

CHATHAM UNIVERSITY
Pittsburgh, Pennsylvania

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Chatham University (University), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related 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 Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 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 financial statements or to the 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 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 _____, 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

2013

2012

Cash

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER ADDITIONS				
Tuition and fees	\$			

2012			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	Total
\$ 43,779,987	\$ -	\$ -	\$ 43,779,987
(9,600,405)	-	-	(9,600,405)
<u>34,179,582</u>	<u>-</u>	<u>-</u>	34,179,582
7,616,829	-	-	7,616,829
146,191	935,968	-	1,082,159
664,550	1,694,681	1,941,432	4,300,663
598	15,574	-	16,172
(83,745)	788,697	-	704,952
<u>165,124</u>	<u>(1,012,631)</u>	<u>(192,838)</u>	(1,040,345)
42,689,129	2,422,289	1,748,594	46,860,012
<u>4,803,475</u>	<u>(4,803,475)</u>	<u>-</u>	-
47,492,604	(2,381,186)	1,748,594	46,860,012
17,067,947	-	-	17,067,947
1,508,038	-	-	1,508,038
10,561,716	-	-	10,561,716
<u>1,005,777</u>	<u>-</u>	<u>-</u>	1,005,777
30,143,478	-	-	30,143,478
14,496,856	-	-	14,496,856
5,882,377	-	-	5,882,377
<u>1,626,575</u>	<u>-</u>	<u>-</u>	1,626,575
<u>52,149,286</u>	<u>-</u>	<u>-</u>	52,149,286
(4,656,682)	(2,381,186)	1,748,594	(5,289,274)
37,691,960	20,801,023	39,826,806	98,319,789
33,035,278	\$ 18,419,837	\$ 41,575,400	\$ 93,030,515

See notes to financial statements.

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 18,863,978	

	2013	2012
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 2,871,453	\$ 2,405,762

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND **AN paiinc.-12.hid**

CHATHAM UNIVERSITY

NOTES TO FINANCIAL

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property, Plant and Equipment - Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The University capitalizes interest expense on the construction of assets to the extent of borrowings related to the construction. There was no capitalized interest for the years ended June 30, 2013 and 2012. 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.

The University reviews the carrying amount of property, plant 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 discounted 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, 2013 and 2012.

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 are not reflected in the financial statements.

Student Deposits and Deferred Revenues - At June 30, 2013 and 2012, 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 incurred.

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

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 2 - INVESTMENTS (Continued)

As of June 30, 2013, the University has outstanding commitments to fund

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 4 - CONTRIBUTIONS RECEIVABLE (Continued)

Total fundraising expense, representing the cost of the institutional advancement department and the comprehensive campaign, for the years ended June 30, 2013 and 2012 was \$1,441,000 and \$1,078,000, respectively, and is included in administrative and general expenses in the statement of activities and changes in net assets.

NOTE 5 - LINE-OF-CREDIT PAYABLE

The University has available a \$2,000,000 demand line-of-credit

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

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

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 6 - BONDS AND NOTES PAYABLE (Continued)

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

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 7 - RETIREMENT PLANS (Continued)

The University also sponsors deferred compensation plans. TD(7)Tj0.5 0.022 TD()Tj0.283 -0.022 TD[c7(p)0(e2 TD(

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 8 - LEASES (Continued)

Total obligations under all capital lease agreements are as follows:

Fiscal Year Ending June 30	Amounts
2014	\$ 692,587
2015	670,439
2016	557,768
2017	321,017
2018	274,925
Thereafter	<u>2,897,208</u>
	5,413,944
Less - Amounts representing interest	<u>1,402,394</u>
Present value of minimum lease	<u>\$ 4,011,550</u>

NOTE 9 - RESTRICTED NET ASSET BALANCES

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

	2013	2012
Temporarily restricted net assets:		
Gifts and other unexpended revenues available for Scholarships, instruction, construction of Eden Hall, and other programs	\$ 16,440,859	\$ 4,318,709
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	19,789,375	13,612,449
Annuity and trust agreements	<u>459,350</u>	<u>488,679</u>
	<u>\$ 36,689,584</u>	<u>\$ 18,419,837</u>

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 9 - RESTRICTED NET ASSET BALANCES (Continued)

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

2013	2012
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CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2013	\$ <u>18,559,972</u>	\$ <u>20,995,170</u>	\$ <u>34,069,739</u>	\$ <u>73,624,881</u>
June 30, 2012	\$ <u>16,464,714</u>	\$ <u>14,815,779</u>	\$ <u>33,265,400</u>	\$ <u>64,545,893</u>

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

	<u>Unrestricted Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2011	\$ 18,279,426	\$ 16,345,167	\$ 31,516,806	\$ 66,141,399
Investment return:				
Investment income	371,799	964,794	-	1,336,593
Net unrealized depreciation	(1,968,062)	(1,012,631)	(192,838)	(3,173,531)
Contributions	-	-	1,941,432	1,941,432
Appropriation of endowment assets for expenditures	1,481,551	(1,481,551)	-	-
Spend	<u>(1,700,000)</u>	<u>-</u>	<u>-</u>	<u>(1,700,000)</u>
Endowment net assets, June 30, 2012	16,464,714	14,815,779	33,265,400	64,545,893
Investment return:				
Investment income	294,485	790,742	-	1,085,227
Net unrealized appreciation	2,763,991	7,253,764	223,868	10,241,623
Contributions	-	-	580,471	580,471
Appropriation of endowment assets for expenditures	1,865,115	(1,865,115)	-	-
Spend	<u>(2,828,333)</u>	<u>-</u>	<u>-</u>	<u>(2,828,333)</u>
Endowment net assets, June 30, 2013	\$ <u>18,559,972</u>	\$ <u>20,995,170</u>	\$ <u>34,069,739</u>	\$ <u>73,624,881</u>

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 10 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters - The University had adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to enhance the purchasing power of the endowment assets through long-term growth. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved

CHATHAM UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 12 - COMMITMENTS AND CONTINGENCIES (Continued)

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

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

NOTE 13 - 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 \$462,000 and \$437,000 as of June 30, 2013 and 2012, 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 14 - INCOME TAXES

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

COMPLIANCE AND INTERNAL CONTROL REPORT

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 financial statements of Chatham University (University), which include the management's financial statements, for the year ended June 30, 2022, and the internal control over financial reporting of the University as of and for the year ended June 30, 2022, and have issued our report thereon dated August 1, 2022.

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.

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Pittsburgh, Pennsylvania
November 4, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CHATHAM UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Expended</u>
STUDENT FINANCIAL ASSISTANCE (SFA) CLUSTER: Direct Awards		
U.S. Department of Education:		
Federal Pell Grant Program	84.063	\$ 1,237,920
Federal Supplemental Educational Opportunity Grant Program	84.007	89,135
Federal Work-Study Program	84.033	325,865
Teacher Education Assistance for College and Higher Education Grants	84.379	8,000
Federal Perkins Loan Program (Note 3)	84.038	-
Federal Direct Loan Loans (Note 4)	84.268	-
		<hr/>
Total Student Financial Assistance Cluster		1,660,920
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Direct Awards		
ARRA Grants for Training in Primary Care Medicine and Dentistry Training and Enhancement	93.403	224,413
Affordable Care Act: Expansion of Physician Assistant Training Program	93.514	<hr/> 131,998
		<hr/>
Total Department of Health and Human Services		356,411
DEPARTMENT OF HEALTH AND HUMAN SERVICES: Indirect Award		
Pass-Through Allegheny County:		
Medical Assistance Program	93.778	<hr/> 157,587
		<hr/>
Total Federal Awards		\$ <hr/> <hr/> 2,174,918

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, 2013

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 3 - FEDERAL PERKINS LOAN PROGRAM

The University administers the following federal loan program:

	Outstanding Balance at <u>June 30, 2012</u>
Federal Perkins Loan Program	\$ <u>1,033,732</u>

Total loan disbursements for the fiscal year amount to \$85,377, which is composed entirely of loans to students.

NOTE 4 - FEDERAL FAMILY EDUCATION 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 financial statements.

During the fiscal year ended June 30, 2013, the University processed the following amount of new loans under the Federal Direct Loan Program (which includes Federal Stafford Loans, Federal Parents' Loans for Undergraduate Students and Federal Supplemental Loans for Students):

	Loans <u>Processed</u>
Federal Direct Loans	\$ <u>30,397,333</u>

REPORTING UNDER GOVERNMENT
AUDITING STANDARDS AND OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statement Section:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

yes X no

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

yes X none reported

Noncompliance material to financial statements noted?

yes X no

Federal Awards Section:

Internal control over major programs:

Material weakness(es) identified?

yes X no

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

yes X none reported

Type of auditors' report on compliance for major programs:

Unqualified

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

yes X no

Identification of major programs:

CFDA Numbers

CHATHAM UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30,2013

(Continued)

PART II - FINANCIAL STATEMENT FINDINGS SECTION

This section identifies the deficiencies, significant deficiencies, material weaknesses and

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number

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