

CHATHAM UNIVERSITY  
Pittsburgh, Pennsylvania

Consolidated Financial Statements  
and  
Supplemental Information  
For the years ended June 30, 2022 and 2021  
and Independent Auditor's Report Thereon



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INDEPENDENT AUDITOR’S REPORT

Board of Trustees  
Chatham University  
Pittsburgh, Pennsylvania

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Chatham University (University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

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

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University’s ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
December 15, 2022

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 325,643	\$ 203,621
Cash and cash equivalents held for debt service payments	2,559,375	2,559,375
	2,885,018	2,762,996
Student accounts receivable (net of allowance of \$1,104,000 and \$1,362,000 as of June 30, 2022 and 2021, respectively)	846,629	985,635
Contributions receivable, net	1,938,976	5,319,555
Other receivables	828,739	2,063,399
Student loans receivable (net of allowance of \$247,000 and \$243,000 as of June 30, 2022 and 2021, respectively)	239,332	317,883
Investments	89,066,510	100,895,094
Assets held in trust by others	4,064,575	5,165,693
Deferred compensation deposits	841,543	1,091,184
Prepaid expenses and other assets	743,127	601,506
Land, buildings and equipment, net	114,417,946	116,460,623
 Total Assets	 \$ 215,872,395	 \$ 235,663,568
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,016,243	\$ 4,873,734
Accrued liabilities and other	5,343,027	5,597,544
Student deposits and deferred revenues	4,322,834	4,593,398
Capital lease obligations	6,496,697	6,713,623
Lines of credit	6,500,000	2,500,000
Bonds and notes payable, net	56,343,143	59,379,679
Advances from federal government for student loans	927,478	1,005,765
	83,949,422	84,663,743
 Total Liabilities	 83,949,422	 84,663,743
 <b>NET ASSETS</b>		
Without donor restrictions:		
Designated for endowment	17,513,676	18,651,958
Undesignated	2,842,513	9,463,475
Total Net Assets Without Donor Restrictions	20,356,189	28,115,433
With donor restrictions	111,566,784	122,884,392
 Total Net Assets	 131,922,973	 150,999,825
 Total Liabilities And Net Assets	 \$ 215,872,395	 \$ 235,663,568

See notes to consolidated financial statements.

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CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER ADDITIONS</b>			
Tuition and fees	\$ 71,753,665	\$ -	\$ 71,753,665
Scholarships	(28,175,432)	-	(28,175,432)
	43,578,233	-	43,578,233
Auxiliary enterprises revenues	9,998,761	14,926	10,013,687
Federal and state grants and contracts	282,248	810,987	1,093,235
Private gifts and grants	707,882	6,510,522	7,218,404
Interest and dividends	197,482	1,086,068	1,283,550
Net unrealized and realized (losses) gains on investments	(1,388,166)	(9,776,014)	(11,164,180)
	53,376,440	(1,353,511)	52,022,929
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>			
Operations	9,782,304	(9,782,304)	-
Capital	181,793	(181,793)	-
	63,340,537	(11,317,608)	52,022,929
<b>EXPENSES AND OTHER DEDUCTIONS</b>			
Program expenses:			
Instruction	27,025,559	-	27,025,559
Library	2,576,463	-	2,576,463
Student services	17,940,080	-	17,940,080
Public service	1,496,002	-	1,496,002
	49,038,104	-	49,038,104
Total Program Expenses	49,038,104	-	49,038,104
Administrative and general	15,902,056	-	15,902,056
Auxiliary enterprises expenses	6,161,121	-	6,161,121
	71,101,281	-	71,101,281
Total Expenses And Other Deductions	71,101,281	-	71,101,281
<b>OTHER CHANGES IN NET ASSETS</b>			
Gain on disposal of assets	1,500	-	1,500
	(7,759,244)	(11,317,608)	(19,076,852)
Changes In Net Assets	(7,759,244)	(11,317,608)	(19,076,852)
<b>NET ASSETS</b>			
Beginning of year	28,115,433	122,884,392	150,999,825
End of year	\$ 20,356,189	\$ 111,566,784	\$ 131,922,973



2021		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 67,557,589	\$ -	\$ 67,557,589
(23,445,891)	-	(23,445,891)
<u>44,111,698</u>	<u>-</u>	<u>44,111,698</u>
7,956,874	22,968	7,979,842
310,618	5,860,904	6,171,522
522,781	5,863,360	6,386,141
143,726	1,012,597	1,156,323
<u>2,451,945</u>	<u>17,011,710</u>	<u>19,463,655</u>
55,497,642	29,771,539	85,269,181
12,587,410	(12,587,410)	-
<u>182,183</u>	<u>(182,183)</u>	<u>-</u>
68,267,235	17,001,946	85,269,181
26,497,742	-	26,497,742
2,402,223	-	2,402,223
16,233,374	-	16,233,374
<u>1,582,726</u>	<u>-</u>	<u>1,582,726</u>
46,716,065	-	46,716,065
14,731,776	-	14,731,776
<u>5,338,650</u>	<u>-</u>	<u>5,338,650</u>
66,786,491	-	66,786,491
<u>732,209</u>	<u>-</u>	<u>732,209</u>
2,212,953	17,001,946	19,214,899
<u>25,902,480</u>	<u>105,882,446</u>	<u>131,784,926</u>
<u>\$ 28,115,433</u>	<u>\$ 122,884,392</u>	<u>\$ 150,999,825</u>

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (19,076,852)	\$ 19,214,899
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,257,512	7,793,908
Gain on disposal of land, buildings and equipment	-	(63,033)
Net unrealized and realized (losses) gains on investments	10,063,062	(18,627,746)
Change in value of assets held in trust by others	1,101,118	(835,909)
Contributions restricted for long-term investments	(300,310)	(5,818,600)
Change in allowance for doubtful accounts	(263,939)	(266,090)
Changes in assets and liabilities:		
Student accounts receivable	397,609	367,414
Contributions receivable	3,385,915	(1,887,815)
Other receivables	1,234,660	21,767
Prepaid expenses and other assets	(141,621)	138,640
Deferred compensation deposits	249,641	(134,114)
Accounts payable, accrued liabilities and other	(1,233,042)	2,105,745
Student deposits and deferred revenues	(270,564)	178,657
Net Cash Provided by Operating Activities	3,403,189	2,187,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction or acquisition of land, buildings and equipment, net of construction payables	(4,506,719)	(4,426,635)
Proceeds from sale of investments	7,069,369	33,270,435
Purchase of investments	(5,303,847)	(29,413,685)
Repayments of loans by students and others	78,551	101,994
Net Cash Used In Investing Activities	(2,662,646)	(467,891)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long-term investment	300,310	2,702,401
Proceeds from issuance of note payable	-	2,508,350
Payments on long-term debt	(2,991,255)	(2,976,413)
Proceeds from capital project financing	-	703,064
Proceeds from lines of credit	4,000,000	-
Payments on lines of credit	-	(1,440,000)
Payments on capital lease obligations	(1,927,576)	(3,485,639)
Net Cash Used In Financing Activities	(618,521)	(1,988,237)
 Net Increase (Decrease) In Cash And Cash Equivalents	 122,022	 (268,405)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,762,996	3,031,401
End of year	\$ 2,885,018	\$ 2,762,996

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ <u>2,661,700</u>	\$ <u>2,880,326</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for purchases of equipment	\$ <u>1,710,650</u>	\$ <u>2,390,953</u>
Construction payables outstanding for construction-in-progress	\$ <u>866,975</u>	\$ <u>-</u>

See notes to consolidated financial statements.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

On October 1, 2013, Chatham University established Chatham Investments LLC as a wholly owned subsidiary. Chatham Investments LLC previously contributed capital for a 1% ownership interest in two joint ventures, Eden Hall Solar, LLC and Common Orchard South Solar, LLC. The joint ventures were responsible for investing, constructing, operating and managing renewable energy systems and other sustainable property at the Eden Hall Campus.

In addition, Chatham University executed lease agreements with both joint ventures. The joint ventures leased University property to install photovoltaic power plants, located on the Eden Hall Campus. The term of the leases expired on January 1, 2020 and September 1, 2021. Annual rent payments had been \$1.00 under both leases. In October 2020 and September 2021, the University entered into agreements to transfer the photovoltaic power plant assets from the joint ventures to the University. Pursuant to and in consideration of the transfer of assets, the outstanding receivables from Eden Hall Solar LLC of \$328,000 as of June 30, 2020 and from Common Orchard South Solar, LLC of \$532,000 as of June 30, 2021 were deemed paid in full. In addition, all of Chatham Investments, LLC's ownership interests in the joint ventures were transferred to the respective joint ventures.

The consolidated financial statements include the financial position and results of operations of Chatham University and Chatham Investments LLC (collectively referred to as the University). All material intercompany transactions have been eliminated in consolidation.

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

**Basis of Accounting** - The consolidated 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 consolidated 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 consolidated 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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Revenue reported on the consolidated 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 consolidated 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 tuition and fees revenue was approximately \$47,757,000 and \$42,616,000 at June 30, 2022 and 2021, respectively. Gross graduate tuition and fees revenue was approximately \$23,997,000 and \$24,942,000 at June 30, 2022 and 2021, 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, 2022 and 2021, respectively, are recognized over time and are included in deferred revenue on the consolidated statements of financial position as of June 30, 2022 and 2021.

Room and board revenue is presented on the consolidated 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. Payments for room and board that extend past June 30, 2022 and 2021, respectively, are recognized over time and are included in deferred revenue on the consolidated statement of financial position at June 30, 2022 and 2021.

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

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract liabilities consist of student and day camp deposits and deferred revenue. Student and day camp deposits consist of approximately \$1,546,000, \$1,787,000 and \$1,498,000, related to advanced deposits by students as of June 30, 2022, 2021 and 2020, respectively. The caption deferred revenue on the consolidated statements of financial position consists primarily of tuition of approximately \$2,698,000, \$2,806,000 and \$2,917,000 as of June 30, 2022, 2021 and 2020, respectively.

At June 30, 2022 and 2021, 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 ASC 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, 2022 and 2021, 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 pro rata time-based output method, whereby the University believes faithfully depicts the transfer of goods and services to the customers. The transaction price is determined through board of trustee approval of tuition 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. Gains and losses on investments and other assets are reported as increases or decreases in 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.

Cash and Cash Equivalents - For purposes of the consolidated 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.

Student Accounts Receivable - Student accounts receivable are reported at their outstanding principal balance, adjusted for any charge-offs, and net of the allowance for doubtful accounts. 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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2022 and 2021 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 are reported at their outstanding principal adjusted for any charge-offs and net of the allowance for loan losses. The availability of funds for loans under the Federal Perkins Loans Program 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. Amounts past due as of June 30, 2022 and 2021 approximated \$219,000 and \$228,000, respectively.

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 consolidated 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 consolidated 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, 2022 and 2021, 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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021. 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, 2022 and 2021.

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 consolidated 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 consolidated statements of financial position.

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 CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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 consolidated statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Subsequent Events - The administration of the University has evaluated subsequent events through December 15, 2022, the date on which the consolidated financial statements were available to be issued. On July 6, 2022, Allegheny County Higher Education Building Authority issued \$22,220,000 aggregate principal of its University Revenue Bonds Series of 2022 on behalf of the University for the purpose of the current refunding of the 2012 Series A Bonds and payment of the costs of issuing the 2022 Bonds. The Series 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 effect of the refunding is a reduction in interest expense over the life of the bonds and a reduction in annual debt service payments.

Recent Accounting Pronouncements - In September 2020, the FASB issued Accounting Standard Update (ASU) No. 2020-07 Not-for-Profit Entities (Topic 958) (ASU 2020-07), related to Presentation and Disclosures for Not-for-Profit Entities for Contributed Nonfinancial Assets, which is intended to improve financial reporting by providing new presentation and disclosure requirements on contributed nonfinancial assets. The University will be required to create a separate line item on the statement of activities to include contributed nonfinancial items, separated from contributions of cash and other financial assets. Enhanced disclosures will include disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial asset and further information about each category of contributed nonfinancial asset recognized. ASU 2020-07 is effective for annual reporting periods beginning after June 15, 2021 and early adoption is permitted. The University adopted the provisions of ASU 2020-07 during the year ended June 30, 2022 with no material impact to its consolidated financial statements.

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 12-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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 2 - LIQUIDITY AND AVAILABILITY ( Continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the consolidated statements of cash flows, which identify the sources and uses of the University's cash.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 325,643	\$ 203,621
Student loans receivable, net	846,629	985,635
Contributions receivable, net	1,013,637	4,257,667
Other receivables	828,739	2,063,399
Anticipated endowment draw	<u>4,095,000</u>	<u>3,983,000</u>
Financial assets available at June 30 for current use	<u>\$ 7,109,648</u>	<u>\$ 11,493,322</u>

It is the University's practice to keep accounts payable balances low, and to keep open invoice processing for a period of two weeks after year-end. In addition, the University's revenues are seasonal in nature. At the end of the fiscal year, cash balances tend to be at their lowest point. The University maintains bank lines of credit of \$5 million (\$0 and \$2,500,000 available at June 30, 2022 and 2021, respectively) to support operations and the seasonality of revenues. During 2022, the University entered into a line of credit with Parkhurst Dining, LLC of \$3.5 million (\$2,000,000 available at June 30, 2022) to support dining hall renovations.

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. The anticipated endowment draw represents the University's estimate of expected annual draw in the upcoming twelve-month period to support operations. This draw is from the portion of the endowment for which donor restrictions have been met. These amounts are unrestricted except for Board designation and total approximately \$17,514,000 and \$18,862,000 as of June 30, 2022 and 2021, respectively. While the University does not intend to spend other than the annual board-approved spending rate from the endowment, these amounts could be made available if necessary.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 3 - INVESTMENTS

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,769,729	\$ 6,709,254
Fixed income	24,250,568	25,955,259
Equities	32,088,671	37,883,966
International funds	8,171,460	10,669,718
Limited partnerships	17,380,037	13,938,587
Real estate investment fund	<u>3,406,045</u>	<u>5,738,310</u>
Total investments	89,066,510	100,895,094
Assets held in trust by others	<u>4,064,575</u>	<u>5,165,693</u>
Total market value of investments	\$ <u>93,131,085</u>	\$ <u>106,060,787</u>

Investments at June 30 are composed of the following:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 88,959,400	\$ 100,744,864
Assets held in trust by others	4,064,575	5,165,693
Annuity trust agreements	<u>107,110</u>	<u>150,230</u>
	\$ <u>93,131,085</u>	\$ <u>106,060,787</u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 3 - INVESTMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 1,283,550	\$ 1,156,323
Net realized gain	2,321,488	6,505,890
Net unrealized (loss) gain	(12,384,550)	12,121,856
Net unrealized (loss) gain on assets held in trust by others	<u>(1,101,118)</u>	<u>835,909</u>
	<u>\$ (9,880,630)</u>	<u>\$ 20,619,978</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.

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 notes payable and bonds payable approximates fair value due to the interest rates on the notes compared to the current credit market.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

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

	2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 3,769,729	\$ -	\$ -	\$ 3,769,729
Fixed income	24,250,568	-	-	24,250,568
Equities	32,088,671	-	-	32,088,671
International funds	8,171,460	-	-	8,171,460
Assets held in trust by others	-	4,064,575	-	4,064,575
Total investments in the fair value hierarchy	\$ <u>68,280,428</u>	\$ <u>4,064,575</u>	\$ <u>-</u>	72,345,003
Investments measured at net asset value (a)				<u>20,786,082</u>
Total investments				\$ <u>93,131,085</u>
	2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 6,709,254	\$ -	\$ -	\$ 6,709,254
Fixed income	25,955,259	-	-	25,955,259
Equities	37,883,966	-	-	37,883,966
International funds	10,669,718	-	-	10,669,718
Assets held in trust by others	-	5,165,693	-	5,165,693
Total investments in the fair value hierarchy	\$ <u>81,218,197</u>	\$ <u>5,165,693</u>	\$ <u>-</u>	86,383,890
Investments measured at net asset value (a)				<u>19,676,897</u>
Total investments				\$ <u>106,060,787</u>

- (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 consolidated statements of financial position.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

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:

Category	June 30		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	2022	2021			
Limited partnerships	\$ 17,380,037	\$ 13,938,587	\$ 8,979,111	None permitted upon final closing of the fund until liquidation of the funds	N/A
Real estate investment fund	<u>3,406,045</u>	<u>5,738,310</u>	<u>-</u>	Daily	None
	<u>\$ 20,786,082</u>	<u>\$ 19,676,897</u>	<u>\$ 8,979,111</u>		

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

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Gross contributions outstanding	\$ 2,109,623	\$ 5,488,932
Less - unamortized discount	113,606	106,700
Less - allowance	<u>57,341</u>	<u>62,677</u>
	<u>\$ 1,938,976</u>	<u>\$ 5,319,555</u>
Amounts due in:		
Less than one year	\$ 1,184,284	\$ 4,427,044
One to five years	<u>925,339</u>	<u>1,061,888</u>
	<u>\$ 2,109,623</u>	<u>\$ 5,488,932</u>

Total fundraising expense representing the cost of the institutional advancement department and the comprehensive campaign for the years ended June 30, 2022 and 2021 was approximately \$1,352,000 and \$1,297,000, respectively, and is included in administrative and general expenses in the consolidated statement of activities and changes in net assets.

NOTE 6 - LINE 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 (4.75% and 3.25% at June 30, 2022 and 2021, respectively). There were \$5,000,000 and \$2,500,000 of borrowings outstanding at June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, the University entered into a \$3,500,000 line-of-credit agreement with Parkhurst Dining, LLC. The agreement carries a maturity date of September 2032 and bears interest at 4.25% at June 30, 2022. There were \$1,500,000 of borrowings outstanding at June 30, 2022.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 173,709,307	\$ 171,735,773
Furniture and equipment	39,900,813	37,592,733
Building under capital lease	<u>3,144,406</u>	<u>3,144,406</u>
	216,754,526	212,472,912
Less - Accumulated depreciation and amortization	<u>117,370,377</u>	<u>109,163,024</u>
	99,384,149	103,309,888
Land	10,867,247	10,867,247
Construction-in-progress	<u>4,166,550</u>	<u>2,283,488</u>
	<u>\$ 114,417,946</u>	<u>\$ 116,460,623</u>

NOTE 8 - BONDS AND NOTES PAYABLE

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

	<u>2022</u>	<u>2021</u>
Series A of 2008	\$ 10,000,000	\$ 10,000,000
Series B of 2008	2,125,440	2,919,698
Series A of 2012	25,730,000	26,970,000
Phase I-B construction loan	13,809,878	14,594,422
Mortgage loans payable	2,785,031	2,881,475
Eastside phase II loan	<u>1,241,288</u>	<u>1,317,297</u>
	55,691,637	58,682,892
Plus - Unamortized premium	1,027,573	1,102,762
Less - Unamortized debt issuance costs	<u>376,067</u>	<u>405,975</u>
	<u>\$ 56,343,143</u>	<u>\$ 59,379,679</u>



CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Scheduled principal repayments are as follows:

Fiscal Year Ending June 30	Amount
2023	\$ 3,158,978
2024	3,345,448
2025	3,942,001
2026	3,626,833
2027	3,730,436
Thereafter	<u>37,887,941</u>
	<u>\$ 55,691,637</u>

a. 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 2.89%. 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 Notes for the years ended June 30, 2022 and 2021 was \$425,000.

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.

b. 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 4.32%. Interest payments are required monthly. Principal payments are required monthly. The final payment is due on May 1, 2025.

Interest expense on the Series B of 2008 Notes for the years ended June 30, 2022 and 2021 was \$139,000 and \$180,000, respectively.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

The Series B 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.

c. Series A of 2012

On February 29, 2012, the Allegheny County Higher Education Building Authority issued \$35,870,000 aggregate principal of its University Revenue Bonds Series A of 2012 on behalf of the University for the purpose of current refunding of the 1998 Series A Bonds and 2002 Series A Bonds, and the current and advance refunding of the 2002 Series A Bonds. The Series A of 2012 Bonds bear interest at rates ranging from 2.0% to 5.0%. Interest payments are required semiannually. Principal payments are required on September 1 of each year, with the final payment due on September 1, 2035.

Interest expense on the Series A of 2012 Bonds for the years ended June 30, 2022 and 2021 was \$1,317,500 and \$1,378,000, respectively.

The University is subject to certain 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 2012 Bonds. Included in cash and cash equivalents at June 30, 2022 and 2021 was \$2,559,375 to satisfy the debt service fund requirement.

d. 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 on behalf of the University. The Series of 2014 Note will be 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, 2026.

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. There were \$13,810,000 and \$14,594,000 in borrowings outstanding under this agreement at June 30, 2022 and 2021, respectively. No interest was capitalized during the years ended June 30, 2022 and 2021 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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

e. 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. Cost of the property acquired totaled \$937,287 and has a net book value of \$758,782 and \$775,782 at June 30, 2022 and 2021, respectively.

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. Cost of the property acquired was approximately \$2,501,000 and has a net book value of approximately \$2,476,148 and \$2,096,000 at June 30, 2022 and 2021, respectively.

f. Eastside Phase II Loan

In March 2017, the University entered in to 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 expires at a date no later than 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 bank's prime lending rate (5.59% at June 30, 2021 and 2020) during the renovation phase. There were \$1,241,000 and \$1,317,000 of borrowings outstanding at June 30, 2022 and 2021, respectively.

NOTE 9 - RETIREMENT PLANS

The University sponsors a defined contribution retirement plan. Full-time employees over 21 years of age are eligible to participate 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 from 5% to 8% of the employee's base compensation. Participation in the defined contribution retirement plan is mandatory for all employees at the 2% contribution level with a 5% match. Effective September 1, 2020, the plan was amended. Through August 31, 2021, an employee with a base salary below \$50,000 who contributes the mandatory 2% receives a 5% University match. An employee with a base salary of \$50,000 and above who contributes the mandatory 2% receives a flat 3% University match. If an employee contributes more than the mandatory 2%, he/she will receive an additional University match of 1%, for each additional 1% deferred above the mandatory contribution up to a total employee deferral of 5%. This means that there is a maximum additional University match of 3% for those individuals deferring at least 5%. Effective September 1, 2021, the University adopted a revised contribution structure whereby all employees who contribute the mandatory 2% receive a 5% University match. Employees who contribute at least 3% and up to 5%, receive a flat 8% match. 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 \$1,736,000 and \$1,090,000 for the years ended June 30, 2022 and 2021, respectively.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 9 - RETIREMENT PLANS (Continued)

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 in the accompanying consolidated statements of financial position were approximately \$842,000 and \$1,091,000 as of June 30, 2022 and 2021, respectively.

NOTE 10 - LEASES

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 May 31, 2022. It was extended through July 31, 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 an agreed-upon amount based on two independent appraisals of the building's fair market value at that time. In March 2022, the University obtained an independent appraisal that estimated the building's fair market value at \$6.6 million. Assets recorded under the capital lease agreement totaled \$3,144,406 as of both June 30, 2022 and 2021, and accumulated depreciation totaled \$1,375,406 and \$1,297,066 as of June 30, 2022 and 2021, respectively. On August 1, 2022, the University entered into an agreement to purchase the building, financed through a mortgage of approximately \$5,610,000.

During the year ended June 30, 2018, the University entered into seven capital lease agreements involving the rental of computer, network resources and classroom fixtures, and two capital leases involving the rental of machinery and vehicles. These leases are noncancelable and run through the year 2022. Amounts related to the equipment are payable in quarterly or annual installments from \$15,266 to \$341,522. Amounts related to the machinery and vehicles are payable monthly from \$464 to \$5,537. Assets recorded under the capital lease agreements totaled \$2,988,461 and \$3,129,010 and accumulated depreciation totaled \$2,756,256 and \$2,349,092 as of June 30, 2022 and 2021, respectively.

During the year ended June 30, 2019, the University entered into eight lease agreements involving the rental of computer, network resources, classroom fixtures and office equipment, and three capital leases involving the rental of vehicles. These leases are noncancelable and run through the year 2023. Amounts related to the equipment are payable in quarterly or annual installments from \$1,485 to \$99,877. Amounts related to the vehicles are payable monthly from \$378 to \$486. Assets recorded under the capital lease agreements totaled \$1,559,000 and \$1,532,000 and accumulated depreciation totaled \$1,244,777 and \$890,632 as of June 30, 2022 and 2021, respectively.

In April 2019, the University executed a land lease agreement with the Wilkinsburg School District. The lease is for an initial term of 25 years and provides for renewal options, which both parties will negotiate at that time. Rental payments under the lease agreement are \$1 per year. The University is responsible for all operating costs and repairs and maintenance, including taxes, assessments, utilities and all other charges.

In February 2020, in connection with the aforementioned land lease agreement with the Wilkinsburg School District, the University entered into a lease agreement to bridge financing for the renovation of the playing field and the adjoining grandstand, locker room, service building and parking lot. Graham Field is the home to the University's lacrosse and soccer teams, and is utilized by community groups for youth football and other activities. The term of the lease is five years.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 10 - LEASES (Continued)

During the year ended June 30, 2020, the University entered into six lease agreements involving the rental of vehicles, computer, network resources and equipment. These leases are noncancelable and run through the year 2025. Amounts related to the equipment are payable in monthly, quarterly or annual installments from \$2,716 to \$49,772. Assets recorded under the capital lease agreements totaled \$1,434,890 and \$1,353,085 and accumulated depreciation totaled \$1,071,070 and \$682,736 as of June 30, 2022 and 2021, respectively.

During the year ended June 30, 2021, the University entered into 10 lease agreements involving the rental of computers, network resources and equipment. These leases are noncancelable and run through the year 2026. Amounts related to the equipment are payable in monthly, quarterly or annual installments from \$223 to \$113,953. Assets recorded under the capital lease agreements totaled \$1,687,889 and accumulated depreciation totaled \$742,424 and \$342,038 as of June 30, 2022 and 2021, respectively.

During the year ended June 30, 2022, the University entered into 14 lease agreements involving the rental of computer equipment and automobiles. These leases are noncancelable and run through the year 2026. Amounts related to the equipment are payable in monthly, quarterly or annual installments from \$653 to \$49,672. Assets recorded under the capital lease agreements totaled \$1,710,650 and accumulated depreciation totaled \$225,664 as of June 30, 2022.

The University also 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 2024.

Rent expense for the years ended June 30, 2022 and 2021 was \$299,000 and \$696,000, respectively.

Total commitments and obligations under all operating and capital lease agreements are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Leases</u>	<u>Operating Leases</u>	<u>Total</u>
2023	\$ 2,093,764	\$ 87,210	\$ 3,978,506
2024	1,370,531	50,872	1,002,833
2025	911,213	-	492,825
2026	611,400	-	217,897
Present value of minimum lease payments	<u>\$ 4,986,908</u>	<u>\$ 138,082</u>	<u>\$ 5,124,990</u>

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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 11 – ENDOWMENT (Continued)

Interpretation of Relevant Law - The board of trustees 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 of trustees 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. The last fiscal year used to determine the transfer for the fiscal year ended June 30, 2022 was the fiscal year ended June 30, 2021.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141, the University typically transfers between 5% and 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. In 2020 and 2021, due to the COVID-19 pandemic, changes to Act 141 allowed for larger transfers to help organizations faced with challenges from the pandemic. The University elected to transfer 7% and 10% as of June 30, 2022 and 2021, respectively. In 2022 and 2021, the spendable return approximated \$4,068,904 and \$5,991,881, respectively, and was transferred to board-designated endowment. 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

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2022	\$ <u>17,513,676</u>	\$ <u>75,617,409</u>	\$ <u>93,131,085</u>
June 30, 2021	\$ <u>18,651,958</u>	\$ <u>87,408,829</u>	\$ <u>106,060,787</u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 11 – ENDOWMENT (Continued)

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, July 1, 2020	\$ 13,986,261	73,351,422	87,337,683
Investment return:			
Investment income	143,726	1,012,597	1,156,323
Net unrealized appreciation	2,206,089	16,334,291	18,540,380
Contributions	-	2,633,471	2,633,471
Net asset transfers	-	68,930	68,930
Appropriation of endowment assets for expenditures	5,991,882	(5,991,882)	-
Spend	<u>(3,676,000)</u>	<u>-</u>	<u>(3,676,000)</u>
Endowment net assets, June 30, 2021	18,651,958	\$ 87,408,829	\$ 106,060,787
Investment return:			
Investment income	197,482	1,086,068	1,283,550
Net unrealized depreciation	(1,904,668)	(10,614,401)	(12,519,069)
Contributions	-	1,860,552	1,860,552
Net asset transfers	-	(54,735)	(54,735)
Appropriation of endowment assets for expenditures	4,068,904	(4,068,904)	-
Spend	<u>(3,500,000)</u>	<u>-</u>	<u>(3,500,000)</u>
Endowment net assets, June 30, 2022	<u>\$ 17,513,676</u>	<u>\$ 75,617,409</u>	<u>\$ 93,131,085</u>

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. Deficiencies of this nature that are reported in net assets with donor restriction total \$1,972,010 and \$239,246, and the associated fair value of these funds was \$19,533,652 and \$6,719,788, as of June 30, 2022 and 2021, respectively. 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 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 operations.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 11 - ENDOWMENT (Continued)

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

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS BALANCES

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

	<u>2022</u>	<u>2021</u>
Funds subject to expenditure based on donor designation:		
Gifts and other unexpended revenues available for scholarships, instruction, construction of Eden Hall Campus and other programs	\$ 3,998,636	\$ 7,729,042
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	38,986,766	47,671,511
Annuity and trust agreements	107,112	150,231
	<u>43,092,514</u>	<u>55,550,784</u>
Funds not subject to appropriation or expenditure:		
Scholarships	27,166,912	25,798,953
Professorships and other	16,824,513	16,372,874
Falk School of Sustainability	15,000,000	15,000,000
Eden Hall Campus	8,310,000	8,310,000
Library	35,000	670,539
Awards	710,332	654,607
General operations	427,513	526,635
	<u>68,474,270</u>	<u>67,333,608</u>
	<u>\$ 111,566,784</u>	<u>\$ 122,884,392</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:

	<u>2022</u>	<u>2021</u>
Funds expended for a specified purpose:		
Gifts and other unexpended revenues available for scholarships, instruction, construction of Eden Hall Campus and other programs	\$ 7,537,638	\$ 8,372,988
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	2,395,674	4,367,514
Annuity and trust agreements	30,785	29,091
	<u>\$ 9,964,097</u>	<u>\$ 12,769,593</u>



CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

NOTE 13 - GOVERNMENT GRANTS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the University's consolidated financial statements because the amounts represent direct grants to students. Students received \$1,585,513 and \$1,644,196 from the federal Pell Grant and \$1,324,049 and \$1,275,631 from PHEAA programs in fiscal years 2022 and 2021, respectively.

In January 2021, the University obtained Higher Education Emergency Relief Fund (HEERF) awards as part of the Coronavirus Response and Relief Supplemental Appropriations Act. The University has reflected approximately \$1,840,000 in federal and state grants and contracts in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021 in accordance with FASB ASC 958-605. Pursuant to the agreement, the University is required to distribute the student portion of the grant received to eligible students, referred to as Part A. The student aid portion may be used for any component of the student's cost of attendance or for emergency costs that arise due to the disruptions caused by the COVID-19 pandemic, such as tuition, food, housing, healthcare (including mental healthcare) or childcare. The remaining portion of the grant, referred to as Part B, is available to cover lost revenues otherwise expected but were reduced or eliminated as a result of the COVID-19 pandemic and were incurred on or after March 13, 2020. Lost revenues include, but are not limited to, academic sources, such as tuition, room and board and summer terms and camps, and auxiliary service sources, such as disruptions of food or dormitory services. The University credited approximately \$562,000 to eligible students covered by Part A, which is reflected in federal and state grants and contract revenues on the consolidated statements of activities and changes in net assets. The University recognized approximately \$1,278,000 of Part B HEERF II, which is included in federal and state grants and contract revenues on the consolidated statements of activities and changes in net assets.

In May 2021, the University obtained additional HEERF awards as part of the American Rescue Plan Act. The University has reflected approximately \$3,141,000 in federal and state grants and contracts in the consolidated statement of activities and changes in net assets for the year ended June 30, 2021 in accordance with FASB ASC 958-605. Pursuant to the agreement, the University is required to distribute the student portion of the grant received to eligible students, referred to as Part A. The student aid portion may be used for any component of the student's cost of attendance or for emergency costs that arise due to the disruptions caused by the COVID-19 pandemic, such as tuition, food, housing, healthcare (including mental healthcare) or childcare. The remaining portion of the grant, referred to as Part B, is available to cover lost revenues otherwise expected but were reduced or eliminated as a result of the COVID-19 pandemic and were incurred on or after March 13, 2020. Lost revenues include, but are not limited to, academic sources, such as tuition, room and board and summer terms and camps, and auxiliary service sources, such as disruptions of food or dormitory services. The University credited approximately \$1,635,000 to eligible students covered by Part A, which is reflected in federal and state grants and contract revenues on the consolidated statements of activities and changes in net assets. The University recognized approximately \$1,504,000 of Part B HEERF III, which is included in federal and state grants and contract revenues on the consolidated statements of activities and changes in net assets.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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 consolidated 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 consolidated 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 \$883,000 and \$840,000 as of June 30, 2022 and 2021, 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 consolidated financial statements. The University is also exempt from state income tax under applicable state statutes.

Chatham Investments LLC has been organized as an LLC, which is not subject to federal or state income taxes, however the taxable income or loss from the renewable energy management activities of Chatham Investments LLC is included in the income tax return of the University. Accordingly, any income from Chatham Investments LLC that is unrelated to the exempt purposes of the University is treated as unrelated business income on the University's tax return.

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 consolidated financial statements. The University's consolidated statements of financial position at June 30, 2022 and 2021 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 2019.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021

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 at June 30, 2022 are as follows:

	<u>Program</u> <u>Activities</u>	<u>Administrative</u> <u>and General</u>	<u>Auxiliary</u> <u>Enterprises</u>	<u>Total</u> <u>Expenses</u>
Salaries, wages and fringes	\$ 29,404,856	\$ 9,063,342	\$ 730,107	\$ 39,198,305
Operating expenses	10,946,416	673,082	813,317	12,432,815
Outside services	884,929	4,842,405	2,803,875	8,531,209
Depreciation and amortization	6,175,490	1,041,664	1,040,357	8,257,511
Interest	<u>1,626,413</u>	<u>281,563</u>	<u>773,465</u>	<u>2,681,441</u>
	<u>\$ 49,038,104</u>	<u>\$ 15,902,056</u>	<u>\$ 6,161,121</u>	<u>\$ 71,101,281</u>

Functional expenses of the University at June 30, 2021 are as follows:

	<u>Program</u> <u>Activities</u>	<u>Administrative</u> <u>and General</u>	<u>Auxiliary</u> <u>Enterprises</u>	<u>Total</u> <u>Expenses</u>
Salaries, wages and fringes	\$ 28,408,060	\$ 7,419,897	\$ 698,472	\$ 36,526,429
Operating expenses	9,619,443	1,103,069	843,198	11,565,710
Outside services	805,119	4,797,250	2,221,309	7,823,678
Depreciation and amortization	6,257,030	909,321	802,206	7,968,557
Interest	<u>1,626,413</u>	<u>502,239</u>	<u>773,465</u>	<u>2,902,117</u>
	<u>\$ 46,716,065</u>	<u>\$ 14,731,776</u>	<u>\$ 5,338,650</u>	<u>\$ 66,786,491</u>

SUPPLEMENTAL INFORMATON



CHATHAM UNIVERSITY

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Consolidated Financial Statement Cross Reference	Financial Responsibility Composite Score Element	Amount
<u>PRIMARY RESERVE RATIO</u>		
Expendable Net Assets		
Consolidated Statements of Financial Position - Net assets without donor restrictions	Net Assets Without Donor Restrictions	\$ 20,356,189
Statements of Financial Position - Net assets with donor restrictions	Net Assets With Donor Restrictions	111,566,784
Consolidated Statements of Financial Position - Split-dollar insurance receivable and related-party receivables from board of trustees	Unsecured Related-Party Receivables	394,500
Consolidated Statements of Financial Position - Land, buildings and equipment, net	Property, Plant and Equipment, net (includes construction-in-progress)	114,417,946
Not applicable	Operating and Financing Lease Right-Of-Use Asset, net	-
Not applicable	Intangible Assets	-
Note 9 - Retirement Plans	Post-Employment and Defined Benefit Pension Liabilities	842,000
Note 12 - Annuity and trust agreements	Annuities With Donor Restrictions	107,112
Not applicable	Term Endowments With Donor Restrictions	-
Not applicable	Income Funds With Donor Restrictions	-
Consolidated Statements of Financial Position - Bonds and notes payable, net and capital lease obligation	Long-Term Debt Obtained for Long-Term Purposes	62,839,840
Not applicable	Operating and Financing Lease Right-Of-Use Liability	-
Note 12 - Total funds not subject to appropriation or expenditure	Net Assets With Donor Restrictions (restricted in perpetuity)	68,474,270
Total Expenses and Losses Without Donor Restrictions		
Consolidated Statements of Activities and Changes in Net Assets - Total Expenses and Other Deductions	Total Expenses Without Donor Restrictions	71,101,281
Note 3 - Investment Return	Nonoperating and Net Investment (Losses)	(9,880,630)
Not applicable	Pension-Related Changes Other Than Net Periodic Costs	-
<u>EQUITY RATIO</u>		
Modified Net Assets		
Consolidated Statements of Financial Position - Net assets without donor restrictions	Net Assets Without Donor Restrictions	\$ 20,356,189
Statements of Financial Position - Net assets with donor restrictions	Net Assets With Donor Restrictions	111,566,784
Not applicable	Intangible Assets	-
Consolidated Statements of Financial Position - Split-dollar insurance receivable, Note 1 - Eden Hall Solar, LLC receivable and Common Orchard Solar LLC, and Note 5 - receivables from members of the Board of Trustees	Unsecured Related-Party Receivables	394,500
Modified Assets		
Consolidated Statements of Financial Position - Total Assets	Total Assets	215,872,395
Not applicable	Intangible Assets	-
Consolidated Statements of Financial Position - Split-dollar insurance receivable, Note 1 - Eden Hall Solar, LLC receivable and Common Orchard Solar LLC, and Footnote 5 - receivables from members of the Board of Trustees	Unsecured Related-Party Receivables	394,500
<u>NET INCOME RATIO</u>		
Consolidated Statements of Activities and Changes in Net Assets - Change in Net Assets Without Donor Restrictions	Change in Net Assets Without Donor Restrictions	\$ (7,759,244)
Consolidated Statements of Activities and Changes in Net Assets - Total Revenues and Other Additions	Total Revenues and Gains	63,342,037

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022

Federal/Pass-Through Grantor Program Title	Contract Number	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Amount Expended
<b>STUDENT FINANCIAL ASSISTANCE CLUSTER: Direct Awards</b>					
Department of Education Programs:					
Federal Pell Grant Program	N/A	84.063		\$	1,585,513
Federal Supplemental Educational Opportunity Grant Program	N/A	84.007			177,727
Federal Work-Study Program	N/A	84.033			313,891
Federal Perkins Loan Program (Note 4)	N/A	84.038			-
Federal Direct Loan Loans (Note 5)	N/A	84.268			<u>27,031,692</u>
Total Student Financial Assistance Cluster					<u>29,108,823</u>
<b>HIGHER EDUCATION EMERGENCY RELIEF FUND</b>					
Department of Education Programs:					
Higher Education Emergency Relief Fund - Student Relief	N/A	84.425E			1,635,070
Higher Education Emergency Relief Fund - Institutional Relief	N/A	84.425F			<u>1,506,013</u>
Total Higher Education Emergency Relief Fund					<u>3,141,083</u>
Total Department Of Education Programs					32,249,906
<b>NATIONAL SCIENCE FOUNDATION: Direct Award</b>					
National Science Foundation					
RUI: Collaborative Research NSF Grant Award	N/A	47.074			142,407
Collaborative Research: X-Rays, 3D Animation and Human Locomotion	N/A	47.075			<u>7,023</u>
Total National Science Foundation					<u>149,430</u>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>					
Women's Business Ownership Assistance	N/A	59.043			<u>312,394</u>
Total U.S. Small Business Administration					<u>312,394</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					
Direct Awards					
Health Resources and Services Administration Behavioral Health					
Workforce Education Training Program	M01HP31291	93.732			357,168
Medical Assistance Program	N/A	93.778			<u>169,991</u>
Total Department Of Health And Human Services: Direct Awards					<u>527,159</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					
Indirect Award					
Pass-Through University of Pittsburgh:					
Drug Abuse and Addiction Research Program	N/A	93.279	2R01DA014204-15A1		<u>22,311</u>
Total Department Of Health And Human Services: Indirect Awards					<u>• 22,311</u>
Total Department Of Health And Human Services					<u>549,470</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>					
Promotion of the Humanities Challenge Grant	N/A	45.130			33,198
Promotion of the Arts Grants to Organizations and Individuals	N/A	45.024			<u>12,069</u>
Total National Endowment For The Humanities					45,267
<b>DEPARTMENT OF AGRICULTURE</b>					
The Food and Agriculture Innovation Lab (CRAFT USDA) Grant	N/A	10.175			<u>256,993</u>
Total Federal Awards					<u>\$ 33,563,460</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, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Chatham University (University) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the University.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - INDIRECT COST RATE

The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - FEDERAL PERKINS LOAN PROGRAM

The federal student loan programs listed below are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic consolidated financial statements. Loans outstanding at the beginning of the year and made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2022 consists of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2022</u>
84.038	Federal Perkins Loan Program	\$431,798

NOTE 5 - FEDERAL DIRECT LOAN PROGRAM

For the Federal Direct 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 consolidated financial statements.



REPORTING UNDER *GOVERNMENT AUDITING STANDARDS* AND UNIFORM GRANT GUIDANCE  
FINANCIAL INFORMATION AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS



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

Board of Trustees  
Chatham University  
Pittsburgh, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Chatham University (University), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 15, 2022.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the University’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s consolidated 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 might exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. 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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
December 15, 2022

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE AND SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Chatham University  
Pittsburgh, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited Chatham University’s (University) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University’s major federal programs for the year ended June 30, 2022. The University’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University’s compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University’s federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above, however material weaknesses or significant deficiencies in internal control over compliance might exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2022 and have issued our report thereon dated December 15, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
December 15, 2022

CHATHAM UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of report the auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

Internal control over financial reporting:

Material weakness identified? \_\_\_\_\_ yes   X   no

Significant deficiency identified? \_\_\_\_\_ yes   X   none reported

Noncompliance material to financial statements notes \_\_\_\_\_ yes   X   no

Federal Awards:

Internal control over major programs:

Material weakness identified? \_\_\_\_\_ yes   X   no

Significant deficiency identified? \_\_\_\_\_ yes   X   none reported

Type of auditor's report on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of major federal programs:

Assistance Listing Numbers  
84.063, 84.007, 84.033, 84.038, 84.268, 84.379  
84.425E, 84.425F

Name of Federal Program or Cluster  
Student Financial Aid Cluster  
Higher Education Emergency Relief Fund - Student  
Aid Portion, Higher Education Emergency Relief Fund  
- Institutional Portion

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_   X   yes



CHATHAM UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, grant agreements and abuse related to the consolidated financial statements for which *Government Auditing Standards* require reporting.

There were no findings noted in the current year that are required to be reported in accordance with *Government Auditing Standards*.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse).

There were no findings noted in the current year that are required to be reported in accordance with 2 CFR 200.516(a).

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