

CHATHAM UNIVERSITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2025 AND 2024



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chatham University (Chatham) which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chatham as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chatham and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The June 30, 2024 financial statements were audited by other auditors whose report dated October 17, 2024, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (Continued)

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 Chatham's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.


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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Chatham's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Chatham'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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025, on our consideration of Chatham's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chatham's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chatham internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
October 16, 2025

CHATHAM UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,813,920	\$ 3,895,492
Student Accounts Receivable (Net of Allowance for Credit Losses of \$1,124,293 and \$1,031,083 as of June 30, 2025 and 2024, Respectively)	1,009,227	767,431
Contributions Receivable (Net of Allowance for Doubtful Accounts of \$4,379 and \$60,298 as of June 30, 2025 and 2024, Respectively)	251,510	871,774
Other Receivables	1,645,504	2,419,029
Student Loans Receivable (Net of Allowance for Credit Losses of \$-0- and \$460,000 as of June 30, 2025 and 2024, Respectively)	-	186,155
Investments	74,187,379	75,719,268
Assets Held in Trust by Others	4,938,939	4,622,236
Deferred Compensation Deposits	619,941	834,529
Prepaid Expenses and Other Assets	154,600	653,896
Land, Buildings and Equipment, Net	<u>107,317,471</u>	<u>115,340,017</u>
Total Assets	<u><u>\$ 191,938,491</u></u>	<u><u>\$ 205,309,827</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 1,917,139	\$ 4,559,199
Accrued Liabilities and Other	5,179,951	5,069,700
Student Deposits and Deferred Revenues	2,543,257	2,793,767
Finance Lease Obligations	4,673,578	5,252,291
Line of Credit	-	3,257,637
Bonds and Notes Payable, Net	53,080,818	53,417,295
Advances From Federal Government for Student Loans	<u>797,005</u>	<u>844,624</u>
Total Liabilities	68,191,748	75,194,513
NET ASSETS		
Without Donor Restrictions	12,649,556	15,719,747
With Donor Restrictions	<u>111,097,187</u>	<u>114,395,567</u>
Total Net Assets	<u>123,746,743</u>	<u>130,115,314</u>
Total Liabilities and Net Assets	<u><u>\$ 191,938,491</u></u>	<u><u>\$ 205,309,827</u></u>

See accompanying Notes to Financial Statements.

CHATHAM UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and Fees	\$ 75,298,344	\$ -	\$ 75,298,344
Scholarships	(30,892,147)	-	(30,892,147)
Tuition and Fees, Net	44,406,197	-	44,406,197
Auxiliary Enterprises Revenues	9,217,154	-	9,217,154
Governmental Grants and Contracts	450,509	2,099,992	2,550,501
Private Gifts and Grants	1,563,604	2,113,314	3,676,918
Interest and Dividends	522,933	1,171,221	1,694,154
Total Revenues and Other Additions	56,160,397	5,384,527	61,544,924
NET ASSETS RELEASED FROM RESTRICTIONS	12,576,368	(12,576,368)	-
Total Revenues and Other Additions and Net Assets Released From Restrictions	68,736,765	(7,191,841)	61,544,924
EXPENSES AND OTHER DEDUCTIONS			
Program Expenses:			
Instruction	30,223,365	-	30,223,365
Library	2,456,758	-	2,456,758
Student Services	18,647,807	-	18,647,807
Public Service	1,933,106	-	1,933,106
Total Program Expenses	53,261,036	-	53,261,036
Administrative and General	13,685,336	-	13,685,336
Auxiliary Enterprises Expenses	5,924,667	-	5,924,667
Total Expenses and Other Deductions	72,871,039	-	72,871,039
CHANGES IN NET ASSETS - OPERATING	(4,134,274)	(7,191,841)	(11,326,115)
OTHER CHANGES IN NET ASSETS			
Gain on Disposal of Land, Buildings and Equipment	539,584	-	539,584
Net Unrealized and Realized Gains on Investments	350,995	3,893,461	4,244,456
Miscellaneous Income	173,504	-	173,504
CHANGES IN NET ASSETS - NONOPERATING	1,064,083	3,893,461	4,957,544
Total Changes in Net Assets	(3,070,191)	(3,298,380)	(6,368,571)
Net Assets - Beginning of Year	15,719,747	114,395,567	130,115,314
NET ASSETS - END OF YEAR	<u>\$ 12,649,556</u>	<u>\$ 111,097,187</u>	<u>\$ 123,746,743</u>

See accompanying Notes to Financial Statements.

CHATHAM UNIVERSITY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and Fees	\$ 75,608,739	\$ -	\$ 75,608,739
Scholarships	(29,993,795)	-	(29,993,795)
Tuition and Fees, Net	45,614,944	-	45,614,944
Auxiliary Enterprises Revenues	8,602,706	-	8,602,706
Governmental Grants and Contracts	274,905	864,606	1,139,511
Private Gifts and Grants	3,419,150	2,071,920	5,491,070
Interest and Dividends	168,247	1,202,569	1,370,816
Total Revenues and Other Additions	58,079,952	4,139,095	62,219,047
NET ASSETS RELEASED FROM RESTRICTIONS	13,819,606	(13,819,606)	-
Total Revenues and Other Additions and Net Assets Released From Restrictions	71,899,558	(9,680,511)	62,219,047
EXPENSES AND OTHER DEDUCTIONS			
Program Expenses:			
Instruction	28,894,315	-	28,894,315
Library	2,577,473	-	2,577,473
Student Services	18,188,828	-	18,188,828
Public Service	1,674,527	-	1,674,527
Total Program Expenses	51,335,143	-	51,335,143
Administrative and General	14,172,816	-	14,172,816
Auxiliary Enterprises Expenses	6,152,576	-	6,152,576
Total Expenses and Other Deductions	71,660,535	-	71,660,535
CHANGES IN NET ASSETS - OPERATING	239,023	(9,680,511)	(9,441,488)
OTHER CHANGES IN NET ASSETS			
Net Assets Released From Restrictions			
Related to Land, Buildings and Equipment	28,753	(28,753)	-
Gain on Disposal of Land, Buildings and Equipment	252,021	-	252,021
Net Unrealized and Realized Gains (Losses) on Investments	254,193	7,042,806	7,296,999
Transfers, Net	552,864	(552,864)	-
CHANGES IN NET ASSETS - NONOPERATING	1,087,831	6,461,189	7,549,020
Total Changes in Net Assets	1,326,854	(3,219,322)	(1,892,468)
Net Assets - Beginning of Year	14,392,893	117,614,889	132,007,782
NET ASSETS - END OF YEAR	<u>\$ 15,719,747</u>	<u>\$ 114,395,567</u>	<u>\$ 130,115,314</u>

See accompanying Notes to Financial Statements.

CHATHAM UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (6,368,571)	\$ (1,892,468)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	11,403,055	9,035,340
Gain on Disposal of Land, Buildings and Equipment	(539,584)	(252,021)
Net Unrealized and Realized Gains on Investments	(4,244,456)	(6,966,620)
Change in Value of Assets Held in Trust by Others	(316,703)	(330,379)
Contributions Restricted for Long-Term Investments	(633,305)	(720,440)
Change in Allowance for Credit Losses	37,291	(72,967)
Changes in Assets and Liabilities:		
Student Accounts Receivable	(335,006)	327,156
Contributions Receivable	676,183	2,230,882
Other Receivables	773,525	4,648,230
Prepaid Expenses and Other Assets	499,296	383,172
Deferred Compensation Deposits	214,588	92,619
Accounts Payable, Accrued Liabilities and Other	(2,531,809)	161,048
Student Deposits and Deferred Revenues	(250,510)	(1,697,151)
Net Cash Provided (Used) by Operating Activities	<u>(1,616,006)</u>	<u>4,946,401</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction or Acquisition of Land, Buildings and Equipment, Net of Construction Payables	(1,532,020)	(1,178,251)
Proceeds From Sale of Investments	7,883,136	8,480,356
Purchase of Investments	(2,106,791)	(2,416,651)
Repayments of Loans by Students and Others	138,535	(38,066)
Proceeds From Sale of Land, Buildings and Equipment	673,052	-
Net Cash Provided by Investing Activities	<u>5,055,912</u>	<u>4,847,388</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds From Contributions Restricted for Long-Term Investment	633,305	720,440
Payments on Long-Term Debt	(3,594,114)	(3,086,122)
Proceeds From Lines of Credit	9,000,000	1,300,000
Payments on Lines of Credit	(9,000,000)	(6,300,000)
Payments on Finance Lease Obligations	(2,560,669)	(2,134,124)
Net Cash Used by Financing Activities	<u>(5,521,478)</u>	<u>(9,499,806)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,081,572)	293,983
Cash and Cash Equivalents - Beginning of Year	<u>3,895,492</u>	<u>3,601,509</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,813,920</u></u>	<u><u>\$ 3,895,492</u></u>

See accompanying Notes to Financial Statements.

CHATHAM UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 2,659,937</u>	<u>\$ 3,156,086</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITY		
Finance Obligations Incurred for Purchases of Right-of-Use Assets	<u>\$ 1,981,957</u>	<u>\$ -</u>
Construction Payables Outstanding for Construction-in-Progress	<u>\$ -</u>	<u>\$ 17,452</u>
Line of Credit Refinanced to Loan Payable	<u>\$ 3,257,637</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chatham 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 (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations, including contractual obligations imposed by federal, state and local governmental agencies.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed or legal restrictions that may or will be met either by actions of the University and/or passage of time or may 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.

Revenue Recognition

The University's revenue streams consist primarily of student tuition and fees, room and board and rental income. Under Financial Accounting Standards Board (FASB) *Accounting Standards Codification (Codification)* Topic 606, revenue is recognized in accordance with a five-step model, which includes: identifying the contracts with customers; identifying the separate performance obligations; determining the transaction price; allocating the transaction price to the separate performance obligations; and recognizing revenue when each performance obligation is satisfied.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

Revenue reported on the statements of activities and changes in net assets that was derived from contracts with customers include net tuition and fees, room and board and rental income. Other sources of revenue from contracts with customers include the bookstore and day camps. Revenues from government grants, private gifts and grants, investment income, endowment income, net realized and unrealized gains on operating and endowment investments are not derived from contracts with customers.

The provisions of Topic 606 are applied by the University on an individual-contract-with-a-customer basis. As a practical expedient, the University applies this Topic to a portfolio of contracts with similar characteristics for the tuition and fees and room and board revenue streams. The University expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Tuition and fees revenue is presented separately on the statements of activities and changes in net assets under its own caption and is derived from delivering academic programs to students. The University further disaggregates tuition and fees revenue between undergraduate and graduate students. Gross undergraduate and nondegree seeking tuition and fees revenue was approximately \$54,075,000 and \$52,065,000 for the years ended June 30, 2025 and 2024, respectively. Gross graduate tuition and fees revenue was approximately \$21,223,000 and \$23,544,000 for the years ended June 30, 2025 and 2024, respectively. Tuition and fees revenue is recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the University. Scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a two-week period in which students may adjust their courseload or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. Payments for tuition and fees are due approximately one week prior to the start of the academic term. Payments for academic programs that extend past June 30, 2025 and 2024, respectively, are recognized over time and are included in deferred revenue on the statements of financial position as of June 30, 2025 and 2024.

Room and board revenue is presented on the statements of activities and changes in net assets under auxiliary enterprises revenues and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Room and board revenue is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the University. Except for those who have applied for and have been granted a residency exemption, all students who have completed less than four terms of study are required to reside in on-campus housing for their first two years on campus. Payments for room and board that extend past June 30, 2025 and 2024, respectively, are recognized over time and are included in deferred revenue on the statements of financial position at June 30, 2025 and 2024. Contract assets were \$1,012,254 as of July 1, 2023.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Recognition (Continued)

Receivables from students, which include amounts derived from tuition and fees and room and board, are presented separately on the statements of financial position, less an allowance for credit losses assessed on a portfolio basis.

Contract liabilities consist of student and day camp deposits and deferred revenue. Student and day camp deposits consist of approximately \$340,000, \$139,000 and \$1,588,000, related to advanced deposits by students as of June 30, 2025, 2024 and 2023, respectively. The caption deferred revenue on the statements of financial position consists primarily of tuition of approximately \$2,203,000, \$2,716,000 and \$2,709,000 as of June 30, 2025, 2024 and 2023, respectively.

At June 30, 2025 and 2024, the remaining performance obligations are the delivery of academic programs under the tuition and fees revenue stream, and the delivery of lodging and meal plans under the room and board revenue stream. The University applies the practical expedient in FASB Codification 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. Additionally, there was no revenue recognized during the years ended June 30, 2025 and 2024, respectively, from performance obligations that were satisfied or partially satisfied in prior periods.

The timing and the satisfaction of performance obligations were determined through careful analysis of when the goods or services were transferred to and controlled by students. Most performance obligations are satisfied over time as customers simultaneously receive and consume the benefits provided by the University.

Performance obligations that are recognized over time generally use a semester-based recognition method, whereby the University believes faithfully depicts the transfer of goods and services to the customers. The transaction price is determined through Board of Trustees (Board) approval of tuition, mandatory fees and room and board budgets.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net unrealized and realized gains and losses on investments and other assets are reported as increases or decreases in nonoperating net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Expiration of Donor-Imposed Restrictions

The University follows the policy of reporting donor-imposed restricted contributions and endowment income whose restrictions are met in the same fiscal year as received as support with donor restrictions and then released. It is also the University's policy to account for donated long-lived assets and those acquired with gifts of cash restricted for such acquisitions as assets without donor restrictions when placed in service. Expirations of net assets with donor restrictions are reported as reclassifications to net assets without donor restrictions.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND 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 at times exceed federally insured amounts. The University had approximately \$1.5 and \$3.8 million in uninsured cash held in financial institutions at June 30, 2025 and 2024, respectively.

Student Accounts Receivable

Student accounts receivable are reported at their outstanding principal balance, adjusted for any charge-offs, and net of the allowance for credit losses. Management's periodic evaluation of the adequacy of the allowance is based on the University's experience, adverse conditions that might affect the borrower's ability to pay and current economic conditions.

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 2025 and 2024 for new contributions was 4.00%. Amortization of the discount is included in contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized as income when the conditions are substantially met. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as past collection experience, missed payments or modification of payment terms, and creditworthiness of the donor.

Loans to Students

Loans to students under the Federal Perkins Loan Program (Perkins) are reported at their outstanding principal adjusted for any charge-offs and net of the allowance for credit losses. The availability of funds for loans under the Perkins is dependent on reimbursement to the pool from repayments on outstanding loans. The University recognizes interest, delinquency charges and other fees when earned and collectability is reasonably assured. Outstanding loans canceled under the program result in a reduction of the funds available for future loans and a decrease in the liability due to the government. The allowance for loan losses is increased by charges and decreased by charge-offs (net of recoveries). The University's periodic evaluation of the adequacy of the allowance is based on the University's loan loss experience, adverse situations that might affect the borrower's ability to repay and current economic conditions. Loan balances are written off when they are deemed to be permanently uncollectible.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Loans to Students (Continued)

The Perkins has expired and the University is required to assign outstanding Perkins loans in default greater than 24 months to the U.S. Department of Education (ED). The University began the process of assigning the Perkins loans to ED during the year ended June 30, 2022. The University is not required to liquidate its Perkins revolving funds due to the wind-down of Perkins. However, the University may choose to liquidate at any time in the future.

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 statements of activities and changes in net assets. Investments received by gift are recorded at fair 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 value may 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 not an actively traded market are valued at fair value, as estimated by management. In estimating fair value, management takes into consideration valuations reported to the University by investment partnerships, the nature of the investments, current market conditions and other factors the University considers relevant. The University's interests in limited partnerships, such as private equity, hedge funds and real estate funds, are generally reported at the University's ownership interests' net asset value (NAV) in the funds reported by the fund managers, unless it is probable that all or a portion of the investment will be sold for an amount different from the estimated fair value. As of June 30, 2025 and 2024, the University had no plans to sell investments at amounts different from the estimated fair value of investments in limited partnerships. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments could 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.

Assets Held in Trust by Others

The University has certain assets that consist of charitable gift annuities and unitrusts 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 agreements. Revenue is recognized at the date the agreement is established, net of the liability for the present value of the estimated future payments.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Assets Held in Trust by Others (Continued)

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.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition or at fair value at the 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. There was no interest capitalized for the years ended June 30, 2025 and 2024. 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, seven years for equipment and furniture and four years for vehicles. Gifts of long-lived assets are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The University releases contributions with donor restrictions for asset acquisitions when the asset is placed into service.

The University reviews the carrying amount of land, buildings and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts might not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset to future net undiscounted flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the related estimated fair value. A fair value determination is made based upon undiscounted cash flows, appraisals and comparable sales of similar property. There were no impairment losses recorded for the years ended June 30, 2025 and 2024.

Collections

The University's collections include paintings, prints, photographs, sculptures, drawings and watercolors and decorative arts. These items are held for educational, research and scientific 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 maintained and held by the University 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 statements of financial position.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Leases

The University leases computers, networking equipment, classroom fixtures, and vehicles. The University determines if an arrangement is a lease at inception. Finance leases are included in Land, Building, and Equipment, Net, as well as Finance Lease Obligations on the Statement of Financial Position

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

As most of leases do not provide an implicit rate, the University uses a risk free rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option.

Lease expense for lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as Finance Lease Obligations or Land, Buildings, and Equipment, Net on the Statement of Financial Position.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Self-Insured Liabilities

The University is self-insured for health insurance benefits. An individual stop-loss policy provides protection to the University for individual claims that exceed \$100,000 per claim, and an aggregate stop-loss policy provides protection to the University for aggregate claims under the plan exceeding approximately \$2.2 million based on current enrollment in the plan.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value Measurement

The University follows the FASB Codification topic *Fair Value Measurement*, which establishes a framework for measuring fair value and expands disclosures related to fair value measurements. The University has applied the provisions of the *Fair Value Measurement* topic to its recurring measurement. (See Note 4.)

Deferred Bond Financing Costs

Deferred bond financing costs represent the cost of issuing the variable rate demand bonds and are amortized over the life of the bonds using a method that approximates the interest method. The University presents deferred financing costs in the statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Subsequent Events

Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 16, 2025, the date that the financial statements were issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The University 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 University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and lines of credit.

For purposes of analyzing the resources available to meet general expenditures over a twelve-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service, as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis, as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next twelve months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identify the sources and uses of the University's cash.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2025	2024
Cash and Cash Equivalents	\$ 1,813,920	\$ 3,895,492
Spendable Portion of Investment Balance	3,071,780	1,798,245
Student Accounts Receivable, Net	1,009,227	767,431
Contributions Receivable, Net	251,510	860,603
Other Receivables	1,645,504	1,919,029
Anticipated Endowment Draw	4,739,690	4,456,000
Total	<u>\$ 12,531,631</u>	<u>\$ 13,696,800</u>

It is the University's practice to actively manage cash flow to assist with maintaining a reasonable level of accounts payable balances, and to keep open invoice processing for a period of approximately two months after year-end. In addition, the University's revenues are seasonal in nature and tend to follow a traditional academic year schedule, thus cash is often at a low point during the months of June, July, November, and December.

The University maintains a bank line of credit of \$5 million (which was fully available at June 30, 2025 and 2024) to support operations and the seasonality of revenues.

The University's investment portfolio consists of donor-restricted funds, including endowments, and funds invested in the portfolio until they are needed for strategic or operational needs. Income from donor-restricted funds and endowments are available for general use, unless restricted for a specific purpose by the donor. The anticipated endowment draw represents the University's estimate of expected annual draw in the upcoming twelve-month period to support operations. In addition, unrestricted investment funds included in the investment portfolio of approximately \$3,072,000 and \$1,798,000 as of June 30, 2025, and 2024, respectively, are available to support operations if necessary.

A donor, who is a board member, has authorized the University to release amounts from their endowed fund in excess of the 7% annual maximum spending rate through FY27. This authorization provides for extraordinary and permanent releases provided the market value of this endowment is in excess of \$10 million. As of June 30, 2025, the market value of this fund was approximately \$11,500,000.

The University owns real estate consisting of residential properties adjacent to the Shadyside campus and the Eden Hall Farm site. The sale of these residential properties, if executed and subject to the approval of the Board of Trustees, could result in proceeds of several million dollars to the University. In addition, the University has other properties that are sale-leaseback candidates, such as its Eastside location and certain student housing properties. The sale of the Eastside property, if executed and subject to the approval of the Board of Trustees, could result in proceeds in excess of \$15 million to the University.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 3 INVESTMENTS

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

	2025	2024
Cash and Cash Equivalents	\$ 2,731,645	\$ 5,777,321
Fixed Income	16,674,193	16,488,847
Equities	30,031,936	27,339,055
International Funds	3,941,056	6,321,719
Limited Partnerships	18,847,766	17,880,854
Real Estate Investment Fund	1,960,783	1,911,472
Total Investments	74,187,379	75,719,268
Assets Held in Trust by Others	4,938,939	4,622,236
Total Market Value of Investments	<u>\$ 79,126,318</u>	<u>\$ 80,341,504</u>

Investments at June 30 are composed of the following:

	2025	2024
Endowment Investments	\$ 66,294,064	\$ 69,370,471
Other Investments	7,811,470	6,253,745
Assets Held in Trust by Others	4,938,939	4,622,236
Annuity Trust Agreements	81,845	95,052
Total	<u>\$ 79,126,318</u>	<u>\$ 80,341,504</u>

The investment return, net of investment expenses, for the years ended June 30 is summarized in the following schedule:

	2025	2024
Dividends and Interest	\$ 1,265,019	\$ 1,370,816
Net Realized Gain	4,638,554	281,936
Net Unrealized Gain	394,098	6,684,684
Net Unrealized Gain on Assets Held in Trust by Others	316,704	330,379
Total	<u>\$ 6,614,375</u>	<u>\$ 8,667,815</u>

NOTE 4 FAIR VALUE MEASUREMENT

The Fair Value Measurement topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic requires disclosures that categorize assets and liabilities measured at fair value into three different levels, depending on the assumptions used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant administration of judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Fair Value Measurement hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect the administration's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The carrying amount of cash and cash equivalents, student accounts receivable, contributions receivable, student loans receivable and accounts payable and accrued liabilities and other approximates their fair value due to the short-term nature of such instruments. The carrying amount of notes payable and bonds payable approximates fair value due to the interest rates on the notes compared to the current credit market.

The methods for valuing the University's investments, by significant category, are as follows: Fixed Income, Equities and International Funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Assets held in trust by others are valued based on the University's interest in the fair value of the underlying assets.

Set forth by level and within the fair value hierarchy, the University's investments at fair value as of June 30 are as follows:

	2025			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 2,731,645	\$ -	\$ -	\$ 2,731,645
Fixed Income	16,674,193	-	-	16,674,193
Equities	30,031,936	-	-	30,031,936
International Funds	3,941,056	-	-	3,941,056
Assets Held in Trust by Others	-	4,938,939	-	4,938,939
Total Investments in the Fair Value Hierarchy	<u>\$ 53,378,830</u>	<u>\$ 4,938,939</u>	<u>\$ -</u>	58,317,769
Investments Measured at Nav (a)				20,808,549
Total Investments				<u>\$ 79,126,318</u>

	2024			
	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 5,777,321	\$ -	\$ -	\$ 5,777,321
Fixed Income	16,488,847	-	-	16,488,847
Equities	27,339,055	-	-	27,339,055
International Funds	6,321,719	-	-	6,321,719
Assets Held in Trust by Others	-	4,622,236	-	4,622,236
Total Investments in the Fair Value Hierarchy	<u>\$ 55,926,942</u>	<u>\$ 4,622,236</u>	<u>\$ -</u>	60,549,178
Investments Measured at Nav (a)				19,792,326
Total Investments				<u>\$ 80,341,504</u>

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

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

Investments measured at NAV primarily consist of the University's ownership in limited partnerships, alternative investments, commingled funds, and hedge funds. The valuation of alternative investments requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity, heavy reliance on significant unobservable inputs and the long-term nature of such investments. These 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 an organization'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 University's interest in alternative investments contains some liquidity constraints, which are outlined in the table below. Depending on the investment, some of them are not easily transferrable and typically achieve liquidity over an extended period of time when and if the fund managers return invested capital or distribute proceeds realized from the underlying assets.

The following redemption table clarifies the nature and risk of the University's investments and liquidity for investments, including alternative investments, measured using NAV:

	<u>Fair value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<u>June 30, 2025</u>				
Limited Partnerships	\$ 18,847,766	\$ 6,385,079	None permitted upon final closing of the fund until liquidation of the funds Daily	N/A
Real Estate Investment Fund	<u>1,546,710</u>	<u>-</u>		None
Total	<u>\$ 20,394,476</u>	<u>\$ 6,385,079</u>		
<u>June 30, 2024</u>				
Limited Partnerships	\$ 17,880,854	\$ 8,608,000	None permitted upon final closing of the fund until liquidation of the funds Daily	N/A
Real Estate Investment Fund	<u>1,911,472</u>	<u>-</u>		None
Total	<u>\$ 19,792,326</u>	<u>\$ 8,608,000</u>		

Realized gains and unrealized appreciation (depreciation) are included in net unrealized and realized gains on investments in the accompanying statements of activities and changes in net assets.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

	2025	2024
Gross Contributions Outstanding	\$ 266,643	\$ 990,413
Less: Unamortized Discount	10,754	58,341
Less: Allowance	4,379	60,298
Total	<u>\$ 251,510</u>	<u>\$ 871,774</u>
Amounts Due in:		
Less Than One Year	\$ 8,759	\$ 860,603
One to Five Years	257,884	129,810
Total	<u>\$ 266,643</u>	<u>\$ 990,413</u>

NOTE 6 LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment, at cost, at June 30 are as follows:

	2025	2024
Buildings and Improvements	\$ 193,159,657	\$ 190,977,858
Furniture and Equipment	33,514,294	33,190,585
Land	11,252,647	11,252,647
Construction-in-Progress	770,050	134,417
Subtotal	238,696,648	235,555,507
Less: Accumulated Depreciation and Amortization	131,379,177	120,215,490
Total Property and Equipment	<u>\$ 107,317,471</u>	<u>\$ 115,340,017</u>

NOTE 7 LINES OF CREDIT

The University has available a \$5,000,000 demand line-of-credit agreement with a bank. The agreement is secured by certain real property, due on demand and bears interest at the bank's prime lending rate (7.5% at June 30, 2025 and 8.5% at June 30, 2024). There were no borrowings outstanding at June 30, 2025 and 2024, respectively.

The University entered into a \$3,500,000 line-of-credit agreement with Parkhurst. The agreement carried a maturity date of September 2032 and bore interest at 4.25%. There were \$3,257,637 of borrowings outstanding at June 30, 2024. Effective July 18, 2024, the line of credit was amended to term out the outstanding balance of \$3,257,927 on that date to amortize over 10 years through September 2032. The line of credit was reclassified as of that date to bonds and notes payable, see Note 8 for additional details. The line-of-credit was collateralized by all equipment or other improvements purchased with the line-of-credit draws. Parkhurst meets the definition of a related-party due to its relationship with a Board officer.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 BONDS AND NOTES PAYABLE

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

	2025	2024
Series A of 2008	\$ 9,530,874	\$ 10,000,000
Series B of 2008	-	435,591
Series A of 2022	19,810,000	21,130,000
Phase I-B Construction Loan	11,310,352	12,166,457
Mortgage Loans Payable	8,325,631	8,563,673
Eastside Phase II Loan	995,888	1,080,242
Parkhurst Line of Credit Term Loan	3,070,585	-
Subtotal	53,043,330	53,375,963
Plus: Unamortized Premium	394,732	433,559
Less: Unamortized Debt Issuance Costs	357,244	392,227
Total	<u>\$ 53,080,818</u>	<u>\$ 53,417,295</u>

Scheduled principal repayments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 3,755,408
2027	4,086,161
2028	4,268,548
2029	4,453,023
2030	4,651,314
Thereafter	31,828,876
Total	<u>\$ 53,043,330</u>

Series A of 2008

On September 29, 2008, the 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 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 rate of 4.25%. Interest payments are required monthly. Principal payments are required monthly, with the first payment due on January 1, 2025, and the final payment due on October 1, 2033.

The Series A of 2008 Notes 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 with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 BONDS AND NOTES PAYABLE (CONTINUED)

Series B of 2008

On September 29, 2008, the 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 rate of 6.83%. Interest payments are required monthly. Principal payments are required monthly. The Series B of 2008 obligation was satisfied in full during June 2025.

The Series B of 2008 Notes were secured by facilities of the University. The University was 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 with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

Series A of 2022

On July 6, 2022, the Allegheny County Higher Education Building Authority issued \$22,220,000 aggregate principal of its University Revenue Bonds Series A of 2022 on behalf of the University for the purpose of refunding of the 2012 Series A Bonds. The Series A of 2022 Bonds bear interest at rates ranging from 5.0% to 5.25%. Interest payments are required semiannually. Principal payments are required on September 1 of each year, with the final payment due on September 1, 2035.

The Series A of 2022 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 with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

Phase I-B Construction Loan

On July 16, 2014, the Allegheny County Higher Education Building Authority issued \$18,000,000 aggregate principal of its Tax-Exempt Revenue Note Series of 2014 (Series 2014 Note) on behalf of the University. The Series of 2014 Note was used by the University for the financing of the construction of Phase I-B of Eden Hall Campus. The Series of 2014 Note bears interest at 3.10%. Interest-only payments are required monthly from August 1, 2014, through July 31, 2016. Starting on September 1, 2016, principal and interest payments are required monthly, with the final payment due on August 1, 2036.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 BONDS AND NOTES PAYABLE (CONTINUED)

Phase I-B Construction Loan (Continued)

As part of the issuance of this loan agreement, the financing for construction of the Phase I-A was cancelled, and outstanding borrowings were included in the principal balance for the Phase I-B agreement. No interest was capitalized during the years ended June 30, 2025 and 2024 related to the outstanding borrowings.

The Series of 2014 Note is 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 with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

Mortgages

During the 2012 fiscal year, the University entered into three mortgage loan agreements for a total of \$676,000 payable in monthly installments ranging from \$1,136 to \$1,662, including interest at rates ranging from 4.625% to 5.00%, through November 2031. These loans are secured by first-lien mortgages on the real property and improvements on the properties acquired by the loan proceeds.

During the 2021 fiscal year, the University entered into a mortgage loan agreement for approximately \$2,508,000 payable in monthly installments of \$12,973, including interest of 3.75% and subject to change every five years based on the five-year Intercontinental Exchange (ICE) rate, through July of 2040. The loan is secured by first-lien mortgages on the real property and improvements on the property acquired by the loan proceeds.

During the 2023 fiscal year, the University entered into two mortgage loan agreements for approximately \$6,192,250 that are payable in monthly installments ranging from \$3,621 to \$34,889 and that are inclusive of a nominal annual rate of 5.55%. The mortgages are secured by first-lien mortgages on the real property and improvements on the property acquired by the loan proceeds.

Eastside Phase II Loan

In March 2017, the University entered into a \$1,500,000 nonrevolving construction line-of-credit agreement with a bank. The line of credit is due in monthly payments of interest-only during the renovation phase, which expired on September 30, 2018. Subsequent to this date, the permanent phase of the loan begins for a period of 10 years. The agreement is secured by the assets of the University and bears interest at the weekly average yield calculated from the daily five-year ICE rate (7.08% and 7.08% at June 30, 2025 and 2024, respectively).

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 8 BONDS AND NOTES PAYABLE (CONTINUED)

Parkhurst Line of Credit Term Loan

As discussed in Note 7, effective July 2024, the University amended and refinanced its Parkhurst line of credit into a term loan. The loan accrues interest at 4.25% and was payable in a combination of interest only and quarterly \$44,000 principal plus interest payments through the year ended June 30, 2025. Commencing July 2025 through August 2032, the loan is payable in monthly installments of approximately \$36,101. The term loan was collateralized by all equipment or other improvements purchased with the associated line-of-credit draws before the amendment.

Interest expense on the line-of-credit, bonds, and notes was approximately \$2,102,000 and \$2,446,000 for the years ended June 30, 2025 and 2024, respectively.

NOTE 9 RETIREMENT PLANS

The University sponsors a defined contribution retirement plan. Full-time employees over 21 years of age are eligible to begin making voluntary retirement contributions in the plan immediately. After an employee has been employed for one year or has a 403(b) plan already established, the University will match the employee's contribution. Prior to September 2023, the University matched a participant's mandatory contribution of 2% with a 5% match or those who contribute at least 3% and up to 5% with a 8% match. After this date, the University's matching contribution was reduced to 3% for all nonunion employees who contributed at least 2%. In addition, the University contributes to a union-administered defined contribution retirement plan for certain hourly employees, which is funded based on hours worked.

Expense charged to operations for these plans was approximately \$729,000 and \$902,000 for the years ended June 30, 2025 and 2024, 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 related fair value of assets held by the University included in accrued liabilities and other in the accompanying statements of financial position were approximately \$620,000 and \$835,000 as of June 30, 2025 and 2024, respectively.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 10 LEASES

The University leases facilities, computer and network equipment, classroom fixtures, and vehicles for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2029, bear interest at rates ranging from 0.6%-7.18%, and require monthly, quarterly, or annual payments ranging from \$411 - \$90,081. Nonlease components include variable insurance, repairs and maintenance, mileage charges, additional rent, and late charges, as applicable.

Lease right-of-use assets are included in Land, Buildings, and Equipment, net, on the statement of financial position. Lease right-of-use asset, net, totaled approximately \$5,160,507 at June 30, 2025, which consisted of right-of-use assets of \$10,791,919, net of accumulated amortization of \$5,631,412. Lease right-of-use assets, net, totaled approximately \$7,252,383 at June 30, 2024, which consisted of right-of-use assets of \$14,941,520, net of accumulated amortization of \$7,689,137.

The following tables provide quantitative information about the University's leases as of June 30:

	<u>2025</u>	<u>2024</u>
Lease Costs		
Finance Lease Costs:		
Amortization of Right-of-Use Assets	\$ 3,169,651	\$ 3,290,201
Interest on Lease Liabilities	<u>635,925</u>	<u>294,541</u>
Total Lease Costs	<u><u>\$ 3,805,576</u></u>	<u><u>\$ 3,584,742</u></u>
Other Information:		
Operating Cash Flows From Financing Leases	\$ 3,805,576	\$ 3,584,742
Financing Cash Flows From Financing Leases	\$ 2,560,669	\$ 2,134,124
Right-of-Use Assets Obtained in Exchange for New		
Financing Lease Liabilities	\$ 1,981,957	\$ -
Weighted-Average Remaining Lease Term - Financing		
Leases	2.57 Years	2.92 Years
Weighted-Average Discount Rate - Financing Leases	4.40%	4.07%
<u>Year Ending June 30,</u>	<u>Amount</u>	
2026	\$ 2,537,679	
2027	2,023,983	
2028	361,862	
2029	20,338	
Less: Amounts Representing Interest	<u>(270,284)</u>	
Present Value of		
Minimum Lease Payments	<u><u>\$ 4,673,578</u></u>	

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 11 ENDOWMENT

The University's endowment consists of various investment funds established primarily for the support of its mission. As required by U.S. GAAP, 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 has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), which permits election of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments with donor restrictions as income each year. 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 must elect, in writing, a spending rate of between 2% and 7%. The spending rate is based on a three-year average of historical endowment market values.

Spending Policy and Investment Objectives Related to Spending Policy

As permitted by Act 141, the University transferred 7%, based on a three-year average of historical endowment market values to net assets without donor restrictions, for use in current and future operations. During the years ended June 30, 2025 and 2024, the University transferred approximately \$4,739,690 and \$4,456,000, respectively, for annual spend. The University satisfied its spending provisions of individual endowment agreements, including "must" or "shall" provisions, through the use of operating funds without donor restrictions in the years assets appropriated were not drawn. 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.

The University classifies as net assets with donor restrictions the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. Undistributed amounts earned are included in net assets with donor restrictions. In accordance with Act 141, the University has adopted a written investment policy, of which a section specifically relates 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

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 11 ENDOWMENT (CONTINUED)

Investments, including endowment fund net assets, as of June 30 comprise the following:

June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Other Investments:			
Nonendowment Investments	\$ 7,811,470	\$ -	\$ 7,811,470
Assets Held In Trust	-	4,938,939	4,938,939
Annuities	-	81,845	81,845
Endowment Investments:			
Original Donor Restricted Amounts Required to be Maintained in Perpetuity	-	43,499,635	43,499,635
Accumulated Investment Gains	-	22,794,429	22,794,429
Total	<u>\$ 7,811,470</u>	<u>\$ 71,314,848</u>	<u>\$ 79,126,318</u>
June 30, 2024			
Other Investments:			
Nonendowment Investments	\$ 6,253,745	\$ -	\$ 6,253,745
Assets Held In Trust	-	4,622,235	4,622,235
Annuities	-	95,052	\$ 95,052
Endowment Investments:			
Original Donor Restricted Amounts Required to be Maintained in Perpetuity	-	46,705,895	46,705,895
Accumulated Investment Gains	-	22,664,577	22,664,577
Total	<u>\$ 6,253,745</u>	<u>\$ 74,087,759</u>	<u>\$ 80,341,504</u>

The following represents the change in endowment funds by net asset type for the years ended June 30:

	2025	2024
Endowment Net Assets - Beginning of Year	\$ 69,370,472	\$ 72,390,909
Investment Return:		
Investment Income	5,415,377	1,466,430
Net Unrealized Appreciation (Depreciation)	(545,834)	5,760,603
Contributions	676,875	720,440
Appropriation of Endowment Assets for Expenditures	(4,739,690)	(4,455,500)
Donor Approved Release From Restriction (See Note 18)	(3,883,136)	(5,959,546)
Transfers:		
Transfer of Funds Due to Endowment	-	2,703,055
Transfer of Assets to Without Donor Restriction at Donor Instruction	-	(3,255,919)
Endowment Net Assets - End of Year	<u>\$ 66,294,064</u>	<u>\$ 69,370,472</u>

During the year ended June 30, 2024, the University transferred \$2,703,000 to the endowment. No such amounts were transferred into the endowment during the year ended June 30, 2025. No amounts were due to the endowment as of June 30, 2025.

**CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024**

NOTE 11 ENDOWMENT (CONTINUED)

During the years ended June 30, 2025 and 2024, the University released \$3,883,136 and \$5,959,546, respectively, from its donor-restricted endowment to spend towards operations upon clarification of donor intent, and per the terms of an agreement with a donor, see Note 2 for additional details.

During the year ended June 30, 2024, the University reviewed its endowment agreements with certain donors, and transferred \$3,255,919 out of the endowment after receiving clarification of the intent of the relevant donors. No such transfers occurred during the year ended June 30, 2025.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds might fall below the level that the donor or applicable law (Act 141) requires the University to retain as a fund of perpetual duration. The Board has permitted spending from the underwater endowment, which they have interpreted to be permitted under Act 141. There were no deficiencies as of June 30, 2025 and 2024. These deficiencies resulted from extraordinary market conditions that occurred shortly after the investment of new perpetually restricted contributions.

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 University must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, 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 operations.

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 investment committee of the board, are given guidelines as to the percentage range that can be committed to a particular investment category.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 12 NET ASSETS WITH DONOR RESTRICTIONS BALANCES

Net assets with donor restrictions at June 30 are composed of the following:

	2025	2024
Funds Subject to Expenditure Based on Donor Designation:		
Realized and Unrealized Restricted Gains	\$ 52,155,383	\$ 51,861,604
Unexpended Gift and Grant Revenue	2,111,385	2,800,780
Annuity and Trust Agreements	81,845	95,052
Subtotal	<u>54,348,613</u>	<u>54,757,436</u>
Funds Not Subject to Appropriation or Expenditure:		
Eden Hall Campus - Land	8,310,000	8,310,000
Assets Held in Trust - Scholarships	4,938,939	4,622,236
Subtotal	<u>13,248,939</u>	<u>12,932,236</u>
Endowed Funds:		
Professorship and Other	22,040,754	25,429,162
Scholarships	20,053,525	19,884,501
Awards	734,555	721,432
Library	670,801	670,800
Subtotal	<u>43,499,635</u>	<u>46,705,895</u>
Total	<u><u>\$ 111,097,187</u></u>	<u><u>\$ 114,395,567</u></u>

Net assets released from donor restrictions satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during fiscal years ended June 30 are as follows:

	2025	2024
Funds Expended for a Specified Purpose:		
Gifts and Other Unexpended Revenues Available for Scholarships, Instruction, Construction of Eden Hall Campus and Other Programs	\$ 3,953,542	\$ 3,432,799
Realized and Unrealized Endowment Gains Restricted Primarily for Scholarships and Professorships	4,739,690	4,456,014
Donor Approved Release of Endowed Funds For Operations (See Note 2 and 18)	3,883,136	5,959,546
Total	<u><u>\$ 12,576,368</u></u>	<u><u>\$ 13,848,359</u></u>

NOTE 13 GOVERNMENT GRANTS

Activity of the Federal Pell Grant (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 \$2,146,716 and \$1,802,881 from the federal Pell Grant and \$1,075,600 and \$1,521,816 from PHEAA programs in fiscal years 2025 and 2024, respectively.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 14 COMMITMENTS AND CONTINGENCIES

The University is involved in claims and legal actions arising in the normal course of operations. In the opinion of the administration, 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 the administration, audit adjustments, if any, will not have a significant effect on the financial position of the University.

NOTE 15 CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The *Accounting for Conditional Asset Retirement Obligations* topic of the FASB Codification 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 \$1,026,000 and \$976,000 as of June 30, 2025 and 2024, respectively, 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.

NOTE 16 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. The University is also exempt from state income tax under applicable state statutes.

The University follows the FASB Codification topic on *Income Taxes*, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. The University's statements of financial position at June 30, 2025 and 2024 do not include any liabilities associated with uncertain tax positions; further, the University has no unrecognized tax benefits. The University is no longer subject to examination of its tax returns for years before 2022.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 17 EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated across functional categories. Salaries and wages and employee benefits and payroll taxes are allocated on the basis of time and effort. Other indirect costs allocated include utilities, maintenance, fringe benefits and depreciation, which are allocated based on number of students or an allocation percentage of total administrative costs before allocation to total education expenses. All other expenses are allocated based on actual usage and on a reasonable basis that is consistently applied.

Functional expenses of the University for the year ended June 30, 2025 are as follows:

	Program Activities	Administrative and General	Auxiliary Enterprises	Total Expenses
Salaries, Wages and Fringes	\$ 29,199,469	\$ 4,962,743	\$ 360,658	\$ 34,522,870
Operating Expenses	12,735,614	3,024,419	721,772	16,481,804
Outside Services	1,393,160	3,579,447	2,829,277	7,801,883
Depreciation and Amortization	8,751,447	1,255,018	1,396,590	11,403,055
Interest	1,181,348	931,108	548,972	2,661,427
Total	<u>\$ 53,261,037</u>	<u>\$ 13,752,734</u>	<u>\$ 5,857,268</u>	<u>\$ 72,871,039</u>

Functional expenses of the University for the year ended June 30, 2024 are as follows:

	Program Activities	Administrative and General	Auxiliary Enterprises	Total Expenses
Salaries, Wages and Fringes	\$ 30,099,910	\$ 6,727,844	\$ 400,056	\$ 37,227,810
Operating Expenses	11,477,902	2,254,214	662,375	14,394,491
Outside Services	854,107	3,534,334	3,138,508	7,526,949
Depreciation and Amortization	6,943,889	1,090,620	1,027,763	9,062,272
Interest	1,959,335	565,804	923,874	3,449,013
Total	<u>\$ 51,335,143</u>	<u>\$ 14,172,816</u>	<u>\$ 6,152,576</u>	<u>\$ 71,660,535</u>

Total fundraising expense representing the cost of the institutional advancement department and the comprehensive campaign for the years ended June 30, 2025 and 2024 was approximately \$789,000 and \$763,000, respectively, and is included in administrative and general expenses in the statements of activities and changes in net assets.

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 AND 2024

NOTE 18 RELATED-PARTY TRANSACTIONS

Members of the board, officers and employees are subject to the University's written conflict of interest policy that requires annual disclosures from members of the board, senior management and other designated employees of any actual or potential conflicts of interest, including business employment relationships or significant financial interest in businesses with which the University conducts business. Additionally, certain gifts and pledges to the University are received annually by Board members. All such business activity is conducted in accordance with the University's normal business practices. No such relationships have been identified that are considered material to the financial statement and require disclosure in accordance with U.S. GAAP, except for the following:

As described in Note 7 and 8, the University has a line of credit, which was converted to a term loan, with an entity owned by a Board member. There were \$3,257,637 and \$3,070,585 borrowings outstanding on this debt at June 30, 2025 and 2024, respectively.

As described in Note 9, the University makes contributions to a defined contribution retirement plan on behalf of employees.

During the year ended June 30, 2024, a Board member, who was the original donor, approved the release from restrictions from their endowed fund above a certain threshold, see Note 2 for additional details. Funds drawn from the principal value of this endowment fund totaled \$3,883,136 and \$5,959,546, at June 30, 2025 and 2024, respectively.



**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, 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, the financial statements of Chatham University (Chatham), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chatham'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chatham's internal control. Accordingly, we do not express an opinion on the effectiveness of Chatham's internal control.

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

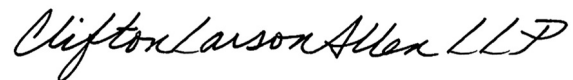
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Pittsburgh, Pennsylvania
October 16, 2025



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