Consolidated Financial Statements

June 30, 2026

Shepherd University Foundation, Inc. and Supporting Organization

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SHEPHERD UNIVERSITY FOUNDATION, INC.

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Name	Position
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

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Name	Class
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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 Lyndsey 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
Austin J. Slater, Jr. ‘76	2029
Alfred L. (Al) Young ‘89	2029
Andrew Patterson ‘95	2029
Darren B. Iden ‘89	2029

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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, 2026 and 2025, 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, 2026 and 2025, 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 September 8, 2026, 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 Kearns & Company, LLC

Hagerstown, Maryland
September 8, 2026

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
Consolidated Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
ASSETS		
Cash and cash equivalents	$ 5,710,832	$ 4,919,685
Accounts receivable	62,228	57,490
Pledges receivable	202,325	-
Due from Shepherd University	19,340	11,177
Accrued interest receivable	47,155	46,348
Prepaid expenses	28,443	31,546
Investments	54,124,456	45,038,856
Property and equipment, net	15,933,902	16,383,142
TOTAL ASSETS	$ 76,128,681	$ 66,488,244
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 7,573	$ 7,074
Due to Shepherd University	487,600	181,297
Accrued interest	17,114	17,447
Custodial liabilities	1,367,674	1,260,214
Gift annuities payable	37,384	42,746
Loan payable, net	19,712,033	20,095,543
Total Liabilities	21,629,378	21,604,321
Net Assets		
Net Assets Without Donor Restriction		
Undesignated (deficit) - SUF	(543,288)	(867,851)
Undesignated (deficit) - SUFSO	(3,101,161)	(3,112,415)
Designated - SUF	60,521	66,783
Net Assets With Donor Restriction		
Restricted for a specific purpose - SUF	26,327,267	19,169,840
Restricted in perpetuity - SUF	31,755,964	29,627,566
Total Net Assets	54,499,303	44,883,923
TOTAL LIABILITIES AND NET ASSETS	$ 76,128,681	$ 66,488,244

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
Consolidated Statements of Activities
Years Ended June 30, 2026 and 2025

	2026	2025
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Potomac Place lease income, net of waivers	$ 1,949,244	$ 1,811,554
Cash contributions	5,706	17,500
Nonfinancial contributions	12,600	12,600
Net investment return	41,605	18,860
Other revenue	1,215	2,634
Transfers for SUF management fees earned	1,052,502	911,710
Other transfers	810	3,000
Net assets released from restrictions	1,927,505	1,348,354
Total Revenue and Other Support	4,991,187	4,126,212
EXPENSES		
Program expenses	4,009,996	3,207,629
General and administrative	651,636	617,743
Total Expenses	4,661,632	3,825,372
Change In Net Assets Without Donor Restrictions	329,555	300,840
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
SUPPORT AND REVENUE		
Cash contributions	3,621,991	2,177,966
Stock contributions	6,416	209,165
Nonfinancial contributions	49,117	-
Other revenue	26,092	30,255
Net investment return	8,563,026	4,930,214
Transfers for SUF management fees earned	(1,052,502)	(911,710)
Other transfers	(810)	(3,000)
Net assets released from restrictions	(1,927,505)	(1,348,354)
Change in Net Assets With Donor Restriction	9,285,825	5,084,536
Increase In Net Assets	9,615,380	5,385,376
NET ASSETS, BEGINNING OF YEAR	44,883,923	39,498,547
NET ASSETS, END OF YEAR	$ 54,499,303	$ 44,883,923

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 9,615,380	$ 5,385,376
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized (gains) on investments	(7,390,308)	(3,808,854)
Depreciation	555,232	532,309
Non-cash interest expense associated with debt issuance costs	1,262	1,262
Non-cash stock contributions received	(6,416)	(209,165)
(Increase) decrease in pledges receivables, net of discount	(202,325)	2,000
(Increase) decrease in accounts receivable	(4,738)	3,590
(Increase) decrease in accrued interest receivable	(807)	6,871
Decrease in prepaid expenses	3,103	2,959
Increase in accounts payable	499	286
Increase (decrease) in net due to (due from) Shepherd University	298,140	(40,834)
(Decrease) in accrued interest payable	(333)	(324)
Increase (decrease) in custodial liabilities	107,460	(17,219)
Net Cash Provided By Operating Activities	2,976,149	1,858,257
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	27,466,744	7,467,962
Purchases of investments	(29,159,625)	(8,048,862)
Purchases of property, plant, and equipment	(101,987)	(143,308)
Gift annuity liability payments	(5,362)	(5,652)
Net Cash (Used In) Investing Activities	(1,800,230)	(729,860)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan borrowings	(384,772)	(373,879)
Net Cash (Used In) Financing Activities	(384,772)	(373,879)
Net Increase In Cash and Cash Equivalents	791,147	754,518
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,919,685	4,165,167
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,710,832	$ 4,919,685
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 573,908	$ 584,801

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.

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 $60,521 and $66,783 at June 30, 2026 and 2025, 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.

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, 2026 and 2025. 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 4.5%.

Allowance for Credit Losses

The Foundation follows the provisions of Accounting Standards Codification 326 (ASC 326), *Financial Instruments – Credit Losses*, which provides guidance on the measurement of expected credit losses of certain financial instruments.

The Foundation's only financial instrument subject to ASC 326 is accrued interest receivable on investments. 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 balances, management has determined that potential credit losses associated with this asset is 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.

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:

	Years
Office equipment	3 - 7
Residence hall building and improvements	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.

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 event activities during the years ended 2026 and 2025, respectively.

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, 2026 and 2025, management feels there are no material balances of receivables that will not be collected and therefore has not established an allowance for doubtful accounts related to the accounts receivable from resident hall leasing activities. Write-offs of uncollectible accounts receivable for residence hall activities amounted to $9,474 and $4,992 for the years ended June 30, 2026 and 2025, respectively.

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.

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.

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 8, 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 $5,731 at June 30, 2026 and increases by 3% each February until the USDA loan is paid off.

Cash and cash equivalents consisted of the following at June 30, 2026 and 2025:

	2026	2025
Restricted Cash		
Cash associated with custodial liabilities	$ 1,367,674	$ 1,260,214
Cash associated with restricted funds	3,449,890	2,957,713
Debt service reserve account	372,450	268,520
Property replacement reserve account	65,486	147,627
Total Restricted Cash	5,255,500	4,634,074
Unrestricted Cash	455,332	285,611
Total Cash and Cash Equivalents	$ 5,710,832	$ 4,919,685

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable represent amounts due to the Foundation for legally enforceable pledges. These pledges are payable in full or in part through July 31, 2027.

Pledges receivable as of June 30, 2026 consist of net assets with donor restriction. These unconditional promises to give are scheduled to be received by the Foundation over the next several years and are considered to be fully collectible. Outstanding pledges receivable as of July 1, 2024 amounted to $2,000. These pledges consisted of net assets with donor restrictions and were all due and fully received during the year ended June 30, 2025.

	2026	2025
Receivable in less than one year	$ 101,184	$ -
Receivable in one to five years	105,697	-
Total pledges receivable	206,881	-
Less discount to net present value	(4,556)	-
Net Pledges Receivable	$ 202,325	$ -

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, 2026 and 2025 are composed of the following:

Description	Cost	Market
2026		
Certificates of deposit	$ 756,208	$ 756,208
Fixed income	4,432,178	4,354,057
Mutual and exchange traded funds	29,373,453	40,675,439
Hedge funds	2,790,190	3,064,784
Non-exchange traded REIT	659,831	702,920
Stocks	3,778,094	4,494,335
Investment Securities	$ 41,789,954	$ 54,047,743
2025		
Certificates of deposit	$ 734,784	$ 734,784
Fixed income	5,535,868	5,545,157
Mutual and exchange traded funds	20,699,227	31,630,062
Hedge funds	2,638,447	2,789,332
Non-exchange traded REIT	723,300	678,047
Stocks	2,525,234	3,580,756
Investment Securities	$ 32,856,860	$ 44,958,138

At June 30, 2026 and 2025, there was $1,590,669 and $1,292,014, respectively, of cash and cash equivalents held in the brokerage accounts available to be invested by the Foundation.

NOTE 4 INVESTMENTS (CONTINUED)

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
2026			
Land	$ 40,000	$ -	$ 40,000
Building	160,202	123,489	36,713
	$ 200,202	$ 123,489	$ 76,713
2025			
Land	$ 40,000	$ -	$ 40,000
Building	160,202	119,484	40,718
	$ 200,202	$ 119,484	$ 80,718

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

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

Description	2026	2025
Investment securities	$ 54,047,743	$ 44,958,138
Real estate	76,713	80,718
	$ 54,124,456	$ 45,038,856

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

NOTE 5 PROPERTY AND EQUIPMENT

Equipment consists of the following:

	2026	2025
Office equipment	$ 12,749	$ 12,749
Residence hall building and improvements	20,464,677	20,362,692
Residence hall furniture and fixtures	995,282	997,887
	21,472,708	21,373,328
Less: accumulated depreciation	(5,538,806)	(4,990,186)
Net Book Value	$ 15,933,902	$ 16,383,142

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

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

NOTE 6 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, 2026 and 2025 are as follows:

	2026	2025
Custodial receipts	$ 503,950	$ 528,871
Custodial payments	(398,499)	(549,051)
Net investment return	2,009	2,961
Net Increase (Decrease) in Custodial Liabilities	$ 107,460	$ (17,219)

NOTE 7 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 $37,384 and $42,746 for the years ended June 30, 2026 and 2025, respectively.

NOTE 8 LOAN PAYABLE

As disclosed in Note 15, 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.

NOTE 8 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 $15,933,902 and $16,383,142 at June 30, 2026 and 2025, respectively. Total interest capitalized during the construction period of the student housing facility project amounted to $311,669.

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

	2026	2025
USDA Rural Development Loan	$ 19,751,961	$ 20,136,733
Less loan costs, net of accumulated amortization of $9,962 and $8,700 respectively	(39,928)	(41,190)
	$ 19,712,033	$ 20,095,543

NOTE 8 LOAN PAYABLE (CONTINUED)

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

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

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

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2026 and 2025:

	2026	2025
Restricted for a Specific Purpose		
Scholarships, awards and college support	$ 26,327,267	$ 19,169,840
Restricted in Perpetuity		
Endowment Funds	31,755,964	29,627,566
	$ 58,083,231	$ 48,797,406
Assets		
Cash and equivalents	$ 3,449,890	$ 2,957,713
Pledges receivable, net of present value adjustment	202,325	-
Accrued interest receivable	47,155	46,348
Investments	54,047,743	44,958,138
Liabilities		
Due to Shepherd University	(181,775)	(1,050)
	$ 57,565,338	$ 47,961,149

At June 30, 2026 and 2025 there were deficits in the amounts of $517,893 and $836,257, respectively, of assets available to cover the balance of non-endowed net assets restricted for a specific purpose. As further disclosed in Note 18, this deficit was a result of accumulated expenditures in prior years exceeding revenues of the undesignated operating fund, which is reported as net assets without donor restriction.

NOTE 10 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 within a targeted range of 2% to 4%. A 2% distribution rate was approved by the Board for the years ended June 30, 2026 and 2025. In May 2026, the Board approved a distribution rate of 3% for the year ended June 30, 2027. 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 using an investment philosophy that maintains equities in the range of 40% to 80%, private market investments in the range of 0% to 25%, fixed income securities in the range of 10% to 35%, real assets in the range of 0% to 15%, hedge funds in the range of 0% to 15% and cash and cash equivalents in the range of 0% to 10%.

NOTE 10 ENDOWMENTS (CONTINUED)

All endowment funds held at the Foundation are donor restricted endowment funds. Donor restricted endowment funds amounted to $45,600,365 and $37,595,399 as of June 30, 2026 and 2025, respectively.

The changes in endowment net assets for the years ended June 30, 2026 and 2025 were as follows:

Endowment Net Assets at July 1, 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		(323,481)
Endowment Net Assets at June 30, 2025		37,595,399
Net investment return		7,498,781
Contributions		1,955,640
Transfers of funding within the Foundation		(976,248)
Appropriations of endowment assets for expenditure		(473,207)
Endowment Net Assets at June 30, 2026	$	45,600,365

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, 2026 and 2025, there were no underwater endowments.

NOTE 11 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.

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

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

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

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	Assets at Fair Value			
	Total	**Level 1**	**Level 2**	**Level 3**
2025				
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	40,755,975	37,643,496	3,112,479	-
Investments Measured at Net Asset Value [(a)]				
Ironwood Fund	1,875,007	-	-	-
Golub Fund	914,325	-	-	-
Nuveen Global Cities REIT	678,047	-	-	-
	3,467,379	-	-	-
Total Assets at Fair Value	$ 44,223,354	$ 37,643,496	$ 3,112,479	$ -

(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 4.5%. The fair value measurement for investments is based upon quoted market prices, when available (Level 1). If quoted market prices are not available, fair values are measured utilizing independent valuation techniques of identical or similar securities for which significant assumptions are derived primarily from or corroborated by observable market data (Level 2). In certain cases, where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the hierarchy.

NOTE 11 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, 2026 and 2025:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Pledges Receivable
June 30, 2026	
Fair Value as of July 1, 2025	$ -
New pledges received	295,873
Payments received	(88,992)
Change in valuation	(4,556)
Fair Value as of June 30, 2026	$ 202,325
June 30, 2025	
Fair Value as of July 1, 2024	$ 2,000
Payments received	(2,000)
Fair Value as of June 30, 2025	$ -

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, 2026 and 2025.

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
June 30, 2026				
Ironwood Fund (a)	$ 2,182,299	N/A	Semi-Annually	95 days
Golub Fund (b)	882,485	$ 100,000	Not Eligible	N/A
Nuveen Global Cities REIT (c)	702,920	N/A	Monthly	15 days
	$ 3,767,704			
June 30, 2025				
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
	$ 3,467,379			

NOTE 11 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, 2026. The remaining commitment is due to Golub Fund on demand.

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

NOTE 12 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, 2026 and 2025 was $21,206 and $20,476, respectively.

NOTE 13 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 14 RELATED PARTY TRANSACTIONS – SHEPHERD UNIVERSITY

The Foundation is a component unit of Shepherd University (University). The Shepherd University Foundation, Inc. provides scholarships and support for the students, facilities and programs of the University. Total scholarships, awards and college support provided to the University and students attending the University amounted to $2,025,976 and $1,427,381 for the years ended June 30, 2026 and 2025, respectively. As of June 30, 2026 and 2025, accounts payable to the University related to scholarships and support amounted to $181,775 and $1,050, respectively.

The Foundation utilizes space owned by the University but does not make lease payments. In-kind revenue and expense of $12,600 has been recorded for the use of this space for the years ended June 30, 2026 and 2025, respectively. As this lease agreement does not represent an exchange transaction, it is outside of the scope of Topic 842, *Leases*.

The Shepherd University Foundation Supporting Organization entered into an agreement to lease 1,490 square feet on the ground floor of the Potomac Place student housing facility to the University for the purpose of operating a food service market to serve the students of the facility. The lease agreement commenced on July 1, 2023 and expired on June 30, 2026. In July 2026, a new three-year lease agreement was signed with an effective date of July 1, 2026 and scheduled expiration date of June 30, 2029. The required monthly payments under the former and renewed lease agreement is $2,700. Total lease revenue from this lease agreement amounted to $32,400 for both years ended June 30, 2026 and 2025. Total future minimum lease payments due for each of the years ended June 30, 2027, 2028 and 2029 will be $32,400.

NOTE 14 RELATED PARTY TRANSACTIONS – SHEPHERD UNIVERSITY (CONTINUED)

As disclosed in Note 15, the Shepherd University Foundation Supporting Organization has entered into a ground lease agreement and management agreement with the University as part of the student housing facilities project. Total expense incurred under these agreements amounted to $253,441 and $38,746 for the years ended June 30, 2026 and 2025, respectively. As part of the management agreement, the University acts as the Supporting Organization's exclusive agent for the operation, management and maintenance of the student housing facility project. As a result, the University collects payments from students and pays operating expenses associated with the student housing facility project on behalf of the Supporting Organization. Amounts due from the University related to the collection of student receivables amounted to $19,340 and $11,177 respectively. Amounts due to the University for reimbursement of operating expenses, reimbursements of credits paid to students and payment of the ground lease fee noted above amounted to $305,825 and $180,247, respectively.

NOTE 15 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 8, 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 $253,441 and $38,746 for the years ended June 30, 2026 and 2025, respectively. Cumulative cash payments made to Shepherd University for ground lease payments since the residence hall became operational amounted to $2,751,066 as of June 30, 2026.

The Supporting Organization has entered into a management agreement with Shepherd University. The management agreement appointed Shepherd University as the Supporting Organization's exclusive agent for the construction, operation, management and maintenance of Potomac Place. No additional fees, outside of the ground lease payments, are payable to Shepherd University for these services.

Residence hall room leases represent short-term leases with a duration of less than twelve months and having terms that expire prior to June 30th of each year. The residence hall room lease fee rates, number of students served per semester and total fees collected on student residence hall room leases are noted below for the years ended June 30, 2026 and 2025.

NOTE 15 POTOMAC PLACE STUDENT HOUSING FACILITY PROJECT (CONTINUED)

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

NOTE 16 FUNCTIONAL EXPENSES

The allocation of the Foundation's expenses between program activities and support activities for the years ending June 30, 2026 and 2025 is as follows:

	Program Activities			Support Activities	
	Scholarships and College Support	Dormitory Operations	Total Program Expenses	General and Administrative Expenses	Total
2026					
Scholarships and awards	$ 1,968,654	$ -	$ 1,968,654	$ -	$ 1,968,654
College support	57,322	-	57,322	-	57,322
Salaries	77,404	95,980	173,384	340,436	513,820
Payroll taxes and benefits	10,566	12,963	23,529	103,515	127,044
Student activities	-	1,513	1,513	-	1,513
Equipment and supplies	-	4,014	4,014	-	4,014
Depreciation	-	551,227	551,227	4,005	555,232
Insurance	-	118,596	118,596	9,331	127,927
Contractual services	-	21,691	21,691	-	21,691
Telephone	-	649	649	-	649
Repairs and maintenance	-	38,658	38,658	-	38,658
Utilities	-	222,211	222,211	-	222,211
Ground rental	-	253,441	253,441	-	253,441
Interest expense	-	574,837	574,837	-	574,837
Printing and reproduction costs	-	-	-	7,089	7,089
Bank fees and administrative expense	-	-	-	13,897	13,897
Rent	-	-	-	12,600	12,600
Office supplies and postage	-	-	-	10,919	10,919
Gift annuity expense	-	-	-	10,306	10,306
Professional fees	-	-	-	92,293	92,293
Program development	-	-	-	15,686	15,686
Technology	-	-	-	19,192	19,192
Bad debt expense	-	-	-	9,474	9,474
Staff development	-	-	-	268	268
Miscellaneous	-	270	270	2,625	2,895
TOTAL EXPENSES	$ 2,113,946	$ 1,896,050	$ 4,009,996	$ 651,636	$ 4,661,632

NOTE 16 FUNCTIONAL EXPENSES (CONTINUED)

	Program Activities			Support Activities	
	Scholarships and College Support	Dormitory Operations	Total Program Expenses	General and Administrative Expenses	Total
2025					
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	-	-	-	14,251	14,251
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
Bad debt expense	-	-	-	4,992	4,992
Miscellaneous	-	180	180	3,000	3,180
TOTAL EXPENSES	$ 1,512,072	$ 1,695,557	$ 3,207,629	$ 617,743	$ 3,825,372

NOTE 17 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:

	2026	2025
Unrestricted cash	$ 455,332	$ 285,611
Accounts receivable	62,228	57,490
Due from Shepherd University	19,340	11,177
	$ 536,900	$ 354,278

NOTE 17 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 $437,936 and $416,147 at June 30, 2026 and 2025, 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 $4,817,564 and $4,217,927 at June 30, 2026 and 2025, 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 $47,155 and $46,348 at June 30, 2026 and 2025, respectively and investments in the amounts of $54,047,743 and $44,958,138 at June 30, 2026 and 2025, respectively, are excluded due to the fact that these funds are the restricted portion of donor-restricted funds held at the Foundation. The remaining $76,713 and $80,718 at June 30, 2026 and 2025, 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 18 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 reduced the level of annual scholarship and support disbursements paid from the operating fund, implemented management fees to help cover the administrative costs associated with managing donor funds held at the Foundation and expects to continuing applying cost control measures to administrative expenses. The balance of the undesignated net assets without donor restriction deficit was $(3,644,449) and $(3,980,266) for the years ended June 30, 2026 and 2025, respectively. Of this deficit, $(543,288) and $(867,851) related to Shepherd University Foundation Inc. for the years ended June 30, 2026 and 2025, respectively, and $(3,101,161) and $(3,112,415) related the Shepherd University Foundation Supporting Organization for the years ended June 30, 2026 and 2025, respectively.

NOTE 19 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, 2026 and 2025 are as follows:

	2026	2025
Use of facilities	$ 12,600	$ 12,600
Furniture, equipment and supplies	49,117	-
	$ 61,717	$ 12,600

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

Contributed use of facilities represents the value of 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 20 SUBSEQUENT EVENTS

The Foundation has evaluated events and transactions subsequent to June 30, 2026 through September 8, 2026, 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, 2026

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
ASSETS				
Cash and cash equivalents	$ 4,817,564	$ 893,268	$ -	$ 5,710,832
Accounts receivable	-	62,228	-	62,228
Pledges receivable	202,325	-	-	202,325
Due from Shepherd University	-	19,340	-	19,340
Accrued interest receivable	47,155	-	-	47,155
Prepaid expenses	3,370	25,073	-	28,443
Investments	54,124,456	-	-	54,124,456
Property and equipment, net	-	15,933,902	-	15,933,902
TOTAL ASSETS	$ 59,194,870	$ 16,933,811	$ -	$ 76,128,681
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	$ 7,573	$ -	$ -	$ 7,573
Due to Shepherd University	181,775	305,825	-	487,600
Accrued interest	-	17,114	-	17,114
Custodial liabilities	1,367,674	-	-	1,367,674
Gift annuities payable	37,384	-	-	37,384
Loan payable, net	-	19,712,033	-	19,712,033
Total Liabilities	1,594,406	20,034,972	-	21,629,378
Net Assets				
Net assets without donor restrictions				
Undesignated (deficit)	(543,288)	(3,101,161)	-	(3,644,449)
Designated	60,521	-	-	60,521
Net assets with donor restrictions				
Restricted for a specific purpose	26,327,267	-	-	26,327,267
Restricted in perpetuity	31,755,964	-	-	31,755,964
Total Net Assets	57,600,464	(3,101,161)	-	54,499,303
TOTAL LIABILITIES AND NET ASSETS	$ 59,194,870	$ 16,933,811	$ -	$ 76,128,681

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
ASSETS				
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
TOTAL ASSETS	$ 49,307,422	$ 17,180,822	$ -	$ 66,488,244
LIABILITIES AND NET ASSETS				
Liabilities				
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
Net Assets				
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
TOTAL LIABILITIES AND NET ASSETS	$ 49,307,422	$ 17,180,822	$ -	$ 66,488,244

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
Consolidating Statement of Activities
Year Ended June 30, 2026

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
SUPPORT AND REVENUE				
Potomac Place lease income, net of waivers	$ -	$ 1,949,244	$ -	$ 1,949,244
Cash contributions	5,706	-	-	5,706
Nonfinancial contributions	12,600	-	-	12,600
Net investment return	17,017	24,588	-	41,605
Other revenue	-	1,215	-	1,215
Transfers for SUF management fees earned	1,052,502	-	-	1,052,502
Other transfers	810	-	-	810
Net assets released from restrictions	1,927,505	-	-	1,927,505
Total Revenue and Other Support	3,016,140	1,975,047	-	4,991,187
EXPENSES				
Program expenses	2,113,946	1,896,050	-	4,009,996
General and administrative	583,893	67,743	-	651,636
Total Expenses	2,697,839	1,963,793	-	4,661,632
Change In Net Assets Without Donor Restriction	318,301	11,254	-	329,555
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
SUPPORT AND REVENUE				
Cash contributions	3,621,991	-	-	3,621,991
Stock contributions	6,416	-	-	6,416
Nonfinancial contributions	49,117	-	-	49,117
Other revenue	26,092	-	-	26,092
Net investment return	8,563,026	-	-	8,563,026
Transfers for SUF management fees earned	(1,052,502)	-	-	(1,052,502)
Other transfers	(810)	-	-	(810)
Net assets released from restrictions	(1,927,505)	-	-	(1,927,505)
Change In Net Assets With Donor Restriction	9,285,825	-	-	9,285,825
Increase In Net Assets	9,604,126	11,254	-	9,615,380
NET ASSETS, BEGINNING OF YEAR	47,996,338	(3,112,415)	-	44,883,923
NET ASSETS, END OF YEAR	$ 57,600,464	$ (3,101,161)	$ -	$ 54,499,303

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 and Supporting Organization
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
SUPPORT AND REVENUE				
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
Total Revenue and Other Support	2,293,164	1,833,048	-	4,126,212
EXPENSES				
Program expenses	1,512,072	1,695,557	-	3,207,629
General and administrative	546,149	71,594	-	617,743
Total Expenses	2,058,221	1,767,151	-	3,825,372
Change In Net Assets Without Donor Restriction	234,943	65,897	-	300,840
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
SUPPORT AND REVENUE				
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)
Change in Net Assets With Donor Restrictions	5,084,536	-	-	5,084,536
Increase In Net Assets	5,319,479	65,897	-	5,385,376
NET ASSETS, BEGINNING OF YEAR	42,676,859	(3,178,312)	-	39,498,547
NET ASSETS, END OF YEAR	$ 47,996,338	$ (3,112,415)	$ -	$ 44,883,923

SHEPHERD UNIVERSITY FOUNDATION, INC. AND SUPPORTING ORGANIZATION
Consolidating Statement of Cash Flows
Year Ended June 30, 2026

	Shepherd University Foundation, Inc.	Shepherd University Foundation Supporting Organization	Eliminations	Shepherd University Foundation, Inc. and Supporting Organization
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase in net assets	$ 9,604,126	$ 11,254	$ -	$ 9,615,380
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Net realized and unrealized (gains) on investments	(7,390,308)	-	-	(7,390,308)
Depreciation	4,005	551,227	-	555,232
Non-cash interest expense associated with debt issuance costs	-	1,262	-	1,262
Non-cash stock contributions received	(6,416)	-	-	(6,416)
(Increase) in accounts receivable	-	(4,738)	-	(4,738)
(Increase) in pledges receivable	(202,325)	-	-	(202,325)
(Increase) in accrued interest receivable	(807)	-	-	(807)
Decrease in prepaid expenses	921	2,182	-	3,103
Increase in accounts payable	499	-	-	499
Increase in net due to (due from) Shepherd University	180,725	117,415	-	298,140
(Decrease) in accrued interest payable	-	(333)	-	(333)
Increase in custodial liabilities	107,460	-	-	107,460
Net Cash Provided By Operating Activities	2,297,880	678,269	-	2,976,149
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments	27,466,744	-	-	27,466,744
Purchases of investments	(29,159,625)	-	-	(29,159,625)
Purchases of property, plant, and equipment	-	(101,987)		(101,987)
Gift annuity liability payments	(5,362)	-	-	(5,362)
Net Cash (Used In) Investing Activities	(1,698,243)	(101,987)	-	(1,800,230)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loan borrowings	-	(384,772)	-	(384,772)
Net Cash (Used In) Financing Activities	-	(384,772)	-	(384,772)
Net Increase In Cash and Cash Equivalents	599,637	191,510	-	791,147
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,217,927	701,758	-	4,919,685
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,817,564	$ 893,268	$ -	$ 5,710,832

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest was $573,908.

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
CASH FLOWS FROM OPERATING ACTIVITIES				
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 Uni	1,050	(41,884)	-	(40,834)
(Decrease) in accrued interest payable	-	(324)	-	(324)
(Decrease) in custodial liabilities	(17,219)	-	-	(17,219)
Net Cash Provided By Operating Activities	1,299,439	558,818	-	1,858,257
CASH FLOWS FROM INVESTING ACTIVITIES				
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 payments	(5,652)	-	-	(5,652)
Net Cash (Used In) Investing Activities	(586,552)	(143,308)	-	(729,860)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of loan borrowings	-	(373,879)	-	(373,879)
Net Cash (Used In) Financing Activities	-	(373,879)	-	(373,879)
Net Increase In Cash and Cash Equivalents	712,887	41,631	-	754,518
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,505,040	660,127	-	4,165,167
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,217,927	$ 701,758	$ -	$ 4,919,685

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

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

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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, 2026 and 2025, 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 September 8, 2026.

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 Kearns & Company, LLC

Hagerstown, Maryland
September 8, 2026