***Concentrations of Credit Risk***

In the course of conducting its activities the Foundation encourages alumni, local businesses and the general public to support its purposes by regularly soliciting contributions. Some of the contributors pledge their support over several years in the form of pledges. Pledges that are legally enforceable represent extensions of credit by the Foundation to its donors.

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

---

#### *Risks and Uncertainties*

The Foundation places its demand deposits with local banks. At times such balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management considers this to be a normal business risk.

### NOTE 2 CASH AND CASH EQUIVALENTS

---

Cash and cash equivalents 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 in Note 9, the Foundation is required to maintain a debt service reserve account and property replacement reserve account. The Foundation is required to make monthly deposits of at least \$7,990 to the debt service reserve account until the account balance reaches \$922,092. The Foundation also must make monthly deposits into a property replacement reserve account. The amount of the required monthly deposit was \$5,565 at June 30, 2025 and increases by 3% each February until the USDA loan is paid off.

Cash and cash equivalents consisted of the following at June 30, 2025 and 2024:

	2025	2024
Restricted Cash		
Cash associated with custodial liabilities	\$ 1,260,214	\$ 1,277,433
Cash associated with restricted funds	2,957,713	2,227,607
Debt service reserve account	268,520	167,937
Property replacement reserve account	147,627	126,579
Total Restricted Cash	4,634,074	3,799,556
Unrestricted Cash	285,611	365,611
Total Cash and Cash Equivalents	\$ 4,919,685	\$ 4,165,167

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 3 PLEDGES RECEIVABLE

---

Pledges receivable represent amounts due to the Foundation for legally enforceable pledges. These pledges were payable in full or in part through June 30, 2025.

The outstanding balance of pledges receivable as of June 30, 2024 was \$2,000. These pledges were all due during the year ended June 30, 2025 and consisted of net assets with donor restriction. The full amount of unconditional promises to give were received by the Foundation during the year ended June 30, 2025.

### NOTE 4 INVESTMENTS

---

The Foundation maintains investment securities with various brokerage companies. The Foundation also holds investments in real estate, certificates of deposit, and some common stock that are not invested with brokerage companies.

Investment securities at June 30, 2025 and 2024 are composed of the following:

Description	Cost	Market
<b>2025</b>		
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
<b>2024</b>		
Certificates of deposit	\$ 705,557	\$ 705,557
Fixed income	7,035,972	6,873,007
Mutual and exchange traded funds	18,198,030	26,431,420
Hedge funds	2,541,956	2,635,077
Non-exchange traded REIT	686,568	654,509
Stocks	2,312,144	3,059,648
Investment Securities	\$ 31,480,227	\$ 40,359,218

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

---

**NOTE 4 INVESTMENTS (CONTINUED)**

---

At June 30, 2025 and 2024, there was \$1,292,014 and \$849,372, respectively, of cash and cash equivalents held in the brokerage accounts available to be invested by the Foundation.

The investment in real estate is included in investments at net book value on the consolidated statement of financial position due to not having a readily available market value. Investment in real estate is comprised of the following:

Description	Cost	Accumulated Depreciation	Net Book Value
<b>2025</b>			
Land	\$ 40,000	\$ -	\$ 40,000
Building	160,202	119,484	40,718
	<u>\$ 200,202</u>	<u>\$ 119,484</u>	<u>\$ 80,718</u>
<b>2024</b>			
Land	\$ 40,000	\$ -	\$ 40,000
Building	160,202	115,478	44,724
	<u>\$ 200,202</u>	<u>\$ 115,478</u>	<u>\$ 84,724</u>

Depreciation expense related to investment in real estate amounted to \$4,005 for each year ended June 30, 2025 and 2024, respectively.

The following is a summary of the Foundation's investments at June 30, 2025 and 2024:

Description	2025	2024
Investment securities	\$ 44,958,138	\$ 40,359,218
Real estate	80,718	84,724
	<u>\$ 45,038,856</u>	<u>\$ 40,443,942</u>

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

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 5 INTEREST IN LIFE ESTATE

---

During the year ended June 30, 2013, a donor established a life estate giving a remainder interest in a residential property to the Foundation, while retaining a life interest in the property. A life estate agreement is an arrangement whereby the donor transfers property to a charity while retaining the right to occupy and otherwise enjoy the full use of the property for the donor's choice of a term of years or the lifetime of the donor. The present commitment value of the property is based on the individual's life expectancy, which provides for a contribution value based upon the fact the donor is making a present commitment to a future charitable gift. The value of the property is based upon a third-party appraisal value at the date of transfer of \$447,500, discounted by the present value of the fair market rental value of the property at the time of the transfer of \$1,700 per month. The present value was calculated based upon the life expectancy of the donor as determined by the Social Security Life Expectancy tables and a 3.25% rate of return per the American Council on Gift Annuities. The interest in life estate asset was reported at the calculated present value on the Foundation's consolidated statement of financial position. Changes in the present value of the life estate were reflected as changes in net assets with donor restriction in the Foundation's consolidated statement of activities. During the year ended June 30, 2024, the donor passed away and the Foundation sold the residential property for \$610,728, resulting in a gain from the sale of the life estate property of \$163,228. In accordance with the donor's life estate agreement, the gain from the sale of the residence, less expenses incurred by the Foundation for maintaining the property from the donor's death until the date of sale, was added to the corpus of the donor's endowment fund held by the Foundation. The Foundation's interest in life estate assets at June 30, 2025 and 2024 was \$0 for both years.

### NOTE 6 PROPERTY AND EQUIPMENT

---

Equipment consists of the following:

	<b>2025</b>	<b>2024</b>
Office equipment	\$ 12,749	\$ 12,749
Residence hall building and improvements	20,362,692	20,264,976
Residence hall furniture and fixtures	997,887	990,291
	<u>21,373,328</u>	<u>21,268,016</u>
Less: accumulated depreciation	<u>(4,990,186)</u>	<u>(4,499,878)</u>
Net Book Value	<u>\$ 16,383,142</u>	<u>\$ 16,768,138</u>

Depreciation expense related to property and equipment was \$528,304 and \$523,434 for the years ended June 30, 2025 and 2024, respectively.

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

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 7 CUSTODIAL LIABILITIES

---

Generally accepted accounting principles establish standards for transactions in which a foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. Specifically, if a not-for-profit organization establishes a fund at a foundation with its own funds and specifies itself or its affiliate as the beneficiary of that fund, the foundation must account for the transfer of such assets as a liability. The liability has been established at the fair market value of the funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations.

The gross receipts and disbursements for the custodial accounts, and the net investment return on investments for the custodial accounts for the years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Custodial receipts	\$ 528,871	\$ 463,932
Custodial payments	(549,051)	(603,092)
Net investment return	2,961	6,544
Net (Decrease) in Custodial Liabilities	<u>\$ (17,219)</u>	<u>\$ (132,616)</u>

### NOTE 8 GIFT ANNUITIES

---

The Foundation has entered into several charitable gift annuity agreements with donors. Charitable gift annuities represent a gift of cash, investments or other assets from a donor. In return, the donor receives a fixed stream of income from the Foundation for the rest of their life. Upon the end of the donor's life, the Foundation takes ownership of the remainder of the gift. Gift annuities are recognized at fair value when received, and the corresponding liabilities are recorded using the present value of future cash flows expected to be paid to the donors and are being amortized over the expected lives of the donors.

The liability associated with gift annuities payable amounted to \$42,746 and \$48,398 for the years ended June 30, 2025 and 2024, respectively.

### NOTE 9 LOAN PAYABLE

---

As disclosed in Note 16, in June 2016 the Shepherd University Foundation Supporting Organization obtained interim financing for their student housing facility project through bond anticipation notes issued by the West Virginia Economic Development Authority. The Shepherd University Foundation Supporting Organization borrowed \$22,035,000 under Series 2016A bond anticipation notes with an interest rate of 1.20% and \$350,000 of Series 2016B taxable bond anticipation notes with an interest rate of 2.45%. The loans matured on February 1, 2018 and required semi-annual interest only payments on August 1 and February 1 of each loan year. On February 1, 2018, all outstanding interest and principal was repaid using the financing provided by the USDA rural development loan noted below. The bond anticipation notes were secured by a leasehold deed of trust on the student housing facility project, which was released upon repayment of the notes.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

---

**NOTE 9 LOAN PAYABLE (CONTINUED)**

---

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. As disclosed in Note 2, under the USDA loan agreement, the Shepherd University Foundation Supporting Organization is required to maintain and make monthly deposits into a debt service reserve bank account and property replacement reserve bank account.

Due to the economic impact caused by the COVID-19 pandemic on Potomac Place revenues, Shepherd University Foundation Supporting Organization applied for 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 \$16,383,142 and \$16,768,138 at June 30, 2025 and 2024, 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, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
USDA Rural Development Loan	\$ 20,136,733	\$ 20,510,612
Less loan costs, net of accumulated amortization of \$8,700 and \$7,438, respectively	(41,190)	(42,452)
	<u>\$ 20,095,543</u>	<u>\$ 20,468,160</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

---

**NOTE 9 LOAN PAYABLE (CONTINUED)**

---

The future required principal payments on the loan payable as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	
2026	\$ 384,722
2027	395,930
2028	405,950
2029	419,290
2030	431,505
Thereafter	<u>18,099,336</u>
	<u>\$ 20,136,733</u>

Amortization of loan costs charged to interest expense for the years ended June 30, 2025 and 2024 was \$1,262 for each period.

**NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS**

---

Net assets with donor restrictions consist of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Restricted for a Specific Purpose		
Scholarships, awards and college support	\$ 19,169,840	\$ 15,031,150
Restricted in Perpetuity		
Endowment Funds	<u>29,627,566</u>	<u>28,681,720</u>
	<u>\$ 48,797,406</u>	<u>\$ 43,712,870</u>
<hr/>		
Assets		
Cash and equivalents	\$ 2,957,713	\$ 2,227,607
Pledges receivable, net of present value adjustment	-	2,000
Accrued interest receivable	46,348	53,219
Investments	44,958,138	40,359,218
Liabilities		
Due to Shepherd University	<u>(1,050)</u>	<u>-</u>
	<u>\$ 47,961,149</u>	<u>\$ 42,642,044</u>

At June 30, 2025 and 2024 there were deficits in the amounts of \$836,257 and \$1,070,826, respectively, of assets available to cover the balance of non-endowed net assets restricted for a specific purpose. As further disclosed in Note 19, this deficit was a result of accumulated expenditures exceeding revenues of the undesignated operating fund, which is reported as net assets without donor restriction.

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 11 ENDOWMENTS

---

The Foundation's endowments consist of individual donor-restricted funds established to provide scholarships, awards and college support to the students, faculty and programs of Shepherd University. Net assets associated with endowment funds are classified and reported as net assets with donor restriction based on the donor-imposed restrictions. The classification is based on the board's interpretation of West Virginia's statutes that govern such endowments and its interpretations of donor intent and the related endowment bylaws.

The Foundation considers several factors when making a determination to appropriate or accumulate donor-restricted endowment funds. These factors include the duration and preservation of the fund, the mission of the Foundation, the purpose of any donor-restrictions, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investments, and other resources.

The Board of Trustees of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Foundation classifies as net assets with donor restriction - restricted in perpetuity (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The net investment return on the endowment funds is classified as net assets with donor restrictions - restricted for a specific purpose until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

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

The endowments are invested consistent with an investment policy statement that is monitored by the Foundation's Directors. To satisfy the long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Funds in the endowment are primarily invested in U.S. Government Securities, corporate bonds, mutual funds, exchange traded funds and stocks with several investment managers using an investment philosophy that maintains equities in the range of 45% to 85% of the total fund, alternatives in the range of 0% to 30%, fixed income securities in the range of 0% to 40%, and cash and cash equivalents in the range of 0% to 25%.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

---

**NOTE 11 ENDOWMENTS (CONTINUED)**

---

All endowment funds held at the Foundation are donor restricted endowment funds. Donor restricted endowment funds amounted to \$37,595,399 and \$33,732,052 as of June 30, 2025 and 2024, respectively.

The changes in endowment net assets for the years ended June 30, 2025 and 2024 were as follows:

Endowment Net Assets at July 1, 2023	\$ 29,718,043
Net investment return	3,628,657
Contributions	1,387,297
Transfers of funding within the Foundation	(730,965)
Appropriations of endowment assets for expenditure	<u>(270,980)</u>
Endowment Net Assets at June 30, 2024	\$ 33,732,052
Net investment return	4,261,507
Contributions	817,384
Transfers of funding within the Foundation	(892,063)
Appropriations of endowment assets for expenditure	<u>(323,481)</u>
Endowment Net Assets at June 30, 2025	<u>\$ 37,595,399</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration (underwater endowments). At June 30, 2025, there were no underwater endowments. At June 30, 2024, four endowment funds with original gift values of \$187,089, fair values of \$190,107 and deficiencies of \$3,018 were reported in net assets with donor restrictions.

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 12 FAIR VALUE MEASUREMENTS

---

Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement and enhances disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

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

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

### NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at June 30, 2025 and 2024 are as follows:

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
<b>2025</b>				
Fixed income				
US 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	-	-
US Small/Mid	848,357	848,357	-	-
US Large Cap	400,310	400,310	-	-
Total Assets in the Fair Value Hierarchy	<u>40,755,975</u>	<u>37,643,496</u>	<u>3,112,479</u>	<u>-</u>
Investments Measured at Net Asset Value <sup>(a)</sup>				
Ironwood Fund	1,875,007	-	-	-
Golub Fund	914,325	-	-	-
Nuveen Global Cities REIT	678,047	-	-	-
	<u>3,467,379</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets at Fair Value	 <u>\$ 44,223,354</u>	 <u>\$ 37,643,496</u>	 <u>\$ 3,112,479</u>	 <u>\$ -</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

**NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)**

	Assets at Fair Value			
	Total	Level 1	Level 2	Level 3
<b>2024</b>				
Pledges receivable	\$ 2,000	\$ -	\$ -	\$ 2,000
Fixed income				
US Treasuries	3,225,257	3,225,257	-	-
Corporate Bonds	2,801,913	-	2,801,913	-
Governmental Mortgage Pools	456,186	-	456,186	-
Municipal Bonds	318,297	-	318,297	-
Agency Securities	71,356	-	71,356	-
Mutual and exchange traded funds				
Large Blend	6,956,597	6,956,597	-	-
Large Value	3,278,878	3,278,878	-	-
Large Growth	2,845,673	2,845,673	-	-
Foreign Large Blend	2,490,309	2,490,309	-	-
High Yield Bond	2,430,499	2,430,499	-	-
Options Trading	1,454,541	1,454,541	-	-
Mid Cap Blend	1,418,203	1,418,203	-	-
Foreign Small/Mid Blend	1,158,080	1,158,080	-	-
Foreign Large Growth	1,062,631	1,062,631	-	-
Energy Limited Partnership	1,003,650	1,003,650	-	-
Small Blend	971,208	971,208	-	-
Relative Value Arbitrage	721,092	721,092	-	-
Multisector Bond	326,815	326,815	-	-
Mid Cap Value	305,828	305,828	-	-
International	7,415	7,415	-	-
Stocks				
International	1,818,494	1,818,494	-	-
US Small/Mid	789,264	789,264	-	-
US Large Cap	451,889	451,889	-	-
Total Assets in the Fair Value Hierarchy	<u>36,366,075</u>	<u>32,716,323</u>	<u>3,647,752</u>	<u>2,000</u>
Investments Measured at Net Asset Value <sup>(a)</sup>				
Ironwood Fund	1,706,202	-	-	-
Golub Fund	928,875	-	-	-
Nuveen Global Cities REIT	654,509	-	-	-
	<u>3,289,586</u>	-	-	-
Total Assets at Fair Value	<u>\$ 39,655,661</u>	<u>\$ 32,716,323</u>	<u>\$ 3,647,752</u>	<u>\$ 2,000</u>

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

The fair values of Shepherd University Foundation's assets are measured using different techniques. The fair value for pledges receivable is determined by calculating the present value of the pledges expected to be received, using a discount rate of 6%. The fair value measurement for investments is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

**NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2025 and 2024:

	<b>Using Significant Unobservable Inputs (Level 3) Pledges Receivable</b>	
<b>June 30, 2025</b>		
Fair Value as of July 1, 2024	\$	2,000
Payments received		(2,000)
Fair Value as of June 30, 2025	\$	-
<b>June 30, 2024</b>		
Fair Value as of July 1, 2023	\$	89,220
Payments received		(20,333)
Write-off of uncollectible amounts		(67,000)
Change in valuation		113
Fair Value as of June 30, 2024	\$	2,000

***Investments Measured Using the Net Asset Value per Share Practical Expedient***

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of June 30, 2025 and 2024.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
<b>June 30, 2025</b>				
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
	<u>\$ 3,467,379</u>			
<b>June 30, 2024</b>				
Ironwood Fund (a)	\$ 1,706,202	N/A	Semi-Annually	95 days
Golub Fund (b)	928,875	\$ 100,000	Not Eligible	N/A
Nuveen Global Cities REIT (c)	654,509	N/A	Monthly	15 days
	<u>\$ 3,289,586</u>			

# SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION

## Notes to Consolidated Financial Statements

---

### NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)

---

- (a) The Ironwood Institutional Multi-Strategy Fund, LLC (Ironwood Fund) is a speculative fund of funds. The Ironwood Fund's investment objective is capital appreciation with limited variability of returns. The Ironwood Fund attempts to achieve this objective by allocating capital among a number of pooled investment vehicles that are generally organized in non-U.S. jurisdictions and classified as corporations for U.S. federal income tax purposes. Each investment vehicle is managed by an independent investment manager pursuant to various alternative investment strategies, including relative value; market neutral and low net equity; event-driven; and distressed and credit securities.
- (b) The investment in Golub Capital Partners International 12, L.P. (Golub Fund) represents a limited partnership interest in a privately held speculative hedge fund. The Golub Fund's investment objective is to achieve attractive risk-adjusted returns relative to more liquid fixed income alternatives, with emphasis on current income and preservation of capital. The Golub Fund attempts to achieve this objective primarily by investing in senior secured, floating rate middle market loans, through wholly and partially owned holding companies and other investment vehicles. Most investment assets will be leveraged in the form of collateralized loan obligations and credit facilities. The Golub Fund plans to continue until July 1, 2028 and return all capital prior to that date at the general partner's discretion. Withdrawals of partnership interests generally are not permitted except in limited circumstances.

The Foundation has committed to a total maximum investment in the Golub Fund of \$1,000,000, of which \$900,000 has been invested as of June 30, 2025. 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, (3) realize appreciation from proactive investment management and asset management, and (4) seek diversification by investing across leading global cities and across real estate sectors, including office, industrial, multifamily, and retail properties, as well as alternative property types. The Nuveen Fund attempts to achieve this objective primarily by affiliation with Nuveen Real Estate, who manages, buys, and sells properties in the Nuveen Fund's portfolio on their behalf, with oversight and supervision provided by Nuveen Fund's board of directors. Nuveen Real Estate has designed its own investment strategy from long-term structural growth research that is focused on commercial real estate investments in or around a universe of cities Nuveen Real Estate believes are well positioned in North America, Europe, and the Asia-Pacific region. Investors can request redemption of their investment on a monthly basis by submitting a redemption request five business days prior to month end for processing at the beginning of the following month. The Nuveen fund can limit the total amount that is redeemed to 2% of the net asset value monthly and 5% quarterly of the aggregate investment. A redemption within the first year of an investor's holding will be subject to a 5% penalty.

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 13 EMPLOYEE RETIREMENT PLAN**

---

The Foundation participates in the TIAA - CREF retirement plan. The Foundation contributes to the plan based on a dollar-for-dollar match of the contributions of full-time employees up to 6%. The cost recognized during the years ended June 30, 2025 and 2024 was \$20,476 and \$18,265, respectively.

### **NOTE 14 CONDITIONAL PROMISES TO GIVE**

---

In the normal course of operations, the Foundation has been notified as being designated to receive various deferred gifts from alumni and friends in support of Shepherd University that are not recorded in the consolidated financial statements because of their contingent nature. However, the Foundation facilitates and monitors deferred gifts through the use of Memorandums of Understanding detailing the donor's intent and stipulations for administration of the gift for such items as bequests, charitable remainder trusts and insurance policies.

### **NOTE 15 RELATED PARTY TRANSACTIONS – SHEPHERD UNIVERSITY**

---

The Foundation is a component unit of Shepherd University (University). The Shepherd University Foundation, Inc. provides scholarships and support for the students, facilities and programs of the University. Total scholarships, awards and college support provided to the University and students attending the University amounted to \$1,427,381 and \$1,878,111 for the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, accounts payable to the University related to scholarships and support amounted to \$1,050 and \$0, 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, 2025 and 2024, respectively. As this lease agreement does not represent an exchange transaction, it is outside of the scope of Topic 842, *Leases*.

The Shepherd University Foundation Supporting Organization entered into an agreement to lease 1,490 square feet on the ground floor of the Potomac Place student housing facility to the University for the purpose of operating a food service market to serve the students of the facility. The current lease agreement commenced on July 1, 2023 and is scheduled to expire on June 30, 2026. The required monthly payments under the lease is \$2,700. Total lease revenue from this lease agreement amounted to \$32,400 for both years ended June 30, 2025 and 2024. Total future minimum lease payments due for the year ended June 30, 2026 will be \$32,400.

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 15 RELATED PARTY TRANSACTIONS – SHEPHERD UNIVERSITY (CONTINUED)**

---

As disclosed in Note 16, the Shepherd University Foundation Supporting Organization has entered into a ground lease agreement and management agreement with the University as part of the student housing facilities project. Total expense incurred under these agreements amounted to \$38,746 and \$156,896 for the years ended June 30, 2025 and 2024, respectively. As part of the management agreement, the University acts as the Supporting Organization's exclusive agent for the operation, management and maintenance of the student housing facility project. As a result, the University collects payments from students and pays operating expenses associated with the student housing facility project on behalf of the Supporting Organization. Amounts due from the University related to the collection of student receivables amounted to \$11,177 and \$11,098 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 \$180,247 and \$222,052, respectively.

### **NOTE 16 POTOMAC PLACE STUDENT HOUSING FACILITY PROJECT**

---

Shepherd University Foundation Supporting Organization designed and constructed Potomac Place, a 298 bed student housing facility on the Shepherd University campus. As disclosed in Note 9, the Supporting Organization permanently financed the construction costs of Potomac Place with a 40-year rural development loan from the United States Department of Agriculture. The Supporting Organization owns the building and associated equipment and furnishings and has entered into a ground lease with Shepherd University. The ground lease will expire upon the repayment of all associated outstanding debt borrowed by the Supporting Organization. Upon the expiration of the lease, the building and associated equipment and furnishings will be transferred to Shepherd University. The ground lease agreement requires 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 under Topic 842, *Leases*.

Lease payments are to be equal to the net available cash flow generated from the operations of Potomac Place. Variable lease expense due to Shepherd University for the ground lease amounted to \$38,746 and \$156,896 for the years ended June 30, 2025 and 2024, respectively. Cumulative cash payments made to Shepherd University for ground lease payments since the residence hall became operational amounted to \$2,712,320 as of June 30, 2025.

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 30<sup>th</sup> 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, 2025 and 2024.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

**NOTE 16 POTOMAC PLACE STUDENT HOUSING FACILITY PROJECT (CONTINUED)**

	<b>2025</b>	<b>2024</b>
Single Bed Rate - Term	\$ 4,960.00	\$ 4,830.00
Double Bed Rate - Term	\$ 3,675.00	\$ 3,579.00
Single Bed Rate - Daily	\$ 43.51	\$ 42.37
Double Bed Rate - Daily	\$ 32.24	\$ 31.39
Total Students Served - Fall Semester	254	275
Total Students Served - Spring Semester	238	257
Student Residence Hall Room Revenue During School Year	\$ 1,764,211	\$ 1,893,090
Residence Hall Lease income for Summer Conferences	70,746	49,674
Lease Revenue from SU for Food Market	32,400	32,400
Late Fees and Fees for Damages	2,454	2,092
Less: Student Residence Hall Room Waivers	(58,257)	(53,685)
Total Net Residence Hall Room Rental for Fiscal Year	<u>\$ 1,811,554</u>	<u>\$ 1,923,571</u>
Total Cash Collected on Current Year Accounts	<u>\$ 1,750,561</u>	<u>\$ 1,862,578</u>

**NOTE 17 FUNCTIONAL EXPENSES**

The allocation of the Foundation's expenses between program activities and support activities for the years ending June 30, 2025 and 2024 is as follows:

	<b>Program Activities</b>			<b>Support Activities</b>	
	<b>Scholarships and College Support</b>	<b>Dormitory Operations</b>	<b>Total Program Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total</b>
<b>2025</b>					
Scholarships and awards	\$ 1,372,549	\$ -	\$ 1,372,549	\$ -	\$ 1,372,549
College support	54,832	-	54,832	-	54,832
Salaries	74,519	101,809	176,328	324,582	500,910
Payroll taxes and benefits	10,172	14,704	24,876	84,501	109,377
Student activities	-	1,713	1,713	-	1,713
Equipment and supplies	-	10,357	10,357	-	10,357
Depreciation	-	528,304	528,304	4,005	532,309
Insurance	-	121,393	121,393	11,218	132,611
Contractual services	-	15,524	15,524	-	15,524
Telephone	-	643	643	-	643
Repairs and maintenance	-	56,803	56,803	-	56,803
Utilities	-	219,642	219,642	-	219,642
Ground rental	-	38,746	38,746	-	38,746
Interest expense	-	585,739	585,739	-	585,739
Printing and reproduction costs	-	-	-	1,859	1,859
Bank fees and administrative expense	-	-	-	19,243	19,243
Rent	-	-	-	12,600	12,600
Office supplies and postage	-	-	-	12,286	12,286
Gift annuity expense	-	-	-	13,437	13,437
Professional fees	-	-	-	93,913	93,913
Program development	-	-	-	18,931	18,931
Technology	-	-	-	18,168	18,168
Miscellaneous	-	180	180	3,000	3,180
<b>TOTAL EXPENSES</b>	<u>\$ 1,512,072</u>	<u>\$ 1,695,557</u>	<u>\$ 3,207,629</u>	<u>\$ 617,743</u>	<u>\$ 3,825,372</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Notes to Consolidated Financial Statements**

**NOTE 17 FUNCTIONAL EXPENSES (CONTINUED)**

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

**NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	2025	2024
Unrestricted cash	\$ 285,611	\$ 365,611
Accounts receivable	57,490	61,080
Due from Shepherd University	11,177	11,098
	<b>\$ 354,278</b>	<b>\$ 437,789</b>

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 18 LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

---

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has sources of liquidity at its disposal, including accounts receivable and amounts due from Shepherd University. Total cash of \$416,147 and \$294,516 at June 30, 2025 and 2024, respectively, is excluded due to the fact that it represents debt service and property replacement reserves required to be maintained under the Foundation's USDA loan agreement. Also, cash in the amounts of \$4,217,927 and \$3,505,040 at June 30, 2025 and 2024, respectively, is excluded due to it being restricted for custodial liabilities and donor-restricted funds held at the Foundation. Accrued interest receivable in the amounts of \$46,348 and \$53,219 at June 30, 2025 and 2024, respectively and investments in the amounts of \$44,958,138 and \$40,359,218 at June 30, 2025 and 2024, respectively, are excluded due to the fact that these funds are the restricted portion of donor-restricted funds held at the Foundation. The remaining \$80,718 and \$84,724 at June 30, 2025 and 2024, respectively, of investments is excluded as it represents an investment in real estate that is not readily marketable.

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

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

### **NOTE 19 DEFICIT OF UNDESIGNATED NET ASSETS WITHOUT DONOR RESTRICTION**

---

The deficit in undesignated net assets without donor restrictions of the Foundation is primarily the result of cumulative unrealized and realized losses not being allocated as a reduction to net assets with donor restriction in fiscal years prior to 2018, scholarship disbursements from funds in excess of the actual unrealized and realized investment earnings and operating expenses exceeding support and revenue without donor restriction in prior years. In addition, excess of expenses over revenues generated from the Potomac Place student facility project has contributed to the net assets without donor restriction deficit. In order to reduce the deficit and generate positive net assets without donor restriction, the Foundation has begun to reduce the level of annual fund disbursements, expects to reduce operating expenses or generate revenues not subject to donor restriction from another outside source. The balance of the undesignated net assets without donor restriction deficit was \$(3,980,266) and \$(4,269,838) for the years ended June 30, 2025 and 2024, respectively. Of this deficit, \$(867,851) and \$(1,091,526) related to Shepherd University Foundation Inc. for the years ended June 30, 2025 and 2024, respectively, and \$(3,112,415) and \$(3,178,312) related the Shepherd University Foundation Supporting Organization for the years ended June 30, 2025 and 2024, respectively.

# **SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**

## **Notes to Consolidated Financial Statements**

---

### **NOTE 20 CONTRIBUTED NONFINANCIAL ASSETS**

---

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

Nonfinancial contributions received by the Foundation for the years ended June 30, 2025 and 2024 consisted of rent-free use of facilities valued at \$12,600 for each year. Contributed use of facilities represents the value of office space provided by Shepherd University at no charge. The office space is utilized by the Foundation to provide supporting services and is reported as a component of general and administrative expenses. There were no donor-imposed restrictions associated with donated office space. Donated office space is valued using lease rates charged for similar leased properties available in the surrounding area.

### **NOTE 21 SUBSEQUENT EVENTS**

---

The Foundation has evaluated events and transactions subsequent to June 30, 2025 through October 7, 2025, the date these financial statements were available to be issued. Based on the definitions and requirements of generally accepted accounting principles, management has not identified any events that require recognition or disclosure in the financial statements.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Financial Position**  
**June 30, 2025**

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,217,927	\$ 701,758	\$ -	\$ 4,919,685
Accounts receivable	-	57,490	-	57,490
Due from Shepherd University	-	11,177	-	11,177
Accrued interest receivable	46,348	-	-	46,348
Prepaid expenses	4,291	27,255	-	31,546
Investments	45,038,856	-	-	45,038,856
Property and equipment, net	-	16,383,142	-	16,383,142
<b>TOTAL ASSETS</b>	<b>\$ 49,307,422</b>	<b>\$ 17,180,822</b>	<b>\$ -</b>	<b>\$ 66,488,244</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 7,074	\$ -	\$ -	\$ 7,074
Due to Shepherd University	1,050	180,247	-	181,297
Accrued interest	-	17,447	-	17,447
Custodial liabilities	1,260,214	-	-	1,260,214
Gift annuities payable	42,746	-	-	42,746
Loan payable, net	-	20,095,543	-	20,095,543
Total Liabilities	1,311,084	20,293,237	-	21,604,321
<b>Net Assets</b>				
Net assets without donor restrictions				
Undesignated (deficit)	(867,851)	(3,112,415)	-	(3,980,266)
Designated	66,783	-	-	66,783
Net assets with donor restrictions				
Restricted for a specific purpose	19,169,840	-	-	19,169,840
Restricted in perpetuity	29,627,566	-	-	29,627,566
Total Net Assets	47,996,338	(3,112,415)	-	44,883,923
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 49,307,422</b>	<b>\$ 17,180,822</b>	<b>\$ -</b>	<b>\$ 66,488,244</b>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Financial Position**  
**June 30, 2024**

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,505,040	\$ 660,127	\$ -	\$ 4,165,167
Pledges receivable, net of present value adjustment	2,000	-	-	2,000
Accounts receivable	87	60,993	-	61,080
Due from Shepherd University	-	11,098	-	11,098
Accrued interest receivable	53,219	-	-	53,219
Prepaid expenses	5,190	29,315	-	34,505
Investments	40,443,942	-	-	40,443,942
Property and equipment, net	-	16,768,138	-	16,768,138
<b>TOTAL ASSETS</b>	<b>\$ 44,009,478</b>	<b>\$ 17,529,671</b>	<b>\$ -</b>	<b>\$ 61,539,149</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Accounts payable	\$ 6,788	\$ -	\$ -	\$ 6,788
Due to Shepherd University	-	222,052	-	222,052
Accrued interest	-	17,771	-	17,771
Custodial liabilities	1,277,433	-	-	1,277,433
Gift annuities payable	48,398	-	-	48,398
Loan payable, net	-	20,468,160	-	20,468,160
Total Liabilities	1,332,619	20,707,983	-	22,040,602
<b>Net Assets</b>				
Net assets without donor restrictions				
Undesignated (deficit)	(1,091,526)	(3,178,312)	-	(4,269,838)
Designated	55,515	-	-	55,515
Net assets with donor restrictions				
Restricted for a specific purpose	15,031,150	-	-	15,031,150
Restricted in perpetuity	28,681,720	-	-	28,681,720
Total Net Assets	42,676,859	(3,178,312)	-	39,498,547
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 44,009,478</b>	<b>\$ 17,529,671</b>	<b>\$ -</b>	<b>\$ 61,539,149</b>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2025**

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>SUPPORT AND REVENUE</b>				
Potomac Place lease income, net of waivers	\$ -	\$ 1,811,554	\$ -	\$ 1,811,554
Cash contributions	17,500	-	-	17,500
Nonfinancial contributions	12,600	-	-	12,600
Net investment return	-	18,860	-	18,860
Other revenue	-	2,634	-	2,634
Transfers for SUF management fees earned	911,710	-	-	911,710
Other transfers	3,000	-	-	3,000
Net assets released from restrictions	1,348,354	-	-	1,348,354
	<u>2,293,164</u>	<u>1,833,048</u>	<u>-</u>	<u>4,126,212</u>
Total Revenue and Other Support				
<b>EXPENSES</b>				
Program expenses	1,512,072	1,695,557	-	3,207,629
General and administrative	546,149	71,594	-	617,743
	<u>2,058,221</u>	<u>1,767,151</u>	<u>-</u>	<u>3,825,372</u>
Total Expenses				
Change In Net Assets Without Donor Restriction	<u>234,943</u>	<u>65,897</u>	<u>-</u>	<u>300,840</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
<b>SUPPORT AND REVENUE</b>				
Cash contributions	2,177,966	-	-	2,177,966
Stock contributions	209,165	-	-	209,165
Other revenue	30,255	-	-	30,255
Net investment return	4,930,214	-	-	4,930,214
Transfers for SUF management fees earned	(911,710)	-	-	(911,710)
Other transfers	(3,000)	-	-	(3,000)
Net assets released from restrictions	(1,348,354)	-	-	(1,348,354)
	<u>5,084,536</u>	<u>-</u>	<u>-</u>	<u>5,084,536</u>
Change In Net Assets With Donor Restriction				
Increase In Net Assets	<u>5,319,479</u>	<u>65,897</u>	<u>-</u>	<u>5,385,376</u>
NET ASSETS, BEGINNING OF YEAR	<u>42,676,859</u>	<u>(3,178,312)</u>	<u>-</u>	<u>39,498,547</u>
NET ASSETS, END OF YEAR	<u>\$ 47,996,338</u>	<u>\$ (3,112,415)</u>	<u>\$ -</u>	<u>\$ 44,883,923</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Activities**  
**Year Ended June 30, 2024**

	Shepherd University Foundation Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation and Supporting Organization
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
<b>SUPPORT AND REVENUE</b>				
Potomac Place lease income, net of waivers	\$ -	\$ 1,923,571	\$ -	\$ 1,923,571
Cash contributions	10,000	-	-	10,000
Nonfinancial contributions	12,600	-	-	12,600
Net investment return	-	896	-	896
Other revenue	9,770	3,296	-	13,066
Transfers for SUF management fees earned	788,325	-	-	788,325
Other transfers	(2,250)	-	-	(2,250)
Net assets released from restrictions	1,732,792	-	-	1,732,792
	<u>2,551,237</u>	<u>1,927,763</u>	<u>-</u>	<u>4,479,000</u>
Total Revenue and Other Support				
	<u>2,551,237</u>	<u>1,927,763</u>	<u>-</u>	<u>4,479,000</u>
<b>EXPENSES</b>				
Program expenses	1,928,696	1,854,945	-	3,783,641
General and administrative	636,571	59,433	-	696,004
	<u>2,565,267</u>	<u>1,914,378</u>	<u>-</u>	<u>4,479,645</u>
Total Expenses				
	<u>2,565,267</u>	<u>1,914,378</u>	<u>-</u>	<u>4,479,645</u>
Change In Net Assets Without Donor Restriction	<u>(14,030)</u>	<u>13,385</u>	<u>-</u>	<u>(645)</u>
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>				
<b>SUPPORT AND REVENUE</b>				
Cash contributions	2,557,167	-	-	2,557,167
Stock contributions	156,416	-	-	156,416
Other revenue	15,382	-	-	15,382
Net investment return	4,250,787	-	-	4,250,787
Gain from sale of interest in life estate property	163,228	-	-	163,228
Transfers for SUF management fees earned	(788,325)	-	-	(788,325)
Other transfers	2,250	-	-	2,250
Net assets released from restrictions	(1,732,792)	-	-	(1,732,792)
	<u>4,624,113</u>	<u>-</u>	<u>-</u>	<u>4,624,113</u>
Change in Net Assets With Donor Restrictions				
	<u>4,624,113</u>	<u>-</u>	<u>-</u>	<u>4,624,113</u>
Increase In Net Assets	<u>4,610,083</u>	<u>13,385</u>	<u>-</u>	<u>4,623,468</u>
NET ASSETS, BEGINNING OF YEAR	<u>38,066,776</u>	<u>(3,191,697)</u>	<u>-</u>	<u>34,875,079</u>
NET ASSETS, END OF YEAR	<u>\$ 42,676,859</u>	<u>\$ (3,178,312)</u>	<u>\$ -</u>	<u>\$ 39,498,547</u>

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Cash Flows**  
**Year Ended June 30, 2025**

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase in net assets	\$ 5,319,479	\$ 65,897	\$ -	\$ 5,385,376
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Net realized and unrealized (gains) on investments	(3,808,854)	-	-	(3,808,854)
Depreciation	4,005	528,304	-	532,309
Non-cash interest expense associated with debt issuance costs	-	1,262	-	1,262
Non-cash stock contributions received	(209,165)	-	-	(209,165)
Decrease in pledges receivables, net of discount	2,000	-	-	2,000
Decrease in accounts receivable	87	3,503	-	3,590
Decrease in accrued interest receivable	6,871	-	-	6,871
Decrease in prepaid expenses	899	2,060	-	2,959
Increase in accounts payable	286	-	-	286
Increase (decrease) in net due to (due from) Shepherd University	1,050	(41,884)	-	(40,834)
(Decrease) in accrued interest payable	-	(324)	-	(324)
(Decrease) in custodial liabilities	(17,219)	-	-	(17,219)
	<u>1,299,439</u>	<u>558,818</u>	<u>-</u>	<u>1,858,257</u>
Net Cash Provided By Operating Activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	7,467,962	-	-	7,467,962
Purchases of investments	(8,048,862)	-	-	(8,048,862)
Purchases of property, plant, and equipment	-	(143,308)	-	(143,308)
Gift annuity liability payments	(5,652)	-	-	(5,652)
	<u>(586,552)</u>	<u>(143,308)</u>	<u>-</u>	<u>(729,860)</u>
Net Cash (Used In) Investing Activities				
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of loan borrowings	-	(373,879)	-	(373,879)
	<u>-</u>	<u>(373,879)</u>	<u>-</u>	<u>(373,879)</u>
Net Cash (Used In) Financing Activities				
Net Increase In Cash and Cash Equivalents	712,887	41,631	-	754,518
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,505,040</u>	<u>660,127</u>	<u>-</u>	<u>4,165,167</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,217,927</u>	<u>\$ 701,758</u>	<u>\$ -</u>	<u>\$ 4,919,685</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for interest was \$584,801.

**SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION**  
**Consolidating Statement of Cash Flows**  
**Year Ended June 30, 2024**

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Increase in net assets	\$ 4,610,083	\$ 13,385	\$ -	\$ 4,623,468
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Net realized and unrealized (gains) on investments	(3,277,494)	-	-	(3,277,494)
(Gain) from sale of interest in life estate property	(163,228)	-	-	(163,228)
Depreciation	4,005	523,434	-	527,439
Non-cash interest expense associated with debt issuance costs	-	1,262	-	1,262
Non-cash stock contributions received	(156,416)	-	-	(156,416)
Write-off of uncollectible pledges	67,000	-	-	67,000
Decrease in pledges receivables, net of discount	20,220	-	-	20,220
(Increase) in accounts receivable	-	(10,078)	-	(10,078)
(Increase) in accrued interest receivable	(9,595)	-	-	(9,595)
(Increase) decrease in prepaid expenses	13,799	(5,442)	-	8,357
(Decrease) in accounts payable	(211)	-	-	(211)
(Decrease) in net due to (due from) Shepherd University	-	(340,228)	-	(340,228)
(Decrease) in accrued interest payable	-	(315)	-	(315)
(Decrease) in custodial liabilities	(132,616)	-	-	(132,616)
Net Cash Provided By Operating Activities	<u>975,547</u>	<u>182,018</u>	<u>-</u>	<u>1,157,565</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	5,432,269	-	-	5,432,269
Purchases of investments	(6,961,832)	-	-	(6,961,832)
Proceeds from sale of interest in life estate property	610,728	-	-	610,728
Purchases of property, plant, and equipment	-	(118,667)	-	(118,667)
Gift annuity payments	(5,392)	-	-	(5,392)
Net Cash (Used In) Investing Activities	<u>(924,227)</u>	<u>(118,667)</u>	<u>-</u>	<u>(1,042,894)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Repayment of loan borrowings	-	(363,296)	-	(363,296)
Net Cash (Used In) Financing Activities	<u>-</u>	<u>(363,296)</u>	<u>-</u>	<u>(363,296)</u>
Net Increase (Decrease) In Cash and Cash Equivalents	51,320	(299,945)	-	(248,625)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,453,720</u>	<u>960,072</u>	<u>-</u>	<u>4,413,792</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 3,505,040</u>	<u>\$ 660,127</u>	<u>\$ -</u>	<u>\$ 4,165,167</u>

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for interest was \$595,384.



## **INDEPENDENT AUDITOR'S 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 Directors  
Shepherd University Foundation, Inc. and Supporting Organization  
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 consolidated financial statements of Shepherd University Foundation, Inc. and Supporting Organization (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 7, 2025.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audits of the consolidated financial statements, we considered Shepherd University Foundation, Inc. and Supporting Organization'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 opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shepherd University Foundation, Inc. and Supporting Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Shepherd University Foundation, Inc. and Supporting Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Shepherd University Foundation, Inc. and Supporting Organization's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 Foundation'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith Elliott Keorns + Company, LLC*

Hagerstown, Maryland  
October 7, 2025