CHATHAM UNIVERSITY
Pittsburgh, Pennsylvania

Consolidated Financial Statements
and
Supplemental Information
For the years ended June 30, 2017 and 2016

and Independent Auditors' Report Thereon

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INDEPENDENT AUDITORS' 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, 2017 and 2016, 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 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; 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.

Auditors' 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 auditors' 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.

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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 12, 2017, 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 12, 2017

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2017	2016
ASSETS		
Cash and cash equivalents	$ 3,254,151	$ 3,592,649
Cash and cash equivalents held for debt service payments	2,559,375	2,559,375
	5,813,526	6,152,024
Student accounts receivable (net of allowance of $1,322,000 and $1,634,000 as of June 30, 2017 and 2016, respectively)	931,075	1,118,815
Contributions receivable, net	1,549,968	3,687,775
Other receivables	1,768,828	2,193,518
Student loans receivable (net of allowance of $230,000 and $278,000 as of June 30, 2017 and 2016, respectively)	613,011	636,702
Investments	77,680,284	74,972,477
Assets held in trust by others	4,295,785	4,049,549
Deferred compensation deposits	1,074,250	889,087
Prepaid expenses and other assets	682,664	585,569
Land, buildings and equipment, net	125,508,956	127,578,508
Total Assets	$ 219,918,347	$ 221,864,024
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 2,573,466	$ 2,802,137
Accrued liabilities and other	4,288,557	4,359,628
Student deposits and deferred revenues	5,505,625	5,231,433
Capital lease obligations	4,089,659	4,352,873
Lines of credit	3,246,789	-
Bonds and notes payable, net	65,922,277	68,307,118
Advances from federal government for student loans	1,253,872	1,253,872
Total Liabilities	86,880,245	86,307,061
NET ASSETS		
Unrestricted:		
Designated for endowment	9,932,509	10,463,915
Undesignated	28,904,937	35,678,504
Total Unrestricted Net Assets	38,837,446	46,142,419
Temporarily restricted	33,581,343	29,982,286
Permanently restricted	60,619,313	59,432,258
Total Net Assets	133,038,102	135,556,963
Total Liabilities And Net Assets	$ 219,918,347	$ 221,864,024

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS				
Tuition and fees	$ 52,235,367	$ -	$ -	$ 52,235,367
Scholarships	(13,852,124)	-	-	(13,852,124)
	38,383,243	-	-	38,383,243
Auxiliary enterprises revenues	8,913,100	102,257	-	9,015,357
Federal and state grants and contracts	196,420	769,809	-	966,229
Private gifts and grants	814,899	2,659,888	784,815	4,259,602
Interest and dividends, net of investment expense of $176,000 and $138,000, respectively	129,181	966,265	-	1,095,446
Net unrealized and realized gains (losses) on investments	630,542	6,159,942	246,236	7,036,720
Net asset transfers	-	(156,004)	156,004	-
Total Revenues And Other Additions	49,067,385	10,502,157	1,187,055	60,756,597
NET ASSETS RELEASED FROM RESTRICTIONS:				
Operations	5,671,854	(5,671,854)	-	-
Capital	1,231,246	(1,231,246)	-	-
Total Revenues And Other Additions And Net Assets Released From Restrictions	55,970,485	3,599,057	1,187,055	60,756,597
EXPENSES AND OTHER DEDUCTIONS				
Educational and student services:				
Instruction	22,624,734	-	-	22,624,734
Library	1,889,158	-	-	1,889,158
Student services	14,751,961	-	-	14,751,961
Public service	1,560,511	-	-	1,560,511
Total Education And Student Services	40,826,364	-	-	40,826,364
Administrative and general	16,589,502	-	-	16,589,502
Auxiliary enterprises expenses	5,859,592	-	-	5,859,592
Total Expenses And Other Deductions	63,275,458	-	-	63,275,458
Changes In Net Assets	(7,304,973)	3,599,057	1,187,055	(2,518,861)
NET ASSETS				
Beginning of year	46,142,419	29,982,286	59,432,258	135,556,963
End of year	$ 38,837,446	$ 33,581,343	$ 60,619,313	$ 133,038,102

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$	48,732,296	$ -	$ -	$ 48,732,296
	(12,265,482)	-	-	(12,265,482)
	36,466,814	-	-	36,466,814
	9,329,174	37,804	-	9,366,978
	163,856	803,066	-	966,922
	599,648	4,515,276	773,289	5,888,213
	172,941	870,095	-	1,043,036
	30,588	(615,719)	(228,265)	(813,396)
	-	-	-	-
	46,763,021	5,610,522	545,024	52,918,567
	6,158,665	(6,158,665)	-	-
	2,755,081	(2,755,081)	-	-
	55,676,767	(3,303,224)	545,024	52,918,567
	21,766,929	-	-	21,766,929
	1,805,983	-	-	1,805,983
	12,908,985	-	-	12,908,985
	1,402,047	-	-	1,402,047
	37,883,944	-	-	37,883,944
	15,674,664	-	-	15,674,664
	5,647,332	-	-	5,647,332
	59,205,940	-	-	59,205,940
	(3,529,173)	(3,303,224)	545,024	(6,287,373)
	49,671,592	33,285,510	58,887,234	141,844,336
$	46,142,419	$ 29,982,286	$ 59,432,258	$ 135,556,963

See notes to consolidated financial statements.

CHATHAM UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (2,518,861)	$ (6,287,373)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	6,764,641	5,958,571
Net unrealized and realized (gains) losses on investments	(6,790,484)	585,131
Change in value of assets held in trust by others	(246,236)	228,265
Contributions restricted for long-term investments	(6,346,058)	(5,779,094)
Changes in assets and liabilities:		
Student accounts receivable, net	187,740	(2,863)
Contributions receivable, net	2,137,807	819,759
Other receivables	424,690	(149,551)
Prepaid expenses and other assets	(97,095)	(126,891)
Deferred compensation deposits	(185,163)	(24,095)
Accounts payable, accrued liabilities and other	(332,727)	(1,268,639)
Student deposits and deferred revenues	274,192	1,283,329
Net Cash Used In Operating Activities	(6,727,554)	(4,763,451)
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction or acquisition of land, buildings and equipment, net of construction payables	(4,153,401)	(16,417,433)
Proceeds from sale of investments	14,229,523	13,909,489
Purchase of investments	(4,585,603)	(540,250)
Loans made to students and others, net	(150,850)	(128,055)
Repayments of loans by students and others	174,541	128,811
Net Cash Provided By (Used In) Investing Activities	5,514,210	(3,047,438)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	784,815	773,289
Proceeds from issuance of debt	-	6,766,161
Payments on long-term debt	(2,312,613)	(1,646,124)
Proceeds from lines of credit	3,500,000	-
Payments on lines of credit	(253,211)	-
Payments on capital lease obligations	(844,145)	(948,327)
Net Cash Provided By Financing Activities	874,846	4,944,999
Net Decrease In Cash And Cash Equivalents	(338,498)	(2,865,890)
CASH AND CASH EQUIVALENTS		
Beginning of year	6,152,024	9,017,914
End of year	$ 5,813,526	$ 6,152,024

	2017	2016
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 2,599,094	$ 2,463,968
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for purchases of equipment	$ 580,931	$ 1,181,100
Construction payables outstanding for construction in progress	$ 778,000	$ -

See notes to consolidated financial statements.

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 to invest, construct, operate and manage renewable energy systems and other sustainable property at the Eden Hall Campus.

In addition, the University executed a lease agreement with both of the joint ventures. Eden Hall Solar, LLC will lease University property to install an electricity grid-connected photovoltaic power plant, which will be located on the Eden Hall Campus. The term of the lease expires on January 1, 2020 with annual rent payments of $1.00. Common Orchard South Solar, LLC will lease 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, the University executed a power purchase agreement with both of the joint ventures. The 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. The 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 are no minimum purchase commitments within the power purchase agreement.

The consolidated financial statements include the financial position and results of operations of Chatham University and Chatham Investments LLC, which is hereinafter referred to as the "University." All material intercompany transactions have been eliminated in consolidation. At June 30, 2017 and 2016, the University has an outstanding receivable of approximately $328,000 due from Eden Hall Solar, LLC, and an outstanding receivable of approximately $532,000 at June 30, 2017 and 2016 due from Common Orchard South Solar, LLC. These amounts are included in other receivables in the accompanying consolidated statements of financial position.

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 GAAP.

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

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

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

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

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

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

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

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 temporarily restricted support 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 unrestricted assets when placed in service.

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

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. Included on the consolidated statements of financial position is $2,559,375 held for debt service payments as required by the University Revenue Bonds Series A of 2012 agreement.

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 2017 and 2016 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.

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

Loan balances are written-off when they are deemed to be permanently uncollectible. Amounts past due as of June 30, 2017 and 2016 approximated $243,084 and $286,520, 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. 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 no ready market are valued at fair value as estimated by management. In estimating fair value, management takes into consideration valuations reported to the University by the investment partnerships, the nature of the investments, current market conditions and other factors that the University considers relevant. 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 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, 2017 and 2016, 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 may differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

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

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 year ended June 30, 2017. Capitalized interest for the year ended June 30, 2016 was approximately $381,000. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are 20 to 40 years for buildings and improvements; 7 years for equipment and furniture; and 4 years for vehicles. Gifts of long-lived assets are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The University releases temporarily restricted contributions for asset acquisitions when the asset is placed into service.

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

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 may 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. Based upon management's analysis, there were no impairment losses recorded for the years ended June 30, 2017 and 2016.

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. Contributed collection items intended for sale by the University are recorded as an asset at their estimated net realizable value.

Student Deposits and Deferred Revenues - At June 30, 2017 and 2016, student deposits and deferred revenues includes student deposits, deferred rental payments, deferred tuition payments, and deferred summer camp payments. The University recognizes revenue to the extent that the services are provided.

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.

Fair Value Measurement - The University follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) topic Fair Value Measurement and Disclosures, 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 3.)

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. In accordance with FASB Accounting Standards Update (ASU) 2015-03, 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.

Tuition and Fees - Tuition and fees are reported on the consolidated statements of activities and changes in net assets are reported net of discretionary discounts, which include both discounts and funded scholarships. The University generally recognizes revenue in the academic period that tuition is earned and collectability is reasonably assured. All payments received in advance for the subsequent academic period are recorded as deferred revenue. Discretionary tuition discounts are University funds awarded by the University to reduce the net amount of tuition paid by students.

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

Funded scholarships are shown separately and represent awards and prizes given to students. There is corresponding revenue funding these awards from endowed and nonendowed gifts and certain government grants. Revenues from those sources are included in investment income, contributions and grants categories of the consolidated statements of activities and changes in net assets. These scholarships are not considered part of what the University considers its discretionary tuition discount; however, they are reduced from gross tuition to derive the total tuition discount.

Recent Accounting Pronouncements - The FASB has issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which is the result of a joint project of FASB and the International Accounting Standards Board (IASB) to clarify the principles for recognizing revenue and to develop a common revenue standard for use in the U.S. and internationally. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605 of the FASB Codification and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 enhances comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets, reduces the number of requirements an entity must consider for recognizing revenue, and requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue that is recognized. In August 2015, the FASB issued ASU 2015-14, a deferral on the implementation date, and this guidance is effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 requires either retrospective application by restating each prior period presented in the financial statements, or retrospective application by recording the cumulative effect on prior reporting periods to beginning retained earnings in the year that the standard becomes effective. The University is currently assessing the impact that the adoption of ASU 2014-09 will have on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15 (ASU 2014-15) related to the disclosure of uncertainties about an entity's ability to continue as a going concern. ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern every reporting period and to provide related footnote disclosures in certain circumstances. The amendments in ASU 2014-15 will be effective for all entities in the first annual period ending after December 15, 2015, with early adoption permitted. The University adopted this ASU for the year ended June 30, 2017, which resulted in no change to the presentation of the consolidated financial statements.

In February 2016, the FASB issued 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. 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 standard is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The University is currently in the process of evaluating the impact that the adoption of ASU 2016-02 will have on its consolidated financial statements.

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

In August 2016, the FASB completed Phase I of its Presentation of Financial Statements of Not-for-Profit Entities and issued ASU No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14), which is intended to simplify and improve not-for-profit financial reporting.

Specifically, the new guidance:

- Revises the net asset classification scheme to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three, while maintaining the requirement to report total net assets and changes in the classes of and total net assets.

- Continues to allow for a choice between the direct and indirect method of reporting operating cash flows; however, presentation of the indirect reconciliation is no longer required if using the direct method.

- Enhances disclosures for:
    - Self-imposed limits on the use of resources without donor-imposed restrictions
    - Composition of net assets with donor restrictions, and how the restrictions affect the use of resources
    - Qualitative disclosures on how a not-for-profit manages its available liquid resources, to meet cash needs for general expenditures within one year of the balance sheet date
    - Quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date.
    - Methods used to allocate costs among program and support functions

- Requires the presentation of expenses by nature as well as function, including an analysis of expenses showing the relationship between functional and natural classification for all expenses.

- Updates the accounting and disclosure requirements for underwater endowment funds, which include required disclosure of (1) policy concerning appropriation from underwater endowment funds, (2) the aggregate fair value of such funds, (3) the aggregate original gift amount (or level required by donor or law) to be maintained, and (4) the aggregate amount by which funds are underwater, which are to be classified as part of net assets with donor restrictions.

- Requires net presentation of investment expenses against investment return on the statement of activities and eliminates the requirement to disclose investment expenses that have been netted.

- Requires the use of, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expiration of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassification of amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption (thus eliminating the current option to release the donor-imposed restrictions over the estimated useful life of the acquired asset.)

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early application permitted. The University is currently evaluating the impact that ASU 2016-14 will have on its consolidated financial statements and related disclosures.

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

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The specific cash issues addressed include the following: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interest in securitization transactions and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2018 and should be applied retrospectively. Early adoption is permitted. The University is currently assessing the impact that the adoption of ASU 2016-15 will have on its consolidated financial statements.

The FASB has issued ASU No. 2016-18 Statement of Cash Flows (Topic 230) (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017 for public businesses and December 15, 2018 for all other entities, with early adoption permitted. The University early adopted ASU 2016-18 for the year ended June 30, 2017, which resulted in no change to the presentation of the consolidated statements of cash flows.

Subsequent Events - The administration of the University has evaluated subsequent events through October 12, 2017, the date on which the consolidated financial statements were available to be issued.

NOTE 2 - INVESTMENTS

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

	2017	2016
Cash and cash equivalents	$ 4,496,644	$ 965,767
Fixed income	3,458,597	3,769,583
Equities	6,286,249	5,207,550
Commingled funds	32,756,431	22,924,622
International funds	2,657,603	11,084,541
Hedge funds	3,841,122	6,610,191
Limited partnerships	14,541,249	15,331,834
Commodity mutual fund	2,489,629	2,397,020
Real estate investment fund	7,152,760	6,681,369
Total investments	77,680,284	74,972,477
Assets held in trust by others	4,295,785	4,049,549
Total market value of investments	$ 81,976,069	$ 79,022,026

NOTE 2 - INVESTMENTS (Continued)

Investments at June 30 are composed of the following:

	2017	2016
Endowment	$ 77,364,752	$ 74,636,249
Assets held in trust by others	4,295,785	4,049,549
Annuity trust agreements	315,532	336,228
	$ 81,976,069	$ 79,022,026

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

	2017	2016
Dividends and interest	$ 1,095,446	$ 1,043,036
Net realized gain	1,727,646	727,835
Net unrealized gain (loss)	5,062,838	(1,312,966)
Net unrealized gain (loss) on assets held in trust by others	246,236	(228,265)
	$ 8,132,166	$ 229,640

NOTE 3 - FAIR VALUE MEASUREMENT

The Fair Value Measurement and Disclosures 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 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.

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

The University's financial instruments consist primarily of cash and cash equivalents, student accounts receivable, contributions receivable, loans receivable, investments, assets held in trust by others, accounts payable, notes payable and bonds payable. The carrying amount of cash and cash equivalents, student accounts receivable and accounts payable approximate their fair value due to the short-term nature of such financial instruments. Contributions receivable and loans to students are reported at the present value of estimated future receipts, less the University's estimate of uncollectible amounts, which approximates fair value. 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.

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

	2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 4,496,644	$ -	$ -	$ 4,496,644
Fixed income	3,458,597	-	-	3,458,597
Equities	6,286,249	-	-	6,286,249
International funds	2,657,603	-	-	2,657,603
Commodity mutual fund	2,489,629	-	-	2,489,629
Assets held in trust by others	-	4,295,785	-	4,295,785
Total investments in the fair value hierarchy	$ 19,388,722	$ 4,295,785	$ -	$ 23,684,507
Investments measured at net asset value (a)				58,291,562
Total Investments				$ 81,976,069

	2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 965,767	$ -	$ -	$ 965,767
Fixed income	3,769,583	-	-	3,769,583
Equities	5,207,550	-	-	5,207,550
International funds	11,084,541	-	-	11,084,541
Commodity mutual fund	2,397,020	-	-	2,397,020
Assets held in trust by others	-	4,049,549	-	4,049,549
Total investments in the fair value hierarchy	$ 23,424,461	$ 4,049,549	$ -	27,474,010
Investments measured at net asset value (a)				51,548,016
Total Investments				$ 79,022,026

(a) In accordance with the University's adoption of ASU 2015-07 and 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.

NOTE 3 - FAIR VALUE MEASUREMENT (Continued)

Investments measured at net asset value 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 net asset value:

Category	Net Asset Value as of June 30 2017	Net Asset Value as of June 30 2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	$ 14,541,249	$ 15,331,834	$ 4,492,066	None permitted upon final closing of the fund until liquidation of the funds	N/A
Hedge funds	3,841,122	6,610,191	-	Quarterly - Annually	30 - 90 days
Real estate investment fund	7,152,760	6,681,369	-	Daily	None
Commingled funds	32,756,431	22,924,622	-	Daily	None
	$ 58,291,562	$ 51,548,016	$ 4,492,066		

Realized gains and unrealized appreciation and depreciation are included in net unrealized and realized gains (losses) on investments in the accompanying consolidated statements of activities and changes in net assets. Unrealized appreciation (depreciation), net, on investments measured at NAV, relates to investments held as of June 30, 2017 and 2016.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

The majority of the University's contributions receivable are due from individual donors and foundations. Contributions receivable include approximately $646,000 and $354,000 from members of the Board of Trustees as of June 30, 2017 and 2016, respectively.

NOTE 4 - CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable at June 30 are as follows:

	2017	2016
Gross contributions outstanding	$ 1,746,818	$ 3,927,219
Less - unamortized discount	125,156	104,886
Less - allowance	71,694	134,558
	$ 1,549,968	$ 3,687,775
Amounts due in:		
Less than one year	$ 969,869	$ 3,393,167
One to five years	376,949	134,052
More than five years	400,000	400,000
	$ 1,746,818	$ 3,927,219

Total fundraising expense, representing the cost of the institutional advancement department and the comprehensive campaign, for the years ended June 30, 2017 and 2016 was $1,625,000 and $1,363,000, respectively, and is included in administrative and general expenses in the consolidated statement of activities and changes in net assets.

NOTE 5 - LINES OF CREDIT

The University has available a $2,000,000 demand line-of-credit agreement with a bank. The agreement is secured by certain real property, due on demand and bears interest at the bank's prime lending rate (4.25% and 3.5% at June 30, 2017 and 2016, respectively). There was $1,747,789 of borrowings outstanding at June 30, 2017. There were no borrowings outstanding at June 30, 2016. At June 30, 2017 and 2016, there were approximately $252,000 and $827,000 issued for standby letters of credit, respectively.

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 (4.25% at June 30, 2017) during the renovation phase. There was $1,500,000 of borrowings outstanding at June 30, 2017.

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

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

	2017	2016
Buildings and improvements	$ 160,464,993	$ 159,197,115
Furniture and equipment	27,614,477	26,378,545
Building under capital lease	3,144,406	3,144,406
	191,223,876	188,720,066
Less - Accumulated depreciation and amortization	79,617,535	72,782,640
	111,606,341	115,937,426
Land	10,059,927	10,059,927
Construction in progress	3,842,688	1,581,155
	$ 125,508,956	$ 127,578,508

NOTE 7 - BONDS AND NOTES PAYABLE

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

	2017	2016
Series A of 2008	$ 10,000,000	$ 10,000,000
Series B of 2008	5,805,238	6,528,111
Series A of 2012	31,345,000	32,310,000
Phase I-B construction loan	17,351,268	17,949,027
Mortgage loans payable	542,857	568,658
	65,044,363	67,355,796
Plus - Unamortized premium	1,403,515	1,478,703
Less - Unamortized debt issuance costs	525,601	527,381
	$ 65,922,227	$ 68,307,118

Scheduled principal repayments are as follows:

Fiscal Year Ending June 30	Total
2018	$ 2,484,340
2019	2,589,407
2020	2,697,303
2021	2,740,485
2022	2,929,479
Thereafter	51,603,349
	65,044,363
Plus - Unamortized premium	1,403,515
Less - Unamortized debt issuance costs	525,601
	$ 65,922,277

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, 2017 and 2016 was $264,917 and $290,445, respectively.

NOTE 7 - BONDS AND NOTES PAYABLE (Continued)

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, 2017 and 2016 was $250,568 and $303,887, respectively.

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, 2017 and 2016 was $1,591,375 and $1,634,000, respectively.

The University is subject to certain reporting covenants and is required to maintain a debt service reserve fund equal to the maximum annual debt service due in any fiscal year on the Series A of 2012 Bonds. Included in cash and cash equivalents at June 30, 2017 was $2,559,375 to satisfy the debt service fund requirement.

NOTE 7 - BONDS AND NOTES PAYABLE (Continued)

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 $17,351,268 and $17,949,027 in borrowings outstanding under this agreement at June 30, 201 and 2016, respectively. No interest was capitalized during the year ended June 30, 2017 related to the outstanding borrowings. Approximately, $381,000 of interest related to the outstanding borrowings was capitalized during the year ended June 30, 2016.

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.

e. 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 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 $680,022 and $860,785 at June 30, 2017 and 2016, respectively.

NOTE 8 - 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%. 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 $1,922,000 and $1,814,000 for the years ended June 30, 2017 and 2016, 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, included in accrued liabilities in the accompanying consolidated statements of financial position, and the related fair value of assets held by the University are approximately $1,074,000 and $889,000 as of June 30, 2017 and 2016, respectively, related to these plans.

NOTE 9 - LEASES

The University has various lease agreements primarily involving the rental of property, vehicles and office equipment. These leases are noncancelable and expire on various dates through the year 2018.

Future minimum rental payments under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2017 are: 2018, $292,000; 2019, $327,000; 2020, $327,000; 2021, $266,000; 2022, $230,000; and $210,000 thereafter.

Rent expense for the years ended June 30, 2017 and 2016 was $637,000 and $341,000, respectively.

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, 2017 and 2016, and accumulated depreciation totaled $904,015 and $825,405 as of June 30, 2017 and 2016, respectively.

On October 1, 2011, the University entered into three capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2016. Amounts are payable in quarterly installments for computers from $8,203 to $21,531 and payable in annual installments for network resources at $173,754. Assets recorded under the capital lease agreements totaled $1,036,176 as of both June 30, 2017 and 2016, and accumulated depreciation totaled $1,036,176 and $962,984 as of June 30, 2017 and 2016, respectively.

On August 1, 2012 and October 1, 2012, the University entered into seven capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2017. Amounts are payable in quarterly installments for computers from $1,235 to $12,526 and payable in annual installments for network resources from $3,018 to $29,205. Assets recorded under the capital lease agreements totaled $417,222 as of June 30, 2017 and 2016, and accumulated depreciation totaled $403,649 and $354,375 as of June 30, 2017 and 2016, respectively.

On October 1, 2013, March 1, 2014, and June 1, 2014, the University entered into five capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2019. Amounts are payable in quarterly installments for computers from $3,477 to $17,289 and payable in annual installments for network resources from $17,289 to $39,852. Assets recorded under the capital lease agreements totaled $611,260 as of June 30, 2017 and 2016, and accumulated depreciation totaled $523,541 and $394,951 as of June 30, 2017 and 2016, respectively.

During the year ended June 30, 2015, the University entered into seven capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2020. Amounts are payable in quarterly installments from $3,971 to $13,834. Assets recorded under the capital lease agreements totaled $882,453 as of June 30, 2017 and 2016, and accumulated depreciation totaled $495,148 and $297,302 as of June 30, 2017 and 2016, respectively.

During the year ended June 30, 2016, the University entered into eight capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2020. Amounts are payable in quarterly installments from $2,162 to $41,906. Assets recorded under the capital lease agreements totaled $1,181,100 as of June 30, 2017 and 2016, and accumulated depreciation totaled $437,939 and $145,980 as of June 30, 2017 and 2016, respectively.

NOTE 9 - LEASES (Continued)

During the year ended June 30, 2017, the University entered into four capital lease agreements involving the rental of computer and network resources. These leases are noncancelable and run through the year 2020. Amounts are payable in quarterly or annual installments from $2,922 to $31,412. Assets recorded under the capital lease agreements totaled $580,931 as of June 30, 2017, and accumulated depreciation totaled $78,367 as of June 30, 2017.

Total obligations under all capital lease agreements are as follows:

Fiscal Year Ending June 30	Amounts
2018	$ 969,374
2019	833,555
2020	714,088
2021	291,151
2022	2,122,691
Thereafter	-
	4,930,859
Less - Amounts representing interest	841,200
Present value of minimum lease payments	$ 4,089,659

NOTE 10 - ENDOWMENT

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

Interpretation of Relevant Law - The Board of Trustees has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141). Act 141 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 permanently restricted investments as income each year. However, the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board of Trustees must elect, in writing, a spending rate of between 2% and 7%. For the year ended June 30, 2017, the University utilized a 7.0% spending rate, based on a three-year average of historical endowment market values. The last fiscal year used to determine the transfer for the fiscal year ended June 30, 2017 was the fiscal year ended June 30, 2016.

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

NOTE 10 - ENDOWMENT (Continued)

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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
June 30, 2017	$ 9,932,509	$ 19,734,247	$ 52,309,313	$ 81,976,069
June 30, 2016	$ 10,463,915	$ 17,435,853	$ 51,122,258	$ 79,022,026

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

	Unrestricted Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2015	$ 16,546,264	$ 21,075,358	$ 50,577,234	$ 88,198,856
Investment return:				
Investment income	172,941	870,095	-	1,043,036
Net unrealized depreciation	30,588	(1,254,008)	(228,265)	(1,451,685)
Contributions	-	-	773,289	773,289
Appropriation of endowment assets for expenditures	3,255,592	(3,255,592)	-	-
Spend	(9,541,470)	-	-	(9,541,470)
Endowment net assets, June 30, 2016	10,463,915	17,435,853	51,122,258	79,022,026
Investment return:				
Investment income	121,413	966,265	-	1,087,678
Net unrealized appreciation	1,415,357	4,955,498	246,236	6,617,091
Contributions	-	-	784,815	784,815
Net asset transfers	-	-	156,004	156,004
Appropriation of endowment assets for expenditures	3,623,369	(3,623,369)	-	-
Spend	(5,691,545)	-	-	(5,691,545)
Endowment net assets, June 30, 2017	$ 9,932,509	$ 19,734,247	$ 52,309,313	$ 81,976,069

NOTE 10 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The University had adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to enhance the purchasing power of the endowment assets through long-term growth. Endowment assets include those assets of donor-restricted funds that the 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.

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.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141, the University annually transfers between 5% and 7%, based on a three-year average of historical endowment market values to unrestricted net assets, for use in current and future operations. In 2017 and 2016, the spendable return approximated $3,623,000 and $3,256,000, 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 unrestricted operating funds 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. At June 30, 2017 and 2016, the aggregate fair market value of certain endowment funds was less than the original corpus by $1,062,000 and $1,319,000, respectively.

NOTE 11 - RESTRICTED NET ASSET BALANCES

Temporarily restricted net assets are restricted for the following sources at June 30:

	2017	2016
Temporarily restricted net assets:		
Gifts and other unexpended revenues available for Scholarships, instruction, construction of Eden Hall Campus, and other programs	$ 5,396,898	$ 6,623,683
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	29,099,917	23,022,375
Annuity and trust agreements	315,532	336,228
Net asset transfer	(156,004)	-
	$ 33,656,343	$ 29,982,286

NOTE 11 - RESTRICTED NET ASSET BALANCES (Continued)

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

	2017	2016
Permanently restricted net assets:		
Scholarships	$ 21,110,992	$ 20,194,556
Professorships and other	14,632,940	14,387,177
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	475,864	475,055
General operations	418,978	394,931
	$ 60,619,313	$ 59,432,258

NOTE 12 - PELL GRANTS AND PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY PROGRAMS

Activity of the Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the University's consolidated financial statements because the amounts represent direct grants to students. Students received $1,339,027 and $1,243,191 from the Federal Pell Grant and $789,138 and $862,388 from PHEAA programs in fiscal years 2017 and 2016, respectively.

NOTE 13 - 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 14 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Accounting for Conditional Asset Retirement Obligations topic of the 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 $690,000 and $543,000 as of June 30, 2017 and 2016, 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 15 - 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 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, 2017 and 2016 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 2014.

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

SCHNEIDER DOWNS

Big Thinking. Personal Focus.

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

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

We have audited, in accordance with 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, 2017, 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 12, 2017.

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*.

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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 12, 2017

CHATHAM UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subreceipients	Amount Expended
STUDENT FINANCIAL ASSISTANCE CLUSTER: Direct Awards				
Department of Education Programs:				
Federal Pell Grant Program	84.063			$ 1,339,027
Federal Supplemental Educational Opportunity Grant Program	84.007			69,217
Federal Work-Study Program	84.033			337,000
Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379			3,724
Federal Perkins Loan Program (Note 4)	84.038			1,026,259
Federal Direct Loan Loans (Note 5)	84.268			25,833,831
Total Department of Education Programs				28,609,058
Total Student Financial Assistance Cluster				28,609,058
NATIONAL SCIENCE FOUNDATION: Direct Award				
National Science Foundation				
S-Stem: Schlr SCI Tech Eng & Match	47.076			220,933
U.S. SMALL BUSINESS ADMINISTRATION				
Women's Business Ownership Assistance	59.043			85,100
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Direct Awards				
Substance Abuse and Mental Health Services Administration				
Screening, Brief Intervention, and Referral to Treatment	93.243	1H79TI025985-02	261,427	261,427
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Indirect Award				
Pass-Through Washington County:				
Medical Assistance Program	93.778			16,304
Pass-Through Allegheny County:				
Medical Assistance Program	93.778			153,687
Total Department of Health and Human Services: Indirect Awards				169,991
Total Department of Health and Human Services				431,418
DEPARTMENT OF AGRICULTURE				
Rural Business Development Grant	10.351			69,503
Total Federal Awards				$ 29,416,012

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, 2016

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, 2016. 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, 2017 consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2017
84.038	Federal Perkins Loan Program	$789,138

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.

SCHNEIDER DOWNS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2017. 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.

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Auditors' 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.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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 12, 2017

CHATHAM UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section:

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	-	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	-	yes	X	none reported
Noncompliance material to financial statements noted?	-	yes	X	no

Federal Awards Section:

Internal control over major programs:				
Material weakness(es) identified?	-	yes	X	no
Significant deficiency(ies) identified not considered to be material weaknesses?	-	yes	X	none reported
Type of auditors' report on compliance for major programs:	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 programs:

CFDA Numbers	Name of Federal Programs
84.063, 84.007, 84.033, 84.379, 84.038, 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	X	yes	-	no

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

CHATHAM UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017
(Continued)

PART II - FINANCIAL STATEMENT FINDINGS SECTION

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting in a Uniform Guidance audit.

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

PART III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (significant deficiencies, material weaknesses and material instances of noncompliance, including questioned costs and material abuse) as well as any abuse findings involving federal awards that is material to a major federal program.

There were no findings noted in the current year that are required to be reported in accordance with Uniform Guidance.

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

CHATHAM UNIVERSITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

This section identifies the reportable conditions, material weaknesses and instances of noncompliance related to the financial statements that were required to be reported in accordance with Government Auditing Standards and Uniform Guidance in the prior year.

Finding Number	Finding	Status

There were no prior-year audit findings.

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