

CHATHAM UNIVERSITY
Pittsburgh, Pennsylvania

Financial Statements
and
Supplemental Financial Information
For the years ended June 30, 2009 and 2008
and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

We have audited the accompanying statements of financial position of Chatham University (University) as of June 30, 2009 and 2008 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2009 and 2008, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2009 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with government auditing standards and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Schneider Downs & Co. Inc."

Pittsburgh, Pennsylvania
November 12, 2009

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CHATHAM UNIVERSITY
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,741,258	\$ 4,998,029
Cash and cash equivalents held for debt service payments	3,737,059	3,635,757
Student accounts receivable (net of allowance of \$761,000 and \$490,000 as June 30, 2009 and 2008, respectively)	1,396,991	1,329,481
Other receivables	1,499,103	1,540,308
Prepaid expenses and other assets	473,999	283,576
Contributions receivable, net	1,303,561	692,221
Loans receivable (net of allowance of \$204,000 and \$108,000 as of June 30, 2009 and 2008, respectively)	774,475	786,085
Deferred compensation deposits	896,140	730,917
Investments	43,533,695	56,985,446
Assets held in trust by others	3,421,639	4,423,305
	59,777,920	75,405,125
PROPERTY, PLANT AND EQUIPMENT		
Land	9,565,195	8,802,095
Buildings and improvements	99,560,390	81,459,582
Equipment, furniture and vehicles	17,063,671	15,921,956
Construction-in-progress	2,620,649	1,169,713
Building under capital lease	3,144,406	3,144,406
	131,954,311	110,497,752
Less - Accumulated depreciation	(41,235,033)	(37,662,709)
	90,719,278	72,835,043
DEFERRED BOND FINANCING COSTS, net	235,678	246,360
Total Assets	\$ 150,732,876	\$ 148,486,528
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 3,177,475	\$ 1,546,366
Accrued liabilities	3,373,969	2,490,036
Lines of credit	-	1,705,687
Student deposits and deferred revenues	1,882,621	1,567,430
Funds held for others	12,249	15,909
Capital lease obligation	2,681,806	2,887,406
Bonds payable	57,178,390	38,908,784
Advances from federal government for student loans	1,511,474	1,511,474
Total Liabilities	69,817,984	50,633,092
NET ASSETS		
Unrestricted	36,547,759	39,913,790
Temporarily restricted	9,318,962	22,444,087
Permanently restricted	35,048,171	35,495,559
Total Net Assets	80,914,892	97,853,436
Total Liabilities And Net Assets	\$ 150,732,876	\$ 148,486,528

See notes to financial statements.

CHATHAM UNIVERSITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
REVENUES AND OTHER ADDITIONS				
Tuition and fees	\$ 38,174,818	\$ -	\$ -	\$ 38,174,818
Scholarships	(8,887,224)	-	-	(8,887,224)
	<u>29,287,594</u>	<u>-</u>	<u>-</u>	<u>29,287,594</u>
Auxiliary enterprises revenues	6,381,223	-	-	6,381,223
Federal and state grants and contracts	297,008	1,402,116	-	1,699,124
Private gifts and grants	1,158,222	1,043,980	554,278	2,756,480
Interest on student loans receivable	168	27,452	-	27,620
Investment income, net of investment expense of \$114,000 and \$121,000, respectively	1,587,065	500,418	-	2,087,483
Net unrealized and realized losses on investments	(2,787,297)	(11,586,921)	(1,001,666)	(15,375,884)
Total Revenues And Other Additions	35,923,983	(8,612,955)	(447,388)	26,863,640
NET ASSETS RELEASED FROM RESTRICTIONS	<u>4,512,170</u>	<u>(4,512,170)</u>	<u>-</u>	<u>-</u>
Total Revenues And Other Additions And Net Assets Released From Restrictions	40,436,153	(13,125,125)	(447,388)	26,863,640
EXPENSES AND OTHER DEDUCTIONS				
Educational and general:				
Instruction	13,165,281	-	-	13,165,281
Library	1,517,354	-	-	1,517,354
Student services	9,169,878	-	-	9,169,878
Administrative and general	15,609,660	-	-	15,609,660
Public service	1,469,360	-	-	1,469,360
	<u>40,931,533</u>	<u>-</u>	<u>-</u>	<u>40,931,533</u>
Total Education And General	40,931,533	-	-	40,931,533
Auxiliary enterprises expenses	<u>2,870,651</u>	<u>-</u>	<u>-</u>	<u>2,870,651</u>
Total Expenses And Other Deductions	<u>43,802,184</u>	<u>-</u>	<u>-</u>	<u>43,802,184</u>
Changes In Net Assets	(3,366,031)	(13,125,125)	(447,388)	(16,938,544)
NET ASSETS				
Beginning of year	<u>39,913,790</u>	<u>22,444,087</u>	<u>35,495,559</u>	<u>97,853,436</u>
End of year	<u>\$ 36,547,759</u>	<u>\$ 9,318,962</u>	<u>\$ 35,048,171</u>	<u>\$ 80,914,892</u>

2008

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 32,478,730	\$ -	\$ -	\$ 32,478,730
(7,805,125)	-	-	(7,805,125)
<u>24,673,605</u>	<u>-</u>	<u>-</u>	<u>24,673,605</u>
4,174,499	-	-	4,174,499
250,708	1,314,479	-	1,565,187
1,234,709	1,476,578	8,886,804	11,598,091
571	19,026	-	19,597
1,444,615	733,418	-	2,178,033
<u>(136,719)</u>	<u>(2,476,645)</u>	<u>(553,435)</u>	<u>(3,166,799)</u>
31,641,988	1,066,856	8,333,369	41,042,213
<u>5,413,522</u>	<u>(5,413,522)</u>	<u>-</u>	<u>-</u>
37,055,510	(4,346,666)	8,333,369	41,042,213
11,548,926	-	-	11,548,926
1,374,372	-	-	1,374,372
8,338,831	-	-	8,338,831
15,785,766	-	-	15,785,766
<u>1,200,514</u>	<u>-</u>	<u>-</u>	<u>1,200,514</u>
38,248,409	-	-	38,248,409
<u>2,023,943</u>	<u>-</u>	<u>-</u>	<u>2,023,943</u>
40,272,352	-	-	40,272,352
(3,216,842)	(4,346,666)	8,333,369	769,861
<u>43,130,632</u>	<u>26,790,753</u>	<u>27,162,190</u>	<u>97,083,575</u>
\$ <u>39,913,790</u>	\$ <u>22,444,087</u>	\$ <u>35,495,559</u>	\$ <u>97,853,436</u>

See notes to financial statements.

CHATHAM UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (16,938,544)	\$ 769,861
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,628,056	3,120,124
Net unrealized and realized loss on investments	14,374,218	2,613,364
Change in value of assets held in trust by others	1,001,666	553,435
Contributions restricted for long-term investments, primarily in-kind in 2008	(554,278)	(8,886,804)
Changes in assets and liabilities:		
Student accounts receivable, net	(67,510)	(345,793)
Contributions receivable	(611,340)	1,629,502
Other receivables	41,205	(881,886)
Prepaid expenses and other assets	(190,423)	(153,870)
Loans receivable	11,610	(120,042)
Deferred compensation deposits	(165,223)	(194,815)
Accounts payable and accrued liabilities	743,261	916,934
Student deposits and deferred revenues	315,191	581,684
Funds held for others	(3,660)	9,017
Net Cash Provided By (Used In) Operating Activities	1,584,229	(389,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction or acquisition of property, plant and equipment, net of assets acquired under capital leases and construction payables	(19,684,779)	(4,143,175)
Proceeds from sale of investments	17,393,021	3,833,324
Purchase of investments	(18,315,488)	(773,380)
Net Cash Used In Investing Activities	(20,607,246)	(1,083,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	554,278	23,369
Proceeds from issuance of bonds	18,854,557	-
Proceeds from lines of credit	2,000,000	1,705,687
Payments on line of credit	(3,705,687)	-
Payments on long-term debt	(630,000)	(554,950)
Payments on capital lease obligations	(205,600)	(205,600)
Net Cash (Used In) Provided By Financing Activities	16,867,548	968,506
Net Decrease In Cash And Cash Equivalents	(2,155,469)	(504,014)
CASH AND CASH EQUIVALENTS		
Beginning of year	8,633,786	9,137,800
End of year	\$ 6,478,317	\$ 8,633,786
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 2,980,146	\$ 2,257,869

See notes to financial statements.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chatham University (University) is a nonprofit educational institution organized under the laws of Pennsylvania.

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements of the University are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Net Assets - The University classifies and reports net assets, revenues and expenses, and gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations, including contractual obligations imposed by federal, state and local governmental agencies.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed or legal stipulations that may or will be met either by actions of the University and/or the passage of time.

Permanently Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as reclassifications to unrestricted net assets.

Contributed property is recorded at fair value at the date of the donation. If the donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In May 2008, the University received a gift of 387.40 acres of land improved with several buildings. The gift is permanently restricted, as the land and building may not be sold. The fair value of the gift was recorded at \$8,310,000.

Expiration of Donor-Imposed Restrictions - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the satisfaction or expiration of such restrictions.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents - For purposes of the statements of cash flows, the University considers all cash balances and short-term highly liquid investments with original maturities of three months or less to be cash equivalents. The University maintains at various financial institutions, cash and cash equivalents that may exceed federally insured amounts at times.

Contributions Receivable - Contributions receivable are recorded as revenue when an unconditional promise to give is received. These amounts, less an appropriate allowance for uncollectible amounts, are recorded at their estimated fair value as determined by the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. The discount rate used in 2009 and 2008 was 4.00%. Amortization of the discount is included in contribution revenue, in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as past collection experience, missed payments or modification of payment terms, and creditworthiness of the donor.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value, with realized and unrealized gains and losses included in the statement of activities. Investments received by gift are recorded at market value on the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the statements of financial position.

Investments for which there is no ready market are valued at fair value as estimated by management. In estimating fair value, management takes into consideration valuations reported to the University by the investment partnerships, the nature of the investments, current market conditions and other factors that the University considers relevant. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Interest and dividends from investments are included in investment income and are recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

Annuity and Trust Funds - The University has certain assets that consist of charitable gift annuities and unitrusts as well as bequests in the form of trusts held by a third party. For annuities and unitrusts, assets are invested and payments are made in accordance with the respective agreement. Revenue is recognized at the date the agreement is established, net of the liability for the present value of the estimated future payments.

For trusts held by a third party, the University has the irrevocable right, under the terms of the trust, to receive the income earned on the trust assets held in perpetuity but never receives the assets held in the trust. Assets are recorded at the fair value unless facts indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed. Contribution revenue for the perpetual trusts held by third parties is recognized when the University is notified of the trust's existence or the date on which the trust becomes irrevocable.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment - Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The University capitalizes interest expense on the construction of assets to the extent of borrowings related to the construction. Capitalized interest in 2009 and 2008 was \$122,000 and \$-0-, respectively. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are 20 to 40 years for buildings and improvements; 7 years for equipment and furniture; and 4 years for vehicles. Gifts of long-lived assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The University releases temporarily restricted contributions for asset acquisitions when the asset is placed into service.

Collections - The University's collections include paintings, prints, photographs, sculptures, drawings and watercolors, and decorative arts. These items are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchases of collection items are recorded as operating expenditures in the year in which the items are acquired. Contributed collection items are not reflected in the financial statements.

Advances from Federal Government for Student Loans - Advances from the federal government under the Federal Perkins Loan program are distributable to the federal government upon termination of the program, and thus, are reflected as a liability on the statement of financial position.

Fair Value Measurements - The University adopted the provisions of the Financial Accounting Standards Board (FASB) Statement No. 157, "Fair Value Measurements" (FAS 157), effective July 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures related to fair value measurements. FAS 157 applies broadly to financial and nonfinancial assets and liabilities that are measured at fair value under other authoritative accounting pronouncements, but does not expand the application of fair value accounting to any new circumstances. As of the adoption date, the University has applied the provisions of FAS 157 to its recurring measurements, and the impact was not material; however, additional disclosures have been made. (See Note 3.)

Subsequent Events - The University has adopted FASB Statement No. 165, "Subsequent Events." This guidance defines subsequent events as events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. Management has considered subsequent events through November 12, 2009, the date on which the financial statements were available to be issued.

Recently Issued Accounting Pronouncements - In 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes: an Interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement principles for financial statement disclosure of tax positions taken or expected to be taken on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2008. The University has adopted FIN 48 without material impact to the financial statements.

Effective July 1, 2009, the FASB Accounting Standards Codification (Codification) has become the single source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. On the effective date of FASB Statement No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" (FAS 168), the Codification superseded all existing non-SEC accounting and reporting standards. FAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2 - INVESTMENTS

Investments stated at fair value as of June 30 consist of the following:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 2,433,909	\$ 2,336,312
Fixed income	7,878,919	8,741,936
Equities	2,684,422	3,223,596
International funds	2,960,771	5,411,209
Common/collective trusts	11,057,199	16,133,370
Hedge funds	9,410,833	12,312,480
Alternative investments	5,650,873	5,926,886
Commodities	1,155,719	2,899,657
Real estate investment fund	301,050	-
	<u>\$ 43,533,695</u>	<u>\$ 56,985,446</u>

As of June 30, 2009, the University has outstanding commitments to fund partnership investments with additional capital of approximately \$8,771,000.

Investments at June 30 are composed of the following:

	<u>2009</u>	<u>2008</u>
Endowment	\$ 42,437,511	\$ 56,089,572
Annuity trust agreements	1,096,184	895,874
	<u>\$ 43,533,695</u>	<u>\$ 56,985,446</u>

The investment return for June 30 is summarized in the following schedule:

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 2,087,483	\$ 2,178,033
Net realized loss	(1,539,111)	(736,823)
Net unrealized loss	(12,835,107)	(1,876,541)
Net unrealized loss on assets held in trust for others	(1,001,666)	(553,435)
	<u>\$ (13,288,401)</u>	<u>\$ (988,766)</u>

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 - FAIR VALUE MEASUREMENTS

As described above in Note 1, the University adopted the provisions of FAS 157 effective July 1, 2008.

Valuation Hierarchy - FAS 157 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The three levels of inputs that may be used to measure fair value are defined as:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in inactive markets, (iii) inputs other than quoted prices that are observable for the asset or liability and (iv) inputs that are derived from observable market data by correlation or other means.

Level 3 - Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

FAS 157 requires fair value measurements to be separately disclosed by level within the fair value hierarchy and requires a separate reconciliation of fair value measurements categorized as Level 3. At June 30, 2009, the University's financial instruments consist primarily of cash and cash equivalents, student accounts receivable, contributions receivable, loans receivable, investments, assets held in trust by others, accounts payable and bonds payable. The carrying amount of cash and cash equivalents, student accounts receivable, contributions receivable, loans receivable and accounts payable, approximate their fair value due to the short-term nature of such investments. The carrying value of the University's bonds payable approximates fair value at June 30, 2009 and 2008, since the interest rates are market-based and are generally adjusted periodically.

The University has determined the fair value of Series A of 1998 Bonds, the Series A of 2002 Bonds and the Series B of 2002 Bonds to be cumulatively \$28,216,000 by using matrix-level pricing, which represents Level 2 measurements. The fair value of the Series A and B of 2008 Bonds approximate the carrying value based upon the nature of the Bonds.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 - FAIR VALUE MEASUREMENTS (Continued)

The valuation of the University's investments according to the fair value hierarchy are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,433,909	\$ -	\$ -	\$ 2,433,909
Fixed income	5,816,018	2,062,901	-	7,878,919
Equities	2,684,422	-	-	2,684,422
International funds	2,960,771	-	-	2,960,771
Common/collective trusts	-	11,057,199	-	11,057,199
Hedge funds	-	-	9,410,833	9,410,833
Alternative investments	-	-	5,650,873	5,650,873
Commodities	1,155,719	-	-	1,155,719
Real estate investment fund	-	-	301,050	301,050
Assets held in trust by others	-	3,421,639	-	3,421,639
Total fair value of investments	<u>\$ 15,050,839</u>	<u>\$ 16,541,739</u>	<u>\$ 15,362,756</u>	<u>\$ 46,955,334</u>

The valuation of the University's investments in hedge funds, alternative investments and real estate investment fund (limited partnerships) requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity, heavy reliance on Level 3 inputs, and the long-term nature of such investments. Limited partnership investments are valued initially at their transaction value, and subsequently adjusted to reflect expected exit values at the measurement date by utilizing assumptions that market participants would normally use to estimate a fair market value. These valuation adjustments include, but are not limited to, material changes in a company's operations and or financial performance, subsequent or anticipated rounds of equity financings, specific rights or terms associated with the investment (e.g., conversion features, liquidation preferences or restrictions), expected exit timing and strategy, industry valuations or comparable public companies, changes in economic conditions, and changes in legal or regulatory environments.

The changes in investments measured at fair value for which the University has used Level 3 inputs to determine fair value are as follows:

	<u>Fiscal Year Ended June 30</u>
Balance, June 30, 2008	\$ 18,239,367
Capital calls	1,784,493
Proceeds from distributions	(1,060,550)
Realized gains, net	(17,255)
Unrealized depreciation, net	<u>(3,583,299)</u>
Balance, June 30, 2009	<u>\$ 15,362,756</u>

Realized gains and unrealized depreciation are included in net unrealized and realized losses on investments in the accompanying statements of activities and changes in net assets. Unrealized depreciation, net on Level 3 investments relates to investments held as of June 30, 2009.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

		<u>2009</u>		<u>2008</u>
Gross contributions outstanding	\$	1,587,875	\$	1,159,913
Less unamortized discount		(119,422)		(136,739)
Less allowance		(164,892)		(330,953)
	\$	<u>1,303,561</u>	\$	<u>692,221</u>
		<u>2009</u>		<u>2008</u>
Amounts due in:				
Less than one year	\$	1,187,875	\$	622,661
One to five years		-		137,252
More than five years		<u>400,000</u>		<u>400,000</u>
	\$	<u>1,587,875</u>	\$	<u>1,159,913</u>

Total fundraising expense, representing the cost of the institutional advancement department and the comprehensive campaign, for the years ended June 30, 2009 and 2008 was \$1,010,000 and \$938,000, respectively, and is included in administrative and general expenses in the statement of activities and changes in net assets.

NOTE 5 - LINE-OF-CREDIT PAYABLE

In March 2009, the University entered into a new \$2,000,000 demand line-of-credit agreement with a bank replacing its previous line of credit. The agreement is secured by certain real property. The agreement is due on demand and bears interest at the bank's prime lending rate (3.25% at June 30, 2009). There were no borrowings outstanding at June 30, 2009. Borrowings outstanding on the previous agreement amounted to \$900,000 as of June 30, 2008.

The University had a \$1,000,000 non-revolving line-of-credit agreement with a bank. The agreement was secured by certain real property. The agreement was due on demand and bore interest at the bank's prime lending rate (3.25% at June 30, 2009). This line of credit was retired in May 2009 using the proceeds of the \$20,000,000 2008 A and B Series Notes. (See Note 6 below.) Borrowings outstanding on the agreement amounted to approximately \$806,000 as of June 30, 2008.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - BONDS AND NOTES PAYABLE

The bonds and notes payable balance at June 30 consists of the following:

	<u>2009</u>	<u>2008</u>
Series A of 1998	\$ 10,045,000	\$ 10,320,000
Series A of 2002	5,595,000	5,710,000
Series A of 2002	23,685,000	23,925,000
Series A of 2008	10,000,000	-
Series B of 2008	8,854,557	-
	<u>58,179,557</u>	<u>39,955,000</u>
Less - Unamortized discount	<u>(1,001,167)</u>	<u>(1,046,216)</u>
	<u>\$ 57,178,390</u>	<u>\$ 38,908,784</u>

Scheduled principal repayments are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2010	\$ 1,061,305
2011	1,118,849
2012	1,177,713
2013	1,239,996
2014	1,309,548
Thereafter	<u>52,272,146</u>
	<u>58,179,557</u>
Less - Unamortized discount	<u>(1,001,167)</u>
	<u>\$ 57,178,390</u>

a. Series A of 1998

On July 23, 1998, Allegheny County Higher Education Building Authority issued \$12,295,000 aggregate principal of its University Revenue Bonds Series A of 1998 on behalf of the University. The bond proceeds were used by the University to refund the 1991 Bonds, to repay a loan related to the costs of acquisition of capital facilities, to fund a debt service reserve, and to pay the costs of issuance. The Series A of 1998 Bonds bear interest at rates ranging from 4.05% to 5.375%. Interest payments are required semiannually. Principal payments are required on September 1 of each year, with the first payment due on September 1, 1999, and the final payment due on September 1, 2028.

Interest expense on the Series A of 1998 Bonds for the years ended June 30, 2009 and 2008 was \$540,291 and \$554,128, respectively.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

The Series A of 1998 Bonds are secured by facilities of the University. The University is also subject to certain financial and reporting covenants and is required to maintain a debt service reserve fund equal to the maximum annual debt service due in any fiscal year on the Series A of 1998 Bonds. Included in cash and cash equivalents at June 30, 2009 and 2008 was \$853,795 and \$830,138, respectively, to satisfy the debt service fund requirement.

b. Series A of 2002

On March 1, 2002, Allegheny County Higher Education Building Authority issued \$6,300,000 aggregate principal of its University Revenue Bonds Series A of 2002 on behalf of the University. The bond proceeds were used by the University to retire the 1998 Series B Bonds, to finance the costs of the construction and acquisition of capital facilities, to fund a debt service reserve, and to pay the costs of issuance. The Series A of 2002 Bonds bear interest at rates ranging from 3.1% to 5.95%. Interest payments are required semiannually. Principal payments are required on March 1 of each year, with the first payment due on March 1, 2003, and the final payment due on March 1, 2032.

Interest expense on the Series A of 2002 Bonds for the years ended June 30, 2009 and 2008 was \$337,370 and \$343,805, respectively.

The University is subject to certain financial and reporting covenants and is required to maintain a debt service reserve fund equal to the maximum annual debt service due in any fiscal year on the Series A of 2002 Bonds. Included in cash and cash equivalents at June 30, 2009 and 2008 was \$472,482 and \$459,047, respectively, to satisfy the debt service fund requirement.

c. Series B of 2002

On December 1, 2002, Allegheny County Higher Education Building Authority issued \$24,580,000 aggregate principal of its University Revenue Bonds Series B of 2002 on behalf of the University. The bond proceeds were used by the University for constructing and equipping a new athletic facility, financing various capital projects, including maintenance and renovation projects, acquiring a residential property adjacent to the University, funding certain capitalized interest costs, funding a debt service reserve fund and paying certain issuance costs. The Series B of 2002 Bonds bear interest at rates ranging from 3.0% to 5.75%. Interest payments are required semiannually. Principal payments are required on November 15 of each year, with the first payment due on November 15, 2005, and the final payment due on November 15, 2035.

Interest expense on the Series B of 2002 Bonds for the years ended June 30, 2009 and 2008 was \$1,342,695 and \$1,351,425, respectively.

The University is subject to certain financial and reporting covenants and is required to maintain a debt service reserve fund equal to the maximum annual debt service due in any fiscal year on the Series B of 2002 Bonds. Included in cash and cash equivalents at June 30, 2009 and 2008 was \$2,410,782 and \$2,346,572, respectively, to satisfy the debt service fund requirement.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

d. Series A of 2008

On September 29, 2008, McKeesport Industrial Development Authority issued \$10,000,000 aggregate principal of its Tax-Exempt Revenue Note Series A of 2008 on behalf of the University. The Series A of 2008 Note was used by the University for the financing of the acquisition of the building and land adjacent to the University's Shadyside campus and its subsequent partial renovation, financing the acquisition of the apartments for student residence adjacent to the University's Shadyside campus, financing various capital facilities existing on the University's Shadyside campus, financing renovations to the University's Eden Hall Farm campus, and payment of all or a portion of the costs incurred in connection with such financing. The Series A of 2008 Note bears an interest at rate at 4.47%. Interest payments are required monthly. Principal payments are required monthly, with the first payment due on August 1, 2024, and the final payment due on January 1, 2033.

Interest expense on the Series A of 2008 Bonds for the year ended June 30, 2009 was \$337,733.

The Series A of 2008 Bonds are secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply in all material respects with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

e. Series B of 2008

On September 29, 2008, McKeesport Industrial Development Authority issued \$10,000,000 aggregate principal of its Taxable Revenue Note Series B of 2008 on behalf of the University. The Series B of 2008 Note was used by the University for the financing of the acquisition of the building and land adjacent to the University's Shadyside campus and its subsequent partial renovation, financing the acquisition of the apartments for student residence adjacent to the University's Shadyside campus, financing various capital facilities existing on the University's Shadyside campus, financing renovations to the University's Eden Hall Farm campus, and payment of all or a portion of the costs incurred in connection with such financing. The Series B of 2008 Note bears an interest at rate at 6.67%. Interest payments are required monthly. Principal payments are required monthly, with the first payment due on August 1, 2009, and the final payment due on May 1, 2025.

Interest expense on the Series B of 2008 Bonds for the year ended June 30, 2009 was \$411,939.

The Series B of 2008 Bonds are secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply in all material respects with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 7 - RETIREMENT PLANS

The University has a defined contribution retirement plan sponsored and administered by the Teachers' Insurance and Annuity Association that provides for the purchase of annuities for academic, administrative and certain other salaried and hourly employees. A full-time employee over 21 years of age is eligible to participate in the plan immediately. After an employee has been employed for one year or an employee has a 403(b) plan already established, the University will match the employee's contribution from 5% to 10% of the employee's base compensation. Effective January 1, 2007, participation in the defined contribution retirement plan became mandatory for all employees at the 2% contribution level with a 5% match. Contributions of 4% receive a 9% match effective January 1, 2008. Maximum match is 10% on employee contributions of 5%. In addition, the University contributes to a union-administered defined contribution retirement plan for certain hourly employees that is funded based upon hours worked. Pension expense charged to operations for these two plans was approximately \$1,198,000 and \$1,148,000 for the years ended June 30, 2009 and 2008, respectively.

The University also sponsors deferred compensation plans in accordance with Sections 457(b) and 457(f) of the Internal Revenue Code of 1986 (IRC). Benefits are payable under these plans equal to the fair value of the underlying investments. Amounts payable under these plans and the related fair value of assets held by the University are approximately \$896,000 and \$731,000 as of June 30, 2009 and 2008, respectively, related to these plans.

NOTE 8 - LEASES

The University has various lease agreements primarily involving the rental of property, vehicles and office equipment. These leases are noncancelable and expire on various dates through the year 2010. The lease agreement for the rental of the property contains a purchase option and four optional renewal terms of five years each for the first three renewal terms and three years and eleven months for the fourth and final renewal term.

Future minimum rental payments under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009 are: 2010, \$132,000; 2011, \$122,000; 2012, \$119,000; and 2013, \$119,000 and 2014, \$119,000.

Rent expense was \$978,000 for the year ended June 30, 2009 and \$644,000 for the year ended June 30, 2008.

On June 1, 2007, the University entered into a capital lease agreement involving the rental of an apartment building. This lease is noncancelable and runs through the year 2022. Lease payments are adjusted annually by a percentage increase or decrease in the Bureau of Labor Statistics Consumer Price Index. Net rent will not decrease below \$205,600 per year. At the end of the lease term, the University is obligated to purchase the building at its fair market value at that time. Rent expense related to this agreement was approximately \$207,000 for the year ended June 30, 2009.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 8 - LEASES (Continued)

Total obligations under this agreement are as follows:

Fiscal Year Ending June 30	Amounts
2010	\$ 218,124
2011	223,926
2012	229,883
2013	235,998
2014	242,275
Thereafter	3,648,385
Less - Amounts representing interest	(2,116,785)
Present value of minimum lease payments	\$ 2,681,806

NOTE 9 - RESTRICTED NET ASSET BALANCES

The temporarily restricted net assets source of restrictions at June 30 are as follows:

	2009	2008
Temporarily restricted net assets:		
Capital campaign	\$ 102,266	\$ 219,562
Gifts and other unexpended revenues available for scholarships, instruction and other programs	1,706,036	2,050,691
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	5,241,649	17,996,373
Annuity and trust agreements	2,269,011	2,177,461
	\$ 9,318,962	\$ 22,444,087

The permanently restricted net assets source of restrictions at June 30 are as follows:

	2009	2008
Permanently restricted net assets:		
Scholarships	\$ 14,239,044	\$ 14,607,317
Professorships and other	10,701,664	10,698,609
Eden Hall Farm	8,310,000	8,310,000
Library	670,539	670,539
Awards	448,241	444,812
General operations	678,683	764,282
	\$ 35,048,171	\$ 35,495,559

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 10 - ENDOWMENT

The University's endowment consists of various investment funds established primarily for the support of its mission. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Trustees has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 is a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board of Trustees must elect, in writing, a spending rate of between 2% and 7%. For the year ended June 30, 2009, the University utilized a 7.0% spending rate, based on a three-year average of historical endowment market values. The last fiscal year used to determine the transfer for the fiscal year ended June 30, 2009 was the fiscal year ended June 30, 2008.

The University classifies as permanently restricted net assets the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. The undistributed amounts earned are included in temporarily restricted net assets. In accordance with Act 141, the University has adopted a written investment policy, of which a section specifically related to the endowment. The University considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund
2. Preserving the spending power of the assets
3. Obtaining maximum investment return with reasonable risk and operational consideration
4. Complying with applicable laws

Endowment fund net assets as of June 30 comprise the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2009	\$ 11,505,625	\$ 8,711,538	\$ 26,738,171	\$ 46,955,334
June 30, 2008	\$ 12,685,904	\$ 21,537,288	\$ 27,185,559	\$ 61,408,751

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 10 - ENDOWMENT (Continued)

The following represents the change in donor-restricted endowment funds by net asset type for the year ended June 30:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets:				
Beginning of year	\$ 12,685,904	\$ 21,537,288	\$ 27,185,559	\$ 61,408,751
Investment return:				
Investment income	178,410	595,023	-	773,433
Net unrealized depreciation	(3,580,318)	(11,199,144)	(1,001,666)	(15,781,128)
Contributions	-	-	554,278	554,278
Appropriation of endowment assets for expenditures	2,221,629	(2,221,629)	-	-
Transfers	-	-	-	-
End of year	<u>\$ 11,505,625</u>	<u>\$ 8,711,538</u>	<u>\$ 26,738,171</u>	<u>\$ 46,955,334</u>
	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets:				
Beginning of year	\$ 14,389,744	\$ 22,532,246	\$ 27,162,190	\$ 64,084,180
Investment return:				
Investment income	276,295	879,921	-	1,156,216
Net unrealized depreciation	(764,375)	(90,639)	(553,435)	(1,408,449)
Contributions	-	-	576,804	576,804
Appropriation of endowment assets for expenditures	1,784,240	(1,784,240)	-	-
Transfers	(3,000,000)	-	-	(3,000,000)
End of year	<u>\$ 12,685,904</u>	<u>\$ 21,537,288</u>	<u>\$ 27,185,559</u>	<u>\$ 61,408,751</u>

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 10 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The University had adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to enhance the purchasing power of the endowment assets through long-term growth. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that achieves its objective to attain a total return (yield plus capital appreciation) adequate to at least preserve the fund's value in real (i.e., inflation-adjusted) terms while providing a dependable source of income for the University for current operation.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the University 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). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. Investment managers, at the discretion of the Finance Committee of the Board of Trustees, are given guidelines as to the percentage range that can be committed to a particular investment category.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141, the University annually transfers between 5% and 7%, based on a three-year average of historical endowment market values to unrestricted net assets, for use in current and future operations. In 2009 and 2008, the spendable return totaled \$2,221,629 and \$1,784,240, respectively. The University believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return. At June 30, 2009, the aggregate fair market value of certain endowment funds was less than the original corpus of \$1,584,000.

NOTE 11 - PELL GRANTS AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY PROGRAMS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the University's financial statements because the amounts represent direct grants to students. Students received \$754,366 and \$635,585 from the Federal Pell Grant and \$890,744 and \$888,850 from PHEAA programs in fiscal years 2009 and 2008, respectively.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

In October 2008, the University signed a consent decree agreement with the U.S. Department of Justice under the Americans with Disabilities Act to improve accessibility of the University's facilities. The terms of the agreement call for specified improvements to be made over five years. The total estimated costs under the agreement approximate \$2,000,000, and are expected to be incurred ratably over the term of the agreement.

The University is involved in claims and legal actions arising in the normal course of operations. In the opinion of management, after consultation of legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the University's financial position or results of operations.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental entities. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the University.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 13 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be estimated.

The University recorded a conditional asset retirement obligation related to asbestos contained in certain campus buildings. The University has established a conditional asset retirement obligation of approximately \$372,000 as of June 30, 2009 based on the current estimate of the scope of the asbestos abatement that will be required during the planned renovations. The actual cost for the abatement could vary from this estimate. Actual asbestos removal expenses paid during fiscal year 2009 were \$70,000.

NOTE 14 - INCOME TAXES

The University is exempt from federal income taxes under Section 501(c)(3) of the IRC and has further been determined to be a nonprivate foundation under Sections 509(a)(1) and 170(b)(1)(A)(ii) of the IRC. Accordingly, no provision for taxes has been made in the accompanying financial statements.

REPORTING UNDER GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133



INSIGHT ■ INNOVATION ■ EXPERIENCE

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

We have audited the financial statements of Chatham University (University) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Trustees, management and the U.S. Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co, Inc.

Pittsburgh, Pennsylvania
November 12, 2009

CHATHAM UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Federal/Pass-Through Grantor Program Title</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
STUDENT FINANCIAL ASSISTANCE (SFA) PROGRAMS: Direct Awards			
U.S. Department of Education:			
Federal Pell Grant Program	N/A	84.063	\$ 755,304
Federal Supplemental Educational Opportunity Grant Program	N/A	84.007	96,647
Federal Work-Study Program	N/A	84.033	318,990
National Science and Mathematics Access to Retain Talent Grant	N/A	84.376	30,000
Academic Competiveness Grant	N/A	84.375	37,875
Federal Perkins Loan Program (Note 3)	N/A	84.038	-
Federal Family Educational Loan Program (Note 4)	N/A	84.032	-
Total Student Financial Assistance			<u>1,238,816</u>
NATIONAL SCIENCE FOUNDATION: Direct Awards			
Mathematical and Physical Sciences	N/A	47.049	16,266
Education and Human Resources	N/A	47.076	<u>128,935</u>
Total National Science Foundation			<u>145,201</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Indirect Award			
Pass-Through Allegheny County:			
Medical Assistance	N/A	93.778	166,681
Centers for Medicare and Medicaid Services Research, Demonstrations and Evaluations	94429	93.779	<u>150,000</u>
Total Federal Awards			<u>\$ 1,700,698</u>

The notes to schedule of expenditures of federal awards should be read with this schedule.

CHATHAM UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE 2 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts included in the University's basic financial statements.

NOTE 3 - FEDERAL PERKINS LOAN PROGRAM

The University administers the following federal loan program:

	<u>Outstanding Balance at June 30, 2009</u>
Federal Perkins Loan Program	\$ <u>898,070</u>

Total loan disbursements for the fiscal year amount to \$186,490, which is composed entirely of loans to students.

NOTE 4 - FEDERAL FAMILY EDUCATION LOAN PROGRAM

For the Federal Family Education Loan Programs, the University is responsible only for the performance of certain administrative duties; therefore, the loan balances and transactions for those programs are not included in the University's financial statements.

During the fiscal year ended June 30, 2009, the University processed the following amount of new loans under the Federal Family Education Loan Program (which includes Federal Stafford Loans, Federal Parents' Loans for Undergraduate Students and Federal Supplemental Loans for Students):

	<u>Loans Processed</u>
Federal Family Education Loans	\$ <u>22,354,219</u>



INSIGHT ■ INNOVATION ■ EXPERIENCE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

Compliance

We have audited the compliance of Chatham University (University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program as of and for the year ended June 30, 2009 except those requirements discussed in the third following paragraph. The University's major federal program is identified in the Summary of Auditors' Results Section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

We did not audit the University's compliance with requirements governing student loan repayments. Those requirements govern functions that are performed by Educational Computer Systems, Inc. (ECSI). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

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ECSI's compliance with the requirements governing the functions that it performs for the University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the Department of Education's Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers. Based on our review of the service organization's accountants' report, we have determined that all of the compliance requirements included in the Compliance Supplement that are applicable to the major program in which the University participates are addressed in either our report or the report of the service organization's accountants. Further, based on our review of the service organization's accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the University's major program.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Requirements governing student loan repayments are performed by ECSI. Internal control over compliance relating to such functions was assessed by other accountants in accordance with the Department of Education's Audit Guide, Compliance Audits (Attestation Engagements) of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers. A copy of the service organization's accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at ECSI.

A control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the University's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Arthur J. Dowd, & Co., Inc.

Pittsburgh, Pennsylvania
November 12, 2009

CHATHAM UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered
to be material weaknesses?

_____ yes X none reported

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards Section:

Internal control over major programs:

Material weakness(es) identified?

_____ yes X no

Significant deficiency(ies) identified not considered
to be material weaknesses?

_____ yes X none reported

Type of auditors' report on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133 (Section .510(a))?

_____ yes X no

Identification of major programs:

CFDA Numbers
84.063, 84.007, 84.033, 84.376,
84.375, 84.038, 84.032

Name of Federal Programs

Student Financial Aid Cluster

Dollar threshold used to determine type A programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ yes X no

PART II - FINANCIAL STATEMENT FINDINGS SECTION

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18 of Government Auditing Standards.

There are no reportable matters.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section identifies the significant deficiencies, material weaknesses including questioned costs, related to the audit of major federal Circular A-133 (Section .510).

There are no reportable matters.

The independent auditors' report on compliance should be read with this schedule.

CHATHAM UNIVERSITY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

<u>Finding Number</u>	<u>Finding</u>	<u>Status</u>
	There were no prior year audit findings.	

The independent auditors' report should be read with this schedule.