

CHATHAM UNIVERSITY  
Pittsburgh, Pennsylvania

Consolidated Financial Statements  
and  
Supplemental Information  
For the years ended June 30, 2021 and 2020  
and Independent Auditor's Report Thereon



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Chatham University  
Pittsburgh, Pennsylvania

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Chatham University (University), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Schneider Downs & Co., Inc.  
www.schneiderdowns.com



One PPG Place  
Suite 1700  
Pittsburgh, PA 15222  
TEL 412.261.3644  
FAX 412.261.4876

65 E. State Street  
Suite 2000  
Columbus, OH 43215  
TEL 614.621.4060  
FAX 614.621.4062

1660 International Drive  
Suite 600  
McLean, VA 21102  
TEL 571.380.9003

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2021 and 2020, and the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. GAAP.

***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 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 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 schedule of expenditures of federal awards 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 October 29, 2021, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
October 29, 2021

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30	
	2021	2020
Cash and cash equivalents	\$ 203,621	\$ 472,026
Cash and cash equivalents held for debt service payments	2,559,375	2,559,375
	2,762,996	3,031,401
Student accounts receivable (net of allowance of \$1,362,000 and \$1,480,000 as of June 30, 2021 and 2020, respectively)	985,635	1,234,873
Contributions receivable, net	5,319,555	3,283,826
Other receivables	2,063,399	2,085,166
Student loans receivable (net of allowance of \$243,000 and \$231,000 as of June 30, 2021 and 2020, respectively)	317,883	419,877
Investments	100,895,094	83,007,899
Assets held in trust by others	5,165,693	4,329,784
Deferred compensation deposits	1,091,184	957,070
Prepaid expenses and other assets	601,506	740,146
Land, buildings and equipment, net	116,460,623	118,081,674
 Total Assets	 \$ 235,663,568	 \$ 217,171,716
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,873,734	\$ 3,397,479
Accrued liabilities and other	5,597,544	4,860,282
Student deposits and deferred revenues	4,593,398	4,414,741
Capital lease obligations	6,713,623	7,808,309
Line of credit	2,500,000	3,940,000
Bonds and notes payable, net	59,379,679	59,893,023
Advances from federal government for student loans	1,005,765	1,072,956
 Total Liabilities	 84,663,743	 85,386,790
 <b>NET ASSETS</b>		
Without donor restrictions:		
Designated for endowment	18,651,958	13,986,261
Undesignated	9,463,475	11,916,219
Total Net Assets Without Donor Restrictions	28,115,433	25,902,480
With donor restrictions	122,884,392	105,882,446
 Total Net Assets	 150,999,825	 131,784,926
 Total Liabilities And Net Assets	 \$ 235,663,568	 \$ 217,171,716

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
<b>REVENUES AND OTHER ADDITIONS</b>			
Tuition and fees	\$ 67,557,589	\$ -	\$ 67,557,589
Scholarships	(23,445,891)	-	(23,445,891)
	<u>44,111,698</u>	<u>-</u>	<u>44,111,698</u>
Auxiliary enterprises revenues	7,956,874	22,968	7,979,842
Federal and state grants and contracts	310,618	5,860,904	6,171,522
Private gifts and grants	522,781	5,863,360	6,386,141
Interest and dividends	143,726	1,012,597	1,156,323
Net unrealized and realized gains on investments	2,451,945	17,011,710	19,463,655
	<u>55,497,642</u>	<u>29,771,539</u>	<u>85,269,181</u>
<b>Total Revenues And Other Additions</b>			
<b>NET ASSETS RELEASED FROM RESTRICTIONS:</b>			
Operations	12,587,410	(12,587,410)	-
Capital	182,183	(182,183)	-
	<u>12,587,410</u>	<u>(12,587,410)</u>	<u>-</u>
<b>Total Revenues And Other Additions And Net Assets Released From Restrictions</b>			
	<u>68,267,235</u>	<u>17,001,946</u>	<u>85,269,181</u>
<b>EXPENSES AND OTHER DEDUCTIONS</b>			
<b>Program expenses:</b>			
Instruction	26,497,742	-	26,497,742
Library	2,402,223	-	2,402,223
Student services	16,233,374	-	16,233,374
Public service	1,582,726	-	1,582,726
	<u>46,716,065</u>	<u>-</u>	<u>46,716,065</u>
<b>Total Program Expenses</b>			
Administrative and general	14,731,776	-	14,731,776
Auxiliary enterprises expenses	5,338,650	-	5,338,650
	<u>14,731,776</u>	<u>-</u>	<u>14,731,776</u>
<b>Total Expenses And Other Deductions</b>			
	<u>66,786,491</u>	<u>-</u>	<u>66,786,491</u>
<b>OTHER CHANGES IN NET ASSETS</b>			
Gain on disposal of assets	732,209	-	732,209
	<u>732,209</u>	<u>-</u>	<u>732,209</u>
<b>Changes In Net Assets</b>			
	<u>2,212,953</u>	<u>17,001,946</u>	<u>19,214,899</u>
<b>NET ASSETS</b>			
Beginning of year	<u>25,902,480</u>	<u>105,882,446</u>	<u>131,784,926</u>
End of year	<u>\$ 28,115,433</u>	<u>\$ 122,884,392</u>	<u>\$ 150,999,825</u>

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 68,757,003	\$ -	\$ 68,757,003
(23,619,940)	-	(23,619,940)
<u>45,137,063</u>	<u>-</u>	<u>45,137,063</u>
9,620,928	14,111	9,635,039
257,370	1,980,765	2,238,135
691,116	4,896,430	5,587,546
174,888	912,508	1,087,396
<u>418,612</u>	<u>2,984,164</u>	<u>3,402,776</u>
56,299,977	10,787,978	67,087,955
9,479,670	(9,479,670)	-
<u>1,303,584</u>	<u>(1,303,584)</u>	<u>-</u>
67,083,231	4,724	67,087,955
26,734,504	-	26,734,504
2,320,223	-	2,320,223
17,483,291	-	17,483,291
<u>1,577,633</u>	<u>-</u>	<u>1,577,633</u>
48,115,651	-	48,115,651
14,768,661	-	14,768,661
<u>6,319,885</u>	<u>-</u>	<u>6,319,885</u>
69,204,197	-	69,204,197
<u>4,707</u>	<u>-</u>	<u>4,707</u>
(2,116,259)	4,724	(2,111,535)
<u>28,018,739</u>	<u>105,877,722</u>	<u>133,896,461</u>
<u>\$ 25,902,480</u>	<u>\$ 105,882,446</u>	<u>\$ 131,784,926</u>

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 19,214,899	\$ (2,111,535)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,793,908	7,635,731
Gain on disposal of land, buildings and equipment	(63,033)	(4,707)
Net unrealized and realized gains on investments	(18,627,746)	(3,491,501)
Change in value of assets held in trust by others	(835,909)	172,619
Contributions restricted for long-term investments	(5,818,600)	(7,745,245)
Change in allowance for doubtful accounts	(266,090)	244,145
Changes in assets and liabilities:		
Student accounts receivable	367,414	(774,913)
Contributions receivable	(1,887,815)	598,030
Other receivables	21,767	(792,454)
Prepaid expenses and other assets	138,640	(82,647)
Deferred compensation deposits	(134,114)	97,104
Accounts payable, accrued liabilities and other	2,105,745	(63,645)
Student deposits and deferred revenues	178,657	(119,676)
Net Cash Provided by (Used In) Operating Activities	<u>2,187,723</u>	<u>(6,438,694)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction or acquisition of land, buildings and equipment, net of construction payables	(4,426,635)	(4,648,885)
Proceeds from sale of investments	33,270,435	25,641,034
Purchase of investments	(29,413,685)	(16,877,171)
Repayments of loans by students and others	101,994	64,042
Net Cash (Used In) Provided By Investing Activities	<u>(467,891)</u>	<u>4,179,020</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long-term investment	2,702,401	1,098,850
Proceeds from issuance of note payable	2,508,350	-
Payments on long-term debt	(2,976,413)	(2,450,252)
Proceeds from capital project financing	703,064	2,739,187
Proceeds from line of credit	-	2,000,000
Payments on line of credit	(1,440,000)	(62,059)
Payments on capital lease obligations	(3,485,639)	(2,086,704)
Net Cash (Used In) Provided By Financing Activities	<u>(1,988,237)</u>	<u>1,239,022</u>
 Net Increase Decrease In Cash And Cash Equivalents	(268,405)	(1,020,652)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>3,031,401</u>	<u>4,052,053</u>
 End of year	<u>\$ 2,762,996</u>	<u>\$ 3,031,401</u>



	<u>2021</u>	<u>2020</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ <u>2,880,326</u>	\$ <u>3,128,813</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for purchases of equipment	\$ <u>2,390,953</u>	\$ <u>4,174,077</u>
Construction payables outstanding for construction in progress	\$ <u>-</u>	\$ <u>76,900</u>

See notes to consolidated financial statements.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 are responsible for investing, constructing, operating and managing renewable energy systems and other sustainable property at the Eden Hall Campus.

In addition, Chatham University executed a lease agreement with both joint ventures. Eden Hall Solar, LLC leased University property to install an electricity-grid-connected photovoltaic power plant, which is located on the Eden Hall Campus. The term of the lease expired on January 1, 2020. Annual rent payments had been \$1.00. On October 14, 2020, the University entered into an agreement to transfer the photovoltaic power plant assets from Eden Hall Solar LLC to the University. Pursuant to and in consideration of the transfer of assets, the outstanding receivable from Eden Hall Solar LLC of \$328,000 as of June 30, 2020 was deemed paid in full. In addition, all of Chatham Investments, LLC's ownership interest in the Eden Hall Solar, LLC joint venture was transferred to Eden Hall Solar, LLC.

Common Orchard South Solar, LLC leased Chatham University property to install a photovoltaic and thermal power plant, which will be located on the Eden Hall Campus. The term of the lease expires on September 1, 2021 with annual rent payments of \$1.00.

Finally, Chatham University executed a power purchase agreement with both joint ventures. Chatham University agreed to purchase all actual net electrical energy generated by the power plant constructed with Eden Hall Solar, LLC for a term commencing October 1, 2013 and expiring December 31, 2019. Chatham University agreed to purchase all actual net electrical energy generated by the power plant constructed with Common Orchard South Solar, LLC for a term commencing March 6, 2015 and expiring September 1, 2021. There were no minimum purchase commitments within the power purchase agreements. With the transfers of assets to the University, no future power purchase agreement is in place.

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.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

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

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

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed or legal restrictions that may or will be met either by actions of the University and/or passage of time or may be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition - The University's revenue streams consist primarily of student tuition and fees, room and board, and rental income. Under 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 book store 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 \$42,616,000 and \$43,701,000 at June 30, 2021 and 2020, respectively. Gross graduate tuition and fees revenue was approximately \$24,942,000 and \$25,056,000 at June 30, 2021 and 2020, 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 course load 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, 2021 and 2020, respectively, are recognized over time and are included in deferred revenue on the consolidated statements of financial position as of June 30, 2021 and 2020.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

Room and board revenue is presented on the consolidated statements of activities and changes in net assets under the 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, 2021 and 2020, respectively, are recognized over time and are included in deferred revenue on the consolidated statement of financial position at June 30, 2021 and 2020.

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.

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

At June 30, 2021 and 2020, 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, 2021 and 2020, 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 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 exceed federally insured amounts at times.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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

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.

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 2021 and 2020 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 upon 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, 2021 and 2020 approximated \$228,000 and \$242,000, 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 values of investment securities will occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the 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 the investment partnerships, the nature of the investments, current market conditions and other factors that 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, 2021 and 2020, 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, 2021 AND 2020

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 date of acquisition or fair value at date of donation in the case of gifts. The University capitalizes interest expense on the construction of assets to the extent of borrowings related to the construction. There was no interest capitalized for the years ended June 30, 2021 and 2020. 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, 2021 and 2020.

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, 2021 AND 2020

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

Fair Value Measurement - The University follows the Financial Accounting Standards Board (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.

Recent Accounting Pronouncements - In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02 Leases (Topic 842) (ASU 2016-02), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). ASU 2016-02 requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued ASU No. 2018-11 Leases (Topic 842) - Targeted Improvements (ASU 2018-11), which provides an optional transition method of applying the provisions of ASU 2016-02. ASU 2016-02 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted. Also in July 2018, the FASB issued ASU No. 2018-10: Codification Improvements to Topic 842, Leases (ASU 2018-10). The provisions of ASU 2018-10 clarify, correct or remove inconsistencies in the provisions of ASU 2016-02 related to specific issues identified. ASU 2016-02 is expected to impact the University's consolidated financial statements, since the University has certain operating lease arrangements for which it is the lessee. ASU 2016-02 supersedes the previous leases standard, Leases (Topic 840). The FASB also issued ASU 2020-05 in June 2020, which defers the adoption of ASU 2016-02 for one year for organizations that had not already adopted the standard. Therefore, this guidance will be effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Effective July 1, 2020, the University adopted Topic 842 using the modified retrospective transition approach with no significant impact to the consolidated financial statements.

Subsequent Events - The administration of the University has evaluated subsequent events through October 29, 2021, the date on which the consolidated financial statements were available to be issued.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 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.

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, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Total assets at June 30	\$ 235,663,568	\$ 217,171,716
Less:		
Cash and cash equivalents held for debt service payments	2,559,375	2,559,375
Contributions receivable, due in more than one year	1,061,888	1,884,828
Student loans receivable, due in more than one year	317,883	419,877
Donor-restricted endowment funds	81,741,065	62,994,310
Endowment investments, illiquid	14,613,750	11,712,799
Assets held in trust by others	5,165,693	4,329,784
Deferred compensation deposits	1,091,184	957,070
Land, buildings, and equipment, net	<u>116,460,623</u>	<u>118,081,674</u>
Financial assets available at June 30 for current use	\$ <u>12,652,107</u>	\$ <u>14,231,999</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 (\$2,500,000 and \$1,060,000 available at June 30, 2021 and 2020, respectively) to support operations and the seasonality of revenues.

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. Donor-restricted endowment funds are not available for general expenditure.



CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,709,254	\$ 1,295,987
Fixed income	25,955,259	28,377,980
Equities	37,883,966	32,904,050
International funds	10,669,718	2,029,815
Limited partnerships	13,938,587	14,872,846
Real estate investment fund	<u>5,738,310</u>	<u>3,527,221</u>
 Total investments	 100,895,094	 83,007,899
 Assets held in trust by others	 <u>5,165,693</u>	 <u>4,329,784</u>
 Total market value of investments	 \$ <u><u>106,060,787</u></u>	 \$ <u><u>87,337,683</u></u>

Investments at June 30 are composed of the following:

	<u>2021</u>	<u>2020</u>
Endowment	\$ 100,744,864	\$ 82,796,131
Assets held in trust by others	5,165,693	4,329,784
Annuity trust agreements	<u>150,230</u>	<u>211,768</u>
	 \$ <u><u>106,060,787</u></u>	 \$ <u><u>87,337,683</u></u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS (Continued)

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

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 1,156,323	\$ 1,087,396
Net realized gain	6,505,890	2,631,929
Net unrealized gain	12,121,856	943,466
Net unrealized gain (loss) on assets held in trust by others	<u>835,909</u>	<u>(172,619)</u>
	<u>\$ 20,619,978</u>	<u>\$ 4,490,172</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, 2021 AND 2020

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:

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>-</u>	<u>5,165,693</u>	<u>-</u>	<u>5,165,693</u>
 Total investments in the fair value hierarchy	 \$ <u>81,218,197</u>	 \$ <u>5,165,693</u>	 \$ <u>-</u>	 <u>86,383,890</u>
 Investments measured at net asset value (a)				 <u>19,676,897</u>
 Total investments				 \$ <u>106,060,787</u>
	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,295,987	\$ -	\$ -	\$ 1,295,987
Fixed income	28,377,980	-	-	28,377,980
Equities	32,904,050	-	-	32,904,050
International funds	2,029,815	-	-	2,029,815
Assets held in trust by others	<u>-</u>	<u>4,329,784</u>	<u>-</u>	<u>4,329,784</u>
 Total investments in the fair value hierarchy	 \$ <u>64,607,832</u>	 \$ <u>4,329,784</u>	 \$ <u>-</u>	 <u>68,937,616</u>
 Investments measured at net asset value (a)				 <u>18,400,067</u>
 Total investments				 \$ <u>87,337,683</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, 2021 AND 2020

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
	2021	2020			
Limited partnerships	\$ 13,938,587	\$ 14,872,846	\$ 11,271,454	None permitted upon final closing of the fund until liquidation of the funds	N/A
Real estate investment fund	<u>5,738,310</u>	<u>3,527,221</u>	<u>-</u>	Daily	None
	<u>\$ 19,676,897</u>	<u>\$ 18,400,067</u>	<u>\$ -</u>		

Realized gains and unrealized 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, 2021 AND 2020

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

	<u>2021</u>	<u>2020</u>
Gross contributions outstanding	\$ 5,488,932	\$ 3,617,604
Less - unamortized discount	106,700	123,187
Less - allowance	<u>62,677</u>	<u>210,591</u>
	<u>\$ 5,319,555</u>	<u>\$ 3,283,826</u>
Amounts due in:		
Less than one year	\$ 4,427,044	\$ 1,732,776
One to five years	1,061,888	1,299,581
More than five years	<u>-</u>	<u>585,247</u>
	<u>\$ 5,488,932</u>	<u>\$ 3,617,604</u>

Total fundraising expense, representing the cost of the institutional advancement department and the comprehensive campaign, for the years ended June 30, 2021 and 2020 was approximately \$1,297,000 and \$1,301,000, 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 (3.25% at June 30, 2021 and 2020). There were \$2,500,000 and \$3,940,000 of borrowings outstanding at June 30, 2021 and 2020, respectively.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 171,735,773	\$ 164,927,238
Furniture and equipment	37,592,733	35,581,337
Building under capital lease	<u>3,144,406</u>	<u>3,144,406</u>
	212,472,912	203,652,981
Less - Accumulated depreciation and amortization	<u>109,163,024</u>	<u>101,324,576</u>
	103,309,888	102,328,405
Land	10,867,247	10,059,927
Construction in progress	<u>2,283,488</u>	<u>5,693,342</u>
	<u>\$ 116,460,623</u>	<u>\$ 118,081,674</u>

NOTE 8 - BONDS AND NOTES PAYABLE

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

	<u>2021</u>	<u>2020</u>
Series A of 2008	\$ 10,000,000	\$ 10,000,000
Series B of 2008	2,919,698	3,753,116
Series A of 2012	26,970,000	28,150,000
Phase I-B construction loan	14,594,422	15,387,896
Mortgage loans payable	2,881,475	465,203
Eastside phase II loan	<u>1,317,297</u>	<u>1,394,740</u>
	58,682,892	59,150,955
Plus - Unamortized premium	1,102,762	1,177,950
Less - Unamortized debt issuance costs	<u>405,975</u>	<u>435,882</u>
	<u>\$ 59,379,679</u>	<u>\$ 59,893,023</u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Scheduled principal repayments are as follows:

Fiscal Year Ending June 30	Amount
2022	\$ 3,031,845
2023	3,158,978
2024	3,345,268
2025	3,941,926
2026	3,626,833
Thereafter	41,578,043
	<u>\$ 58,682,892</u>

a. Series A of 2008

On September 29, 2008, McKeesport Industrial Development Authority issued \$10,000,000 aggregate principal of its Tax-Exempt Revenue Note Series A of 2008 on behalf of the University. The Series A of 2008 Note was used by the University for the financing of the acquisition of the building and land adjacent to the University's Shadyside Campus and its subsequent partial renovation, financing the acquisition of the apartments for student residence adjacent to the University's Shadyside Campus, financing various capital facilities existing on the University's Shadyside Campus, financing renovations to the University's Eden Hall 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, 2021 and 2020 was \$425,000 and \$289,000, respectively.

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, 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, 2021 and 2020 was \$180,000 and \$175,000, respectively.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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, 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, 2021 and 2020 was \$1,378,000 and \$1,435,500, 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, 2021 and 2020 was \$2,559,375 to satisfy the debt service fund requirement.

d. Phase I-B Construction Loan

On July 16, 2014, 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 \$14,594,000 and \$15,332,000 in borrowings outstanding under this agreement at June 30, 2021 and 2020, respectively. No interest was capitalized during the years ended June 30, 2021 and 2020 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  
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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. The cost of the property acquired totaled \$937,287 and has a net book value of \$775,782 and \$792,783 at June 30, 2021 and 2020, 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 upon 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. The cost of the property acquired was approximately \$2,501,000 and has a net book value of approximately \$2,096,000 at June 30, 2021.

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 ten 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 \$1,317,000 and \$1,395,000 of borrowings outstanding at June 30, 2021 and 2020, 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 an employee has a 403(b) plan already established, the University will match the employee’s contribution from 5% to 10% of the employee’s base compensation. Participation in the defined contribution retirement plan is mandatory for all employees at the 2% contribution level with a 5% match. Contributions of 4% receive a 9% match effective January 1, 2009. Maximum match is 10% on employee contributions of 5%. Effective September 1, 2020, the Plan was amended. The University’s contribution to the Plan for participating employees ranges from 3%-7% for contributions made after September 1, 2020. An employee with a base salary below \$50,000 who contributes the mandatory 2% receives a 5% University match. If an employee contributes more than 2%, they will receive an additional 2% match, for a total 7% University match. An employee with a base salary of \$50,000 and above receives a flat 3% University match. In addition, the University contributes to a union-administered defined contribution retirement plan for certain hourly employees, which is funded based upon hours worked. Expense charged to operations for these plans was approximately \$1,090,000 and \$2,120,000 for the years ended June 30, 2021 and 2020, respectively.

The University also sponsors deferred compensation plans in accordance with Sections 457(b) and 457(f) of the Internal Revenue Code of 1986 (IRC). Benefits are payable under these plans equal to the fair value of the underlying investments. Amounts payable under these plans and related fair value of assets held by the University included in accrued liabilities and in the accompanying consolidated statements of financial position are approximately \$1,091,000 and \$957,000 as of June 30, 2021 and 2020, respectively, related to these plans.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 the year 2022. Lease payments are adjusted annually by a percentage increase or decrease in the Bureau of Labor Statistics Consumer Price Index. Net rent will not decrease below \$205,600 per year. At the end of the lease term, the University is obligated to purchase the building at its fair market value at that time. Assets recorded under the capital lease agreement totaled \$3,144,406 as of both June 30, 2021 and 2020, and accumulated depreciation totaled \$1,297,066 and \$1,139,846 as of June 30, 2021 and 2020, respectively.

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 \$3,129,010 as of June 30, 2021 and 2020, and accumulated depreciation totaled \$2,349,092 and \$1,694,655 as of June 30, 2021 and 2020, 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 \$1,532,000 and \$1,580,500 and accumulated depreciation totaled \$890,632 and \$571,438 as of June 30, 2021 and 2020, respectively.

In April 2019, the University executed a land lease agreement with 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. The University did not recognize any in-kind rent for the value of this lease for the fiscal years ended 2021 and 2020, as the facilities are not yet in service.

In February 2020, in connection with the aforementioned land lease agreement with 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 will be the home to the University's lacrosse and soccer teams, and will be utilized by community groups for youth football and other activities. The project is primarily funded by donations and grants, some of which have not been received as of June 30, 2021. The term of the lease is five years.

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 \$1,353,085 and \$1,434,890 and accumulated depreciation totaled \$682,736 and \$343,485 as of June 30, 2021 and 2020, respectively.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 10 - LEASES (Continued)

During the year ended June 30, 2021, the University entered into ten 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 342,038 as of June 30, 2021.

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, 2021 and 2020 was \$696,000 and \$993,000, 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>
2022	\$ 3,831,319	\$ 147,187	\$ 3,978,506
2023	895,031	107,802	1,002,833
2024	435,713	57,112	492,825
2025	217,897	-	217,897
	<u>5,379,960</u>	<u>312,101</u>	<u>5,692,061</u>
Less - Amounts representing interest	<u>243,302</u>	<u>-</u>	<u>243,302</u>
Present value of minimum lease payments	<u>\$ 5,136,658</u>	<u>\$ 312,101</u>	<u>\$ 5,448,759</u>

NOTE 11 - ENDOWMENT

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

Interpretation of Relevant Law - The Board of Trustees has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 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. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board of Trustees must elect, in writing, a spending rate of between 2% and 7%. For the years ended June 30, 2021 and 2020, the University utilized a 10% spending rate based on a three-year average of historical endowment market values. The last fiscal year used to determine the transfer for the fiscal year ended June 30, 2021 was the fiscal year ended June 30, 2020.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 11 - ENDOWMENT (Continued)

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. However, due to the COVID-19 pandemic, there have been changes to Act 141 that have allowed for larger transfers to help organizations faced with challenges from the pandemic. Due to this, the University elected to transfer 10% as of June 30, 2021 and 2020. In 2021 and 2020, the spendable return approximated \$5,991,881 and \$6,055,828, 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. The 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, 2021	\$ <u>18,651,958</u>	\$ <u>87,408,829</u>	\$ <u>106,060,787</u>
June 30, 2020	\$ <u>13,986,261</u>	\$ <u>73,351,422</u>	\$ <u>87,337,683</u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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, 2019	\$ 10,631,940	\$ 75,504,329	\$ 86,136,269
Investment return:			
Investment income	174,888	912,508	1,087,396
Net unrealized appreciation	123,606	1,822,469	1,946,075
Contributions	-	1,039,575	1,039,575
Net asset transfers	-	128,368	128,368
Appropriation of endowment assets for expenditures	6,055,827	(6,055,827)	-
Spend	<u>(3,000,000)</u>	<u>-</u>	<u>(3,000,000)</u>
Endowment net assets, June 30, 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	<u>\$ 18,651,958</u>	<u>\$ 87,408,829</u>	<u>\$ 106,060,787</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 in which they have interpreted to be permitted under Act 141. Deficiencies of this nature that are reported in net assets with donor restriction total \$239,246 and \$2,046,402, and the associated fair value of these funds was \$6,719,788 and \$9,031,473, as of June 30, 2021 and 2020, 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, 2021 AND 2020

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>2021</u>	<u>2020</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	\$ 7,729,042	\$ 6,281,639
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	47,671,511	34,854,436
Annuity and trust agreements	<u>150,231</u>	<u>211,768</u>
	55,550,784	41,347,843
Funds not subject to appropriation or expenditure:		
Scholarships	25,798,953	23,657,918
Professorships and other	16,372,874	15,884,003
Falk School of Sustainability	15,000,000	15,000,000
Eden Hall Campus	8,310,000	8,310,000
Library	670,539	670,539
Awards	654,607	579,165
General operations	<u>526,635</u>	<u>432,978</u>
	<u>67,333,608</u>	<u>64,534,603</u>
	<u>\$ 122,884,392</u>	<u>\$ 105,882,446</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>2021</u>	<u>2020</u>
Funds expended for a specified purpose:		
Gifts and other unexpended revenues available for Scholarships, instruction, construction of Eden Hall Campus, and other programs	\$ 8,372,988	\$ 6,479,421
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	4,367,514	4,271,343
Annuity and trust agreements	<u>29,091</u>	<u>32,490</u>
	<u>\$ 12,769,593</u>	<u>\$ 10,783,254</u>

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 \$1,644,196 and \$1,672,813 from the Federal Pell Grant and \$274,008 and \$227,700 from PHEAA programs in fiscal years 2021 and 2020, respectively.

In March 2020, the University completed and submitted to the Department of Education (ED) the Federal Funding Certification and Agreement to participate in Higher Education Emergency Relief Fund (HEERF) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The University has reflected the full grant of \$1,162,375 in federal and state grants and contracts in the consolidated statement of activities and changes in net assets as of and for the year ended June 30, 2020 in accordance with FASB ASC 958-605. Pursuant to the agreement, the University is required to distribute no less than 50% of the total grant received to eligible students, referred to as Part A. The remaining portion of the grant, referred to as Part B, is available to cover expenses associated with significant changes to the delivery of instruction due to the disruptions caused by the COVID-19 pandemic incurred on or after March 13, 2020, including refunds processed to students, enhancements to online learning platforms and other technology related expenses, and certain other qualifying expenses that have a clear nexus to significant changes to the delivery of instruction due to the COVID-19 pandemic. Part B is also available to provide additional funding to students at the University's discretion. The University credited \$1,147,694 to eligible students covered by 100% of Part A and 97% of Part B, which is reflected in auxiliary enterprises revenues on the consolidated statements of activities and changes in net assets.

In January 2021, the University obtained additional HEERF awards as part of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA 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 was awarded approximately \$3,239,000 of additional HEERF awards as part of the American Rescue Plan act (ARP act). The amount drawn and expended for the year ended June 30, 2021 was insignificant to the financial statements. The University expects to expend the majority of the award during the year ended June 30, 2022.

CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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 \$840,000 and \$800,000 as of June 30, 2021 and 2020, 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. The topic 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, 2021 and 2020 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 2018.



CHATHAM UNIVERSITY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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, 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>

Functional expenses of the University at June 30, 2020 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	\$ 28,772,570	\$ 8,282,077	\$ 771,261	\$ 37,825,908
Operating expenses	11,040,439	634,467	1,302,428	12,977,334
Outside services	859,711	4,182,929	2,573,897	7,616,537
Depreciation and amortization	5,666,059	1,120,098	827,281	7,613,438
Interest	<u>1,776,872</u>	<u>549,090</u>	<u>845,018</u>	<u>3,170,980</u>
	<u>\$ 48,115,651</u>	<u>\$ 14,768,661</u>	<u>\$ 6,319,885</u>	<u>\$ 69,204,197</u>

SUPPLEMENTAL INFORMATON



CHATHAM UNIVERSITY

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

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	\$ 28,115,433
Statements of Financial Position - Net assets with donor restrictions	Net Assets With Donor Restrictions	122,884,392
Consolidated Statements of Financial Position - Split-dollar insurance receivable, related party receivables from Board of Trustees or other related parties	Unsecured Related-Party Receivables	723,000
Consolidated Statements of Financial Position - Land, buildings and equipment, net	Property, Plant and Equipment, net (includes construction-in-progress)	116,460,623
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	1,091,000
Note 12 - Annuity and trust agreements	Annuities With Donor Restrictions	150,231
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	66,093,302
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)	67,333,608
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	66,786,491
Note 3 - Investment Return	Non-Operating and Net Investment (Losses)	20,619,978
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	\$ 28,115,433
Statements of Financial Position - Net assets with donor restrictions	Net Assets With Donor Restrictions	122,884,392
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	723,000
Modified Assets		
Consolidated Statements of Financial Position - Total Assets	Total Assets	235,663,568
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	723,000
<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	\$ 2,212,953
Consolidated Statements of Activities and Changes in Net Assets - Total Revenues and Other Additions	Total Revenues and Gains	68,999,444

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

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			\$ 1,644,196
Federal Supplemental Educational Opportunity Grant Program	N/A	84.007			121,977
Federal Work-Study Program	N/A	84.033			311,239
Federal Perkins Loan Program (Note 4)	N/A	84.038			-
Federal Direct Loan Loans (Note 5)	N/A	84.268			<u>27,658,372</u>
Total Student Financial Assistance Cluster					<u>29,735,784</u>
<b>HIGHER EDUCATION EMERGENCY RELIEF FUND</b>					
Department of Education Programs:					
Higher Education Emergency Relief Fund - Student Relief	N/A	84.425E			561,529
Higher Education Emergency Relief Fund - Institutional Relief	N/A	84.425F			<u>1,390,464</u>
Total Higher Education Emergency Relief Fund					<u>1,951,993</u>
Total Department Of Education Programs					31,687,777
<b>NATIONAL SCIENCE FOUNDATION: Direct Award</b>					
National Science Foundation					
RUI: Collaborative Research NSF Grant Award	N/A	47.074			34,857
Collaborative Research: X-Rays, 3D Animation, and Human Locomotion	N/A	47.075			<u>9,576</u>
Total National Science Foundation					<u>44,433</u>
<b>U.S. SMALL BUSINESS ADMINISTRATION</b>					
Women's Business Ownership Assistance	N/A	59.043			<u>479,985</u>
Total U.S. Small Business Administration					<u>479,985</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			<u>366,822</u>
Total Department Of Health And Human Services: Direct Awards					<u>366,822</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>					
Indirect Award					
Pass-Through Washington County:					
Medical Assistance Program	N/A	93.778			16,304
Pass-Through Allegheny County:					
Medical Assistance Program	N/A	93.778			153,687
Pass-Through University of Pittsburgh:					
Drug Abuse and Addiction Research Program	N/A	93.279	2R01DA014204-15A1		<u>24,143</u>
Total Department Of Health And Human Services: Indirect Awards					<u>194,134</u>
Total Department Of Health And Human Services					<u>560,956</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>					
Promotion of the Humanities Challenge Grant	N/A	45.130			20,093
Promotion of the Arts Grants to Organizations and Individuals	N/A	45.024			<u>11,288</u>
Total National Endowment For The Humanities					31,381
<b>DEPARTMENT OF AGRICULTURE</b>					
The Food and Agriculture Innovation Lab (CRAFT USDA) Grant	N/A	10.175			<u>169,504</u>
Total Federal Awards					<u>\$ 32,974,036</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, 2021

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, 2021. 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 subsequently 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, 2021 consists of:

<u>Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2021</u>
84.038	Federal Perkins Loan Program	\$505,873

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Chatham University (University), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 29, 2021.

***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) to determine the 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 might exist that have not been identified.

***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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***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  
October 29, 2021

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 described 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, 2021. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Schneider Downs & Co., Inc.  
www.schneiderdowns.com



One PPG Place  
Suite 1700  
Pittsburgh, PA 15222  
TEL 412.261.3644  
FAX 412.261.4876

65 E. State Street  
Suite 2000  
Columbus, OH 43215  
TEL 614.621.4060  
FAX 614.621.4062

1660 International Drive  
Suite 600  
McLean, VA 21102  
TEL 571.380.9003

### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### ***Report on Internal Control Over Compliance***

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses might exist that have not been identified.

### ***Purpose of This Report***

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.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
October 29, 2021

CHATHAM UNIVERSITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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).